

# KGroup Holdings Limited 千盛集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8475

## SHARE OFFER



Sole Sponsor



Joint Bookrunners



# IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

# K Group

## K GROUP HOLDINGS LIMITED

## 千盛集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PUBLIC OFFER AND PLACING

Number of Offer Shares	: 100,000,000 Shares
Number of Public Offer Shares	: 10,000,000 Shares (subject to re-allocation)
Number of Placing Shares	: 90,000,000 Shares (subject to re-allocation)
Offer Price	: Not more than HK\$0.8 per Offer Share and expected to be not less than HK\$0.5 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 8475

#### Sole Sponsor



#### Joint Bookrunners



#### Joint Lead Managers



#### Co-managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus and the Application Forms, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or around Friday, 3 August 2018, and in any event no later than Friday, 10 August 2018. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, 10 August 2018, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$0.8 per Offer Share and is currently expected to be not less than HK\$0.5 per Offer Share unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.kgroup.com.hk](http://www.kgroup.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus, and the Application Forms.

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the right in certain circumstances, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Monday, 13 August 2018). Further details of the terms of the termination provisions are set out in "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act and in accordance with Regulation S of the US Securities Act.

31 July 2018

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## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable, our Company will issue a separate announcement on our Company's website at [www.kgroup.com.hk](http://www.kgroup.com.hk) and the website of the Stock Exchange at <http://www.hkexnews.hk>.*

**Date and time<sup>(1)</sup>**

**2018**

Application Lists open<sup>(2)</sup> ..... 11:45 a.m. on Friday, 3 August

Latest time for lodging **WHITE** and **YELLOW** Application

Forms and giving **electronic application instructions**

to HKSCC<sup>(3)</sup> ..... 12:00 noon on Friday, 3 August

Application Lists close<sup>(2)</sup> ..... 12:00 noon on Friday, 3 August

Expected Price Determination Date<sup>(4)</sup> on ..... Friday, 3 August

Announcement of the final Offer Price, the level of indication

of interest in the Placing, the level of applications in

the Public Offer and the basis of allocation of the Public

Offer Shares to be published on the Stock Exchange's website

at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website

at [www.kgroup.com.hk](http://www.kgroup.com.hk) on or before ..... Friday, 10 August

Announcement of results of applications and Hong Kong

Identity Card/passport/Hong Kong business registration

numbers of successful applicants (where applicable)

under the Public Offer to be available under a variety

of channels as described in "How to Apply for Public

Offer Shares – 9. Publication of results" in this

prospectus from ..... Friday, 10 August

Results of allocations in the Public Offer to be available at

[www.ewhiteform.com.hk/results](http://www.ewhiteform.com.hk/results) with a

"search by ID" function from ..... Friday, 10 August

Despatch/collection of share certificates in respect of wholly

or partially successful applications pursuant to the

Public Offer on or before<sup>(5)</sup> ..... Friday, 10 August

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Despatch/collection of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before<sup>(6 to 8)</sup> . . . . . Friday, 10 August

Dealing in the Shares on GEM expected to commence at 9:00 a.m. on . . . . . Monday, 13 August

*Notes:*

1. All times and dates refer to Hong Kong local time and date, except as otherwise stated. Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 August 2018, the Application Lists will not open and close on that day. Further information is set out in “How to Apply for Public Offer Shares – 8. Effect of bad weather on the opening of the Application Lists” in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to Apply for Public Offer Shares – 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Friday, 3 August 2018, and in any event no later than Friday, 10 August 2018. If, for any reason, the Offer Price is not agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Friday, 10 August 2018, the Share Offer (including the Public Offer) will not proceed and will lapse.
5. Share certificates will only become valid certificates of title provided that, no later than 8:00 a.m. on the Listing Date the Share Offer has become unconditional; and the right of termination as described in “Underwriting – Public Offer – Grounds for termination” in this prospectus has not been exercised at any time prior to 8:00 a.m. on the Listing Date.
6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect refund cheques (where applicable) and share certificates (where applicable) in person from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 August 2018. Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
7. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all required information may collect their refund cheques (if any) in person but may not elect to collect their share certificates personally, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares are the same as those for applicants who apply on **WHITE** Application Forms.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in “How to Apply for Public Offer Shares – 11. Refund of application monies” in this prospectus.

**Particulars of the structure of the Share Offer, including the conditions thereto, are set out in “Structure and Conditions of the Share Offer” in this prospectus.**

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors or any other person or party involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.*


### OVERVIEW

We are a multi-brand restaurant group headquartered in Singapore, of which our restaurants are mainly operated under a franchise model. We offer Korean and Japanese cuisines with casual dining concepts that target the middle-income mass market in Singapore, Malaysia and Indonesia. We seek to bring quality food to our customers in an authentic manner. According to the CIC Report, we ranked fifth among Korean restaurant operators in Singapore in terms of revenue in 2017 and with a market share of approximately 8.7% in the Korean restaurant market. Our Group has a market share in terms of revenue of (i) approximately 2.8% in the Korean and Japanese casual dining restaurant market; and (ii) approximately 0.4% in the overall restaurant market, in Singapore in 2017. As at the Latest Practicable Date, we had 12 self-operated restaurants and one central kitchen in total, including:

- four self-operated restaurants in Singapore and one self-operated restaurant in Malaysia opened during the Track Record Period under the brand “Chir Chir ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean fried chicken restaurant chain;
- two self-operated restaurants in Singapore opened during the Track Record Period under the brand “Masizzim ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean stew dish restaurant chain;
- two self-operated restaurant in Singapore of which one and one opened during and subsequent to the Track Record Period under our self-developed brand “Kogane Yama ” which offers Japanese premium tendon bowls;
- two self-operated restaurant in Singapore opened subsequent to the Track Record Period under the brand “Nipong Naepong ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean fusion noodle restaurant chain;
- one self-operated restaurant in Singapore opened subsequent to the Track Record Period under the brand “NY Night Market ” pursuant to an exclusive franchise we obtained from the Chir Chir Franchisor which also owns a restaurant chain offering Korean fusion western food; and



## SUMMARY

- one central kitchen in Singapore opened during the Track Record Period under our self-developed brand “Gangnam Kitchen ” which offers catering and delivery services of Korean food in Singapore and serves as the central kitchen to our restaurants in Singapore.

We have also licensed the brand “Chir Chir” to the Indonesia Licensee which have (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate a total of four restaurants under the same brand in Indonesia as at the Latest Practicable Date.

### BUSINESS MODEL

During the Track Record Period, we derived the majority of our revenue from the operations of our self-operated restaurants in Singapore and Malaysia. The table below sets forth our revenue breakdown by nature for the Track Record Period:

	Year ended 30 September				Four months ended 31 January			
	2016		2017		2017		2018	
	SGD'000	%	SGD'000	%	SGD'000	%	SGD'000	%
Restaurant operations	8,763	95.1	12,974	93.7	4,110	92.3	4,650	92.3
Sale of food and food ingredients	371	4.0	228	1.6	158	3.5	227	4.5
Royalty income	85	0.9	649	4.7	187	4.2	161	3.2
<b>Total</b>	<b>9,219</b>	<b>100.0</b>	<b>13,851</b>	<b>100.0</b>	<b>4,455</b>	<b>100.0</b>	<b>5,038</b>	<b>100.0</b>

During the Track Record Period, our revenue from sales of food and food ingredients mainly represented (i) revenue from sales of food through the operation of Gangnam Kitchen which is our central kitchen that provides catering and delivery services of Korean food in Singapore to customers ordered online; and (ii) sales of food ingredients to our Indonesia Licensee (being our licensee for “Chir Chir” restaurants in Indonesia).

Our Group’s royalty income during the Track Record Period represented the royalties from the Indonesia Licensee, Jaesan Food Holdings (being our business partner for our majority-owned subsidiary operating our “Chir Chir” restaurant in Malaysia) and Mr. Peh (being our business partner for another of our majority-owned subsidiary operating our “Kogane Yama” restaurant in Singapore) pursuant to the respective business partnership arrangement and sub-license arrangement.

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## SUMMARY

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### RESTAURANT OPERATIONS

We adopt a multi-faceted business model in terms of brands, cuisines, countries of operations and mode of operations. Our multi-faceted business model enables us to capture customers with different origins, tastes and preferences and therefore allows us to diversify our revenue sources.

As at the Latest Practicable Date, we self-operated four “Chir Chir” restaurants, two “Masizzim” restaurants, two “Kogane Yama” restaurants, two “Nipong Naepong” restaurants, one “NY Night Market” restaurant and one central kitchen under the brand “Gangnam Kitchen” in Singapore, and one “Chir Chir” restaurant in Malaysia. The brands “Chir Chir” and “NY Night Market” are owned by the same franchisor, whereas the brands “Masizzim” and “Nipong Naepong” are owned by different franchisors for each brand.

The following table sets forth a breakdown of our revenue from restaurant operations by brand for the Track Record Period:

	Year ended 30 September				Four months ended 31 January			
	2016		2017		2017		2018	
	SGD'000	%	SGD'000	%	SGD'000	%	SGD'000	%
	(unaudited)							
Chir Chir	6,693	76.4	10,277	79.2	3,431	83.5	3,303	71.0
Masizzim	2,070	23.6	2,405	18.5	679	16.5	1,101	23.7
Kogane Yama	–	–	292	2.3	–	–	246	5.3
<b>Total</b>	<b>8,763</b>	<b>100.0</b>	<b>12,974</b>	<b>100.0</b>	<b>4,110</b>	<b>100.0</b>	<b>4,650</b>	<b>100.0</b>

During the Track Record Period, certain of our revenue was generated from sale of vouchers issued by our restaurants. Sale of vouchers amounted to approximately SGD122,000, SGD734,000 and SGD76,000, which accounted for approximately 1.3%, 5.3% and 1.5% of our revenue for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. The face value of the expired vouchers amounted to approximately SGD4,900, SGD9,300 and SGD3,800 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively and will be recognised as forfeited income in our profits and loss. For details, please see “Business – Sales and Marketing – Sale of vouchers”.

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## SUMMARY

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The following table summarises the movement of the number of our self-operated restaurants during the Track Record Period and up to the Latest Practicable Date:

	Chir Chir	Masizzim	Kogane Yama	Nipong Naepong	NY Night Market	Total
As at 1 October 2015	2	1	–	–	–	3
Additions <sup>(Note 1)</sup>	2	–	–	–	–	2
Closures	–	–	–	–	–	–
As at 30 September 2016	4	1	–	–	–	5
Additions <sup>(Notes 2, 3 and 4)</sup>	2	1	1	–	–	4
Closures	–	–	–	–	–	–
As at 30 September 2017	6	2	1	–	–	9
Additions	–	–	–	–	–	–
Closures <sup>(Note 5)</sup>	(1)	–	–	–	–	(1)
As at 31 January 2018	5	2	1	–	–	8
Additions <sup>(Note 6)</sup>	–	–	1	2	1	4
Closures	–	–	–	–	–	–
As at the Latest Practicable Date	<u>5</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>12</u>

*Notes:*

- Chir Chir (CP) and Chir Chir (JEM) commenced operation on 4 December 2015 and 22 July 2016 in Singapore, respectively.
- Chir Chir (BJ) and Chir Chir (PV) commenced operation on 1 October 2016 in Singapore and 24 January 2017 in Malaysia, respectively.
- Masizzim (Westgate) commenced operation on 10 May 2017 in Singapore.
- Kogane Yama (BJ) commenced operation on 4 June 2017 in Singapore.
- Chir Chir (BP) ceased operation on 20 January 2018 in Singapore.
- Kogane Yama (JEM), Nipong Naepong (JEM) Nipong Naepong (313) and NY Night Market (Westgate) commenced operation in Singapore on 20 February 2018, 18 February 2018, 22 June 2018, and 13 March 2018, respectively.

# SUMMARY

## Key operational and financial data of our restaurants

The table below sets forth the key operational data of our self-operated restaurants during the Track Record Period:

Brand	Restaurant	Year ended 30 September 2016						Year ended 30 September 2017						Four months ended 31 January 2018								
		Total revenue (SGD'000)	Average spending per dine-in customer per visit (SGD)	Daily seat turnover rate (times)	Average daily number of dine-in customer visit	Net operating margin	Total revenue (SGD'000)	Average spending per dine-in customer per visit (SGD)	Daily seat turnover rate (times)	Average daily number of dine-in customer visit	Net operating margin	Total revenue (SGD'000)	Average spending per dine-in customer per visit (SGD)	Daily seat turnover rate (times)	Average daily number of dine-in customer visit	Net operating margin	Total revenue (SGD'000)	Average spending per dine-in customer per visit (SGD)	Daily seat turnover rate (times)	Average daily number of dine-in customer visit	Net operating margin	
Chir Chir	Chir Chir (313)	3,460	22.0	3.3	401	21%	2,366	24.6	2.1	252	21%	865	23.1	2.4	286	23%						
	Chir Chir (BP) <sup>(Note 3)</sup>	1,272	21.9	2.0	147	23%	1,003	26.4	1.3	98	19%	208	21.5	0.9	65	5%						
	Chir Chir (CP) <sup>(Note 1)</sup>	1,295	21.1	2.6	189	15%	1,122	23.2	1.6	117	8%	337	20.2	1.7	125	8%						
Masizzim	Chir Chir (JEM) <sup>(Note 1)</sup>	525	22.1	4.6	320	15%	2,153	23.1	3.5	243	19%	801	21.7	3.9	276	28%						
	Chir Chir (BJ) <sup>(Note 1)</sup>	N/A	N/A	N/A	N/A	N/A	2,062	23.7	1.9	231	25%	659	21.3	1.9	226	23%						
	Chir Chir (PV) <sup>(Note 1)</sup>	N/A	N/A	N/A	N/A	N/A	481	12.1	2.0	147	12%	205	9.7	1.9	142	20%						
Masizzim	Masizzim (313)	2,070	21.0	3.0	267	18%	1,721	24.1	2.2	195	16%	595	22.0	2.2	202	25%						
	Masizzim (Westgate) <sup>(Note 1)</sup>	N/A	N/A	N/A	N/A	N/A	684	22.9	3.1	204	28%	486	21.1	2.6	170	21%						
Kogane Yama	Kogane Yama (BJ) <sup>(Note 1)</sup>	N/A	N/A	N/A	N/A	N/A	292	19.7	2.8	125	28%	240	18.7	2.1	95	33%						

### Notes:

- Chir Chir (CP), Chir Chir (JEM), Chir Chir (BJ), Chir Chir (PV), Masizzim (Westgate) and Kogane Yama (BJ) commenced operation on 4 December 2015, 22 July 2016, 1 October 2016, 24 January 2017, 10 May 2017 and 4 June 2017, respectively.
- Chir Chir (CP), Chir Chir (JEM), Chir Chir (BJ), Chir Chir (PV), Masizzim (Westgate) and Kogane Yama (BJ) were not in full-year operation for the year ended 30 September 2016. Therefore, the change in total revenue for the year ended 30 September 2017 is not applicable.
- In January 2018, we ceased operation of Chir Chir (BP) in Singapore because of its decline in operating results, which we believe was caused by the reopening a recently renovated shopping mall next to the mall where the restaurant was situated.
- Total revenue of each of the restaurants does not include revenue generated from (i) vouchers of approximately SGD122,000, SGD734,000 and SGD51,000; (ii) sales generated from catering to clubs of approximately SGD11,000, SGD358,000 and SGD176,000; and (iii) promotional coupons provided by the mall where our restaurants operate of approximately SGD9,000, nil and nil for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively.

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## SUMMARY

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For the analysis of the operating performance of our self-operated restaurants, please see “Business – Restaurant and catering brands”.

As at the Latest Practicable Date, we leased a total of 13 premises in Singapore and one premise in Malaysia from Independent Third Parties for our self-operated restaurants, central kitchen and head office. Our current leases will expire between 2018 and 2021, of which one will expire in 2018, four in 2019, two in 2020, five in 2021 and one was entered as a cooperation agreement. On 7 November 2017, we entered into a letter of offer with the landlords for the operation of our second “Chir Chir” restaurant in Malaysia, which is expected to open in the fourth quarter of 2018. Our rentals and related expenses amounted to approximately SGD1.7 million, SGD2.9 million and SGD1.1 million for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively, representing approximately 19.0%, 20.6% and 21.2% of our revenue for the same period, respectively. Please see “Business – Real properties – Leased properties” for details.

### EMPLOYMENT

We had a total of 69, 94 and 92 full-time employees, and 110, 64 and 44 part-time employees as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively, in our operations in Singapore and Malaysia, out of which 40, 53 and 54 employees are foreign workers for the corresponding periods. As at the Latest Practicable Date, the remaining foreign worker quota entitled by our Group was two.

### CUSTOMERS AND SUPPLIERS

Due to the nature of our restaurant and catering business, our major customers were mainly retail customers (being general public in our countries of operation), except for (i) the Indonesia Licensee; (ii) Jaesan Food Holdings; (iii) Mr. Peh ; and (iv) Arena Investment which purchased vouchers from us during the Track Record Period. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, total revenue attributable to the abovementioned customers amounted to approximately SGD0.5 million, SGD1.0 million and SGD0.2 million, respectively, representing approximately 4.9%, 7.6% and 3.6% of our total revenue. Please see “Business – Sales and marketing” for details.

Each of Jaesan Food Holdings and Mr. Peh are substantial shareholders of non-wholly owned subsidiaries of our Company and accordingly are connected persons of our Company. Please see “Connected Transactions” for details.

Our suppliers are mainly food ingredient suppliers, beverage suppliers, utensil suppliers and cooking equipment suppliers, etc. As at the Latest Practicable Date, we maintain a list of approximately 70 food and beverages suppliers for our restaurants in Singapore and Malaysia. We generally do not have any long term contracts with any of our suppliers, which we believe is in line with the industry practices. Our largest supplier, Nine International, acts as an export agent for the Chir Chir Franchisor and the Masizzim Franchisor, who supplies sauces and powders directly from Korea to us.

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## SUMMARY

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For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, purchases from our five largest suppliers accounted for approximately 76.4%, 64.6% and 58.2% of our total purchases, respectively; and purchases from our largest supplier accounted for approximately 30.1%, 19.4% and 18.4% of our total purchases, respectively.

### COMPETITION

According to the CIC Report, the restaurant and catering market in Singapore, Malaysia and Indonesia is intensely competitive, with approximately 351, 2,772 and 2,978 Korean and Japanese restaurants in 2017, respectively. The majority of the market participants are small to medium-sized enterprises. The leading operators often manage a large portfolio of chained and independent restaurants cutting across various price segments. The top five players accounted for approximately 55.0% of the Korean casual dining restaurant market in Singapore, in terms of revenue in 2017. Please see “Industry Overview” for details.

### KEY STRENGTHS

We believe that we possess the following key strengths which contributed to our success, as well as distinguishing us and positioning us for significant further growth in the future: (i) proven abilities to select franchised brands which appeal to our customers; (ii) our restaurants are strategically located in convenient shopping malls; (iii) a relentless commitment to food quality and hygiene as well as dining experience; and (iv) a passionate and dynamic management team.

We intend to become a leading restaurant operator in Singapore and to extend our network to other Southeast Asian countries. We plan to achieve our goals by implementing the following key strategies: (i) continue to grow our business by procuring new franchised brands; (ii) open restaurants of existing brands outside the central area of Singapore; and (iii) develop more restaurant brands and continue to strengthen our regional presence, marketing efforts and information technology system.

### RISK FACTORS

Our Group’s operations are subject to a number of risks, a detailed discussion of which is set out in “Risk Factors”. Set out below are some of the major risks that are considered to be material by our Directors:

- we are reliant on the master franchise rights in respect of the “Chir Chir” and the “Masizzim” brands and any discontinuation of such rights could materially and adversely impact our business, results of operations and financial condition;
- our business and operation are susceptible to product liability or food safety claims;
- we are subject to certain restrictions contained in our franchise agreements and we have breached certain material terms of the Chir Chir Franchise Agreements during the Track Record Period;

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## SUMMARY

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- we have no control over our business partners and licensees and any actions taken by such partners and licensees may adversely affect our business partnership licensing arrangements and in turn affect the operation of our Group;
- we are subject to changes in consumer preferences;
- we are susceptible to the popularity of various brands and products;
- we may not be able to continue to successfully expand our product offering and brand portfolio; and
- our self-developed dishes and the dishes of our franchised brands may face competition from competitors' imitation dishes.

### CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and Share Offer, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Canola will hold approximately 54.25% of the issued share capital of our Company. As Canola is entitled to directly exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, Canola is regarded as our Controlling Shareholder under the GEM Listing Rules. Canola is owned as to approximately 33.69% by Mr. Terence Lai, 23.17% by Mr. Yeap, 16.85% by Mr. Ho, 12.64% by Mr. Tan, 12.64% by Mr. Ng and 1.01% by Mr. Derek Lai. As each of them will act in concert to exercise their voting rights in our Company through their interests in Canola pursuant to the Acting-in-concert Confirmation, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai will be a group of Controlling Shareholder(s) of our Company under the GEM Listing Rules. Therefore, Canola, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai will all be regarded as our Controlling Shareholder(s) under the GEM Listing Rules.

Each of our Controlling Shareholder(s) confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

### PRE-IPO INVESTMENT

Pursuant to the Pre-IPO Investment as detailed in "History, Reorganisation and Corporate Structure – Pre-IPO Investment", the Investors, namely First Maple Capital Ltd, Kong Kin Fei, Ng Seng Kee, Mr. Peh, Ricardo Juanito Karjono, Riva Alberto Karjono, Rudi Darmawan, Saphira Devi Karjono, Tai Shin Fatt, and Tan Yit Hoe became the shareholders of K Food Holdings through subscription of shares in K Food Holdings and acquisition of shares from the then existing shareholders of K Food Holdings in November 2017. Our Investors come from various background, who are either a substantial shareholder and director of Kogane Yama, a relative of an Indonesian individual who owns interests in the Indonesia Licensee, or other

## SUMMARY

individuals who engage in the finance or trading industries, of which most of them has limited experience in operation of the business of our Group. Upon Listing, save as Tan Yit Hoe who will own approximately 5% of the issued share capital of our Company, none of our Investors individually would be interested in more than 5% of the issued share capital of our Company and the Investors collectively would be in aggregate interested in approximately 18.28% of the issued share capital of our Company.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Summary of combined statements of profit or loss and other comprehensive income

	Year ended 30 September				Four months ended 31 January			
	2016		2017		2017		2018	
	<i>equivalent to approximately</i>		<i>equivalent to approximately</i>		<i>equivalent to approximately</i>		<i>equivalent to approximately</i>	
	SGD'000	HK\$'000	SGD'000	HK\$'000	SGD'000 (unaudited)	HK\$'000 (unaudited)	SGD'000	HK\$'000
Revenue	9,219	54,392	13,851	81,721	4,455	26,167	5,038	29,724
Profit/(loss) before tax	1,309	7,723	1,924	11,352	526	3,103	(1,160)	(6,844)
Profit/(loss) for the year/period	1,129	6,661	1,568	9,251	447	2,637	(1,261)	(7,440)
Profit/(loss) for the year/period attributable to owners of our Company	1,129	6,661	1,610	9,499	480	2,832	(1,231)	(7,263)

#### Summary of combined statements of financial position

	As at 30 September				As at 31 January	
	2016		2017		2018	
	<i>equivalent to approximately</i>		<i>equivalent to approximately</i>		<i>equivalent to approximately</i>	
	SGD'000	HK\$'000	SGD'000	HK\$'000	SGD'000	HK\$'000
Non-current assets	2,863	16,892	3,040	17,936	4,070	24,013
Current assets	2,085	12,302	4,116	24,284	4,909	28,963
Current liabilities	1,901	11,216	3,186	18,797	4,194	24,745
Net current assets	184	1,086	930	5,487	715	4,219
Total equity	2,847	16,797	3,658	21,582	4,560	26,904



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## SUMMARY

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### Summary of combined statements of cash flows

	Year ended 30 September				Four months ended 31 January			
	2016		2017		2017		2018	
	<i>equivalent to</i>		<i>equivalent to</i>		<i>equivalent to</i>		<i>equivalent to</i>	
	<i>approximately</i>		<i>approximately</i>		<i>approximately</i>		<i>approximately</i>	
	<i>SGD'000</i>	<i>HK\$'000</i>	<i>SGD'000</i>	<i>HK\$'000</i>	<i>SGD'000</i>	<i>HK\$'000</i>	<i>SGD'000</i>	<i>HK\$'000</i>
					(unaudited)	(unaudited)		
Operating cash flows before movements in working capital	1,909	11,263	2,586	15,257	737	4,348	(919)	(5,422)
Net cash generated from (used in) operations	1,006	5,935	1,919	11,322	680	4,012	(1,351)	(7,971)
Net cash used in investing activities	(1,506)	(8,885)	(599)	(3,534)	(582)	(3,434)	(853)	(5,033)
Net cash from (used in) financing activities	454	2,679	(284)	(1,676)	(32)	(189)	1,941	11,452
Cash and cash equivalent at end of the period	268	1,581	1,304	7,694	334	1,971	1,043	6,154

For the four months ended 31 January 2018, our net loss before tax, net loss for the period and net loss for the period attributable to owners of our Company amounted to approximately SGD1.2 million, SGD1.3 million and SGD1.2 million, respectively, which was mainly due to the Listing expenses of approximately SGD1.8 million incurred for the period. Excluding the Listing expenses, our net profit before tax, net profit for the period and net profit for the period attributable to owners of our Company amounted to approximately SGD0.6 million, SGD0.5 million and SGD0.5 million for the four months ended 31 January 2018, respectively.

For the four months ended 31 January 2018, our net cash used in operating activities amounted to approximately SGD1.4 million as compared to net cash generated from operating activities of approximately SGD0.7 million for the corresponding period in the prior year, which was mainly derived from (i) our loss before tax of approximately SGD1.2 million primarily resulting from the recognition of Listing expenses of approximately SGD1.8 million for the period whereas no such expenses were incurred in the corresponding period in 2017; and (ii) increase in trade and other receivables, deposits and accruals of approximately SGD0.9 million as a result of (a) increase in payment of rental deposit as we entered into new lease agreements to expand our restaurant network; and (b) increase in trade receivables from the Indonesia Licensee.

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For more details of our cash flow, please see “Financial Information – Liquidity and Capital Resources – Cash flows”.

### Key financial ratios

	Year ended 30 September		Four months ended
	2016	2017	31 January 2018
Net profit margin before interest and tax (%)	14.4	14.3	(22.3)
Net profit margin (%)	12.2	11.6	(24.4)
Adjusted net profit margin (%) <sup>(Note 1)</sup>	12.2	11.6	10.5
Return on equity (%)	39.7	45.3	N/A
Return on total assets (%)	22.8	22.5	N/A
Interest coverage (times)	82.8	33.6	N/A
Current ratio (times)	1.1	1.3	1.2
Quick ratio (times)	0.9	1.2	1.1
Gearing ratio (%) <sup>(Note 2)</sup>	18.9	30.2	26.2
Debt-to-equity ratio (%)	9.5	N/A	3.3

*Notes:*

- Adjusted net profit margin is calculated based on the net profit or loss excluding the Listing expenses divided by the total revenue and multiplied by 100%. The decline in our adjusted net profit margin for the year ended 30 September 2017 was mainly due to the lower tax concessions for the year, and the decrease in the adjusted net profit margin for the four months ended 31 January 2018 was mainly due to the increase in repair and maintenance expenses, the staff costs and rental and related expenses relating to the opening of new restaurants during the period.
- Gearing ratio is calculated based on total debt at the end of the year divided by total equity at the end of the period and multiplied by 100%. Total debt refers to all borrowings of our Group, which included amounts due to related parties, bank borrowings and hire purchase.

For more details of our financial ratios, please see “Financial Information – Key financial ratios”.

### LISTING EXPENSES

The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately SGD4.8 million (equivalent to approximately HK\$28.4 million, based on the mid-point of the indicative Offer Price range of HK\$0.65 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately SGD1.6 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately SGD3.2 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately SGD1.8 million have been recognised for the four months ended 31 January 2018 and the balance of approximately SGD1.4 million is expected to be recognised during the eight months ending 30 September 2018.

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## SUMMARY

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### USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer (based on an Offer Price of HK\$0.65 per Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$36.6 million (equivalent to approximately SGD6.2 million). We currently intend to apply such net proceeds in the following manner:

Use of proceeds	Approximate amount of net proceeds or %		
	HK\$'million	SGD'million (equivalent to)	%
Growing our business by procuring new franchised brands	2.4	0.4	6.5
Developing more restaurant brands and strengthening our regional presence	21.2	3.6	58.1
Strengthening our marketing efforts	2.4	0.4	6.5
Enhancing operational efficiency by expanding our workforce	2.4	0.4	6.6
Enhancing operational efficiency by upgrading our information technology system	1.8	0.3	4.8
Repayment of outstanding bank borrowings	5.0	0.9	13.7
General working capital	1.4	0.2	3.8

For details of our use of proceeds and the reasons for the Listing and the Share Offer, please see “Future Plans and Use of Proceeds”.

### DIVIDEND

Dividends of SGD0.9 million and SGD0.6 million were declared and paid by K Food Holdings in respect of the financial years ended 30 September 2016 and 2017, respectively.

Our Group does not have a dividend policy. The declaration of dividends by our Company is subject to the discretion of our Board, the approval of our Shareholders and bank consents. Pursuant to the terms and conditions of the banking facilities granted by Bank C, the declaration and payment of dividend may constitute an event of default. Nevertheless, it is expected that the outstanding borrowings from Bank C will be repaid by net proceeds from the Share Offer. Following the repayment, there shall be no further restriction on our ability to declare and pay dividends in the future. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time.

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## SUMMARY

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### RECENT DEVELOPMENTS

#### Financial updates

Based on our unaudited financial information, our Group's revenue for the four months ended 31 May 2018 remained relatively stable as compared to the four months ended 31 January 2018 and improved as compared to the corresponding period in the prior year, which was primarily due to the increase in revenue generated from the commencement of operation of Nipong Naepong (JEM), Kogane Yama (JEM) and NY Night Market (Westgate) in February 2018, February 2018, and March 2018 respectively, mitigated by the seasonal factor that we generally experienced relatively lower revenue during the Chinese New Year.

For the four months ended 31 January 2018, we incurred Listing expenses of approximately SGD1.8 million. It is currently expected that Listing expenses of approximately SGD3.2 million will be recognised as expenses in our combined statements of profit or loss and other comprehensive income for the year ending 30 September 2018.

We also expect to record an increase in our operating expenses for the year ending 30 September 2018 and after Listing due to the following principal factors: (i) additional operating expenses as a result of the implementation of our business strategies as disclosed in "Future Plan and Use of Proceeds", including (a) additional rental and related expenses and staff costs to be incurred due to opening of new restaurants in Singapore; (b) the additional staff costs to be incurred for enhancing operational efficiency by expanding our workforce; (c) additional marketing and advertising expenses to be incurred for strengthening our marketing efforts; and (d) additional depreciation and amortisation in respect of the capital expenditures for implementing our business strategies; and (ii) additional expenses as a result of the Listing, such as professional fees and Directors' fees.

Prospective investors should note that the financial performance of our Group for the year ending 30 September 2018 is expected to be adversely affected by the factors mentioned above, and may not be comparable to the financial performance of our Group in the past.

In April 2018, we had obtained a banking facility from Bank E with facility amount of SGD0.5 million as bridge loan for partial payment of Listing expenses and terminated the banking facility from Bank A with the termination process completed in May 2018. In June 2018, we replaced the existing banking facility of Bank D of approximately SGD250,000 with a new banking facility from the same bank with facility amount of approximately SGD1.2 million to finance the opening of our new restaurant, Nipong Naepong (313), and other working capital.

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## SUMMARY

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### Business updates

Subsequent to the Track Record Period, we continued to implement our business strategies to grow our business by opening new restaurants under new franchise brands. We opened four new restaurants including two “Nipong Naepong” restaurants in February 2018 and June 2018, one “NY Night Market” restaurant in March 2018 and one more “Kogane Yama” restaurant in February 2018 in Singapore.

In addition, we are also in the process of opening our second “NY Night Market” restaurant in Singapore, which are expected to be opened in the fourth quarter of 2018. For details, please see “Future Plan and Use of Proceeds”.

### Material adverse change

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 January 2018, being the date to which our latest audited financial information was prepared, and there had been no event since 31 January 2018 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

### OFFER STATISTICS

	Based on an Offer Price of	
	HK\$0.5 per Offer Share	HK\$0.8 per Offer Share
Market capitalisation <sup>(Note 1)</sup>	HK\$200 million	HK\$320 million
Unaudited pro forma adjusted combined net tangible assets per Share <sup>(Note 2)</sup>	HK\$0.137	HK\$0.208

*Notes:*

1. The market capitalisation is calculated based on 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer.
2. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to under the paragraph headed “Unaudited Pro Forma Financial Information – Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group” as set out in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” to this prospectus.

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.*

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period, the text of which is set out in Appendix I to this prospectus
“Acting-in-concert Confirmation”	the acting-in-concert confirmation entered into between Mr. Terence Lai, Mr. Tan, Mr. Yeap, Mr. Ng, Mr. Ho and Mr. Derek Lai on 10 February 2018
“affiliate”	any other person, directly or indirectly, controlling or controlled by under direct or indirect common control with such specified person
“After School”	After School Pte. Ltd., a company incorporated in Singapore on 1 November 2017 with limited liability, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Application Form(s)”	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s) or where the context so requires, any of them, used in the Public Offer
“Arena Investment”	Arena Investment Holdings Pte. Ltd., a company incorporated in Singapore on 9 January 2017 with limited liability, which is wholly-owned by an Independent Third Party as at the Latest Practicable Date
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 23 July 2018, which will become effective upon the Listing, as amended from time to time, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

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## DEFINITIONS

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“BVI”	the British Virgin Islands
“Canola”	Canola Investment Holdings Limited, a company incorporated in the BVI on 28 November 2017 with limited liability, which is directly owned as to 33.69%, 23.17%, 16.85%, 12.64%, 12.64% and 1.01% by Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai, respectively as at the Latest Practicable Date
“Canopy”	Canopy Investment Holdings Limited, a company incorporated in the BVI on 28 December 2017 with limited liability, which is directly owned as to 22.19%, 22.19%, 22.19% and 11.24% by Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan, respectively as at the Latest Practicable Date
“Capitalisation Issue”	the issue of 299,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in “Statutory and General Information” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“Chairman”	the chairman of our Board, namely Mr. Lai Weijie Terence
“Chief Executive Officer”	the chief executive officer of our Company, namely Mr. Ho Zhi Yi Levi
“Chief Financial Officer”	the chief financial officer of our Company, namely Mr. Yeap Wei Han Melvyn
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Chir Chir Franchise Agreements”	the franchise agreements entered into between us and the Chir Chir Franchisor, in November 2014, November 2015 and May 2015, respectively (as amended by the supplemental agreements from time to time), to set up, operate and sub-franchise restaurants under the brand “Chir Chir” within the geographical region of Singapore, Malaysia and Indonesia, respectively, particulars of which are set out in “Business – Restaurant and catering brands”
“Chir Chir Franchisor” or “NY Night Market Franchisor”	Rich Food Inc., a Korean company which is the operator of the brands “Chir Chir” and “NY Night Market”, and the franchisor under the Chir Chir Franchise Agreements and the NY Night Market Franchise Agreement
“Chir Chir (313)”	our self-operated restaurant under the brand “Chir Chir” which is located at #B3-04/05/06 313@Somerset, 313 Orchard Road, Singapore 238895
“Chir Chir (BJ)”	our self-operated restaurant under the brand “Chir Chir” which is located at #02-50, Bugis Junction, 200 Victoria Street, Singapore 188021
“Chir Chir (BP)”	our self-operated restaurant under the brand “Chir Chir” which was located at Bedok Point, 799 New Upper Changi Rd, 02-05/06, Singapore 467351, which ceased operations since 20 January 2018
“Chir Chir (CP)”	our self-operated restaurant under the brand “Chir Chir” which is located at #01-43 Chinatown Point, 133 New Bridge Road, Singapore 059413



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## DEFINITIONS

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“Chir Chir (JEM)”	our self-operated restaurant under the brand “Chir Chir” which is located at #04-13/14 JEM 50, Jurong Gateway Road, Singapore 608549
“Chir Chir (PV)”	our self-operated restaurant under the brand “Chir Chir” which is located at Lot 1.108.00, Level 1 Pavilion Kuala Lumpur, 168 Jalan Bukit Bintang, Kuala Lumpur 55100
“CIC”	China Insights Industry Consultancy Limited, an Independent Third Party, being a professional market research company
“CIC Report”	the industry report on the market overview and competitive analysis for the Korean and Japanese casual dining restaurant industry in Singapore, Malaysia and Indonesia compiled by CIC, the content of which is quoted in this prospectus
“Code”	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	K Group Holdings Limited (千盛集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 January 2018, and except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it become the holding company thereof, our Company’s present subsidiaries

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means the controlling shareholder(s) of our Company, namely Canola, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai
“Deed of Indemnity”	a deed of indemnity dated 23 July 2018 entered into between our Controlling Shareholder(s) and our Company (for itself and on behalf of its subsidiaries, under which our Controlling Shareholder(s) have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 23 July 2018 entered into between our Controlling Shareholder(s) and our Company (for itself and on behalf of its subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholder(s) – Non-competition undertakings”
“Director(s)”	the director(s) of our Company
“ <b>electronic application instruction(s)</b> ”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Offer Shares
“Gangnam Kitchen”	Gangnam Kitchen Pte. Ltd. (formerly known as Chir Chir Clarke Quay Singapore Pte. Ltd.), a company incorporated in Singapore on 18 January 2017 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“GDP”	gross domestic product
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“GST”	Goods and Services Tax, is a broad-based consumption tax levied on the import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of our Company
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is or are independent of and not connected (within the meaning of the GEM Listing Rules) with any of our Directors, chief executive or substantial shareholder(s) (within the meaning of the GEM Listing Rules) of our Company or any of its subsidiaries or any of their respective associate(s)

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## DEFINITIONS

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“Indonesia”	Republic of Indonesia
“Indonesia Licensee”	PT Jaya Boga Makmur Abadi, an Independent Third Party, and our licensee of the brand “Chir Chir” in Indonesia pursuant to the master license agreement entered into with K Food Holdings
“Indonesia Master License Agreement”	the master license agreement entered into between K Food Holdings and the Indonesia Licensee dated 28 December 2017, pursuant to which we have sub-licensed the brand “Chir Chir” to the Indonesia Licensee to set up, operate and further sub-license the “Chir Chir” branded restaurants in Indonesia
“Indonesian Legal Advisers”	Dau & Tuah, the legal advisers of our Company as to the laws of Indonesia in connection with the Share Offer
“Investor(s)”	our pre-IPO investors who entered into the Pre-IPO Investment, namely First Maple Capital Ltd, Mr. Kong Kin Fei, Mr. Ng Seng Kee, Mr. Peh, Mr. Ricardo Juanito Karjono, Mr. Riva Alberto Karjono, Mr. Rudi Darmawan, Mrs. Saphira Devi Karjono, Mr. Tai Shin Fatt, and Mr. Tan Yit Hoe
“Jaesan Agreement”	the joint venture agreement entered into between K Food Holdings and Jaesan Food Holdings on 10 September 2016 and as amended by the amendment agreement dated 14 April 2018 and the second amendment agreement dated 20 July 2018 in respect of the operation and development of “Chir Chir” restaurant network in Malaysia through K Food Master
“Jaesan Food Holdings”	Jaesan Food Holdings Sdn. Bhd. a company incorporated in Malaysia on 8 September 2016 with limited liability, which is directly owned by Mr. Lawrence Tan as to 31%, Mr. Rodney Tay Peng-Liang as to 24%, Mr. Shenton Yap as to 24%, Ms. Alisa Khoo as to 16% and Mr. Kenneth Kok Tsing Kuan as to 5% as at the Latest Practicable Date
“Joint Bookrunners”	Lego Securities Limited and Quasar Securities Co., Limited, being the joint bookrunners to the Share Offer

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## DEFINITIONS

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“Joint Lead Managers”	Lego Securities Limited, Quasar Securities Co., Limited, Everstone Securities Limited and Grand Tai Securities Limited, being the joint lead managers to the Share Offer
“K Food Holdings”	K Food Holdings Pte. Ltd. (formerly known as Chir Chir Fusion Chicken Factory Singapore (Pte.) Ltd.), a company incorporated in Singapore on 18 October 2014 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“K Food Master”	K Food Master Holdings Sdn. Bhd., a company incorporated in Malaysia on 6 September 2016 with limited liability, which is indirectly owned by our Company as to 60% and by Jaesan Food Holdings as to 40% upon completion of the Reorganisation
“K Food Restaurants”	K Food Restaurants Sdn. Bhd., a company incorporated in Malaysia on 6 September 2016 with limited liability and a direct wholly-owned subsidiary of K Food Master as at the Latest Practicable Date
“K Investment”	K Investment Holdings Limited, a company incorporated in the BVI on 29 November 2017 with limited liability and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Kogane Yama”	Kogane Yama Restaurants Pte. Ltd., a company incorporated in Singapore on 3 January 2017 with limited liability, which is indirectly owned by our Company as to 60% and directly owned by Mr. Peh as to 40% upon completion of the Reorganisation
“Kogane Yama (BJ)”	our self-operated restaurant under the brand “Kogane Yama” which is located at #02-50, Bugis Junction, 200 Victoria Street, Singapore 188021
“Kogane Yama (JEM)”	our self-operated restaurant under the brand “Kogane Yama” which is located at #01-16 JEM, 50 Jurong Gateway Road, Singapore 608549
“Korea”	The Republic of Korea

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## DEFINITIONS

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“Korean Legal Advisers”	Bae, Kim & Lee LLC, the legal advisers of our Company as to the laws of Korea in connection with the Share Offer
“KRW”	Korean Won, the lawful currency of Korea
“Latest Practicable Date”	22 July 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on or around Monday, 13 August 2018
“Listing Department”	the listing department of the Stock Exchange
“Malaysia”	The Federation of Malaysia
“Malaysian Legal Advisers”	Foong & Partners, the legal advisers of our Company as to the laws of Malaysia in connection with the Share Offer
“Masizzim Franchise Agreements”	the franchise agreements entered into between us and the Masizzim Franchisor, in May 2015 and November 2016, respectively (as amended by the supplemental agreements from time to time), to set up, operate and sub-franchise Masizzim restaurants within the geographical regions of Singapore and Malaysia, respectively, particulars of which are set out in “Business – Restaurant and Catering Brands”
“Masizzim Franchisor”	Ogam Food Inc, a Korean company which is the operator of the brand “Masizzim” and the franchisor under the Masizzim Franchise Agreements
“Masizzim (313)”	our self-operated restaurant under the brand “Masizzim” which is located at #B3-02 313@Somerset, 313 Orchard Road, Singapore 238895
“Masizzim (Westgate)”	our self-operated restaurant under the brand “Masizzim” which is located at #01-07 Westgate, 3 Gateway Drive, Singapore 608352

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## DEFINITIONS

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“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 23 July 2018 which will become effective upon the Listing, as amended from time to time, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law – Memorandum of Association” in Appendix III to this prospectus
“Mr. Derek Lai”	Mr. Derek Lai Weikang, one of our Controlling Shareholder(s) and younger brother of Mr. Terence Lai
“Mr. Ho”	Mr. Ho Zhi Yi, Levi, one of our Controlling Shareholder(s) and an executive Director
“Mr. Lawrence Tan”	Mr. Lawrence Tan Wee Ee, a substantial shareholder, a director of Jaesan Food Holdings and a director of K Food Restaurants and K Food Master
“Mr. Louis Tan”	Mr. Tan Yang Chyi, Louis, one of our Shareholders
“Mr. Ng”	Mr. Ng Yook Tim, one of our Controlling Shareholder(s) and a non-executive Director
“Mr. Peh”	Mr. Peh Kian Ghee, one of our Investors, a 40% shareholder and director of Kogane Yama
“Mr. Shenton Yap”	Mr. Shenton Yap Wen-Howe, a substantial shareholder, a director of Jaesan Food Holdings and a director of K Food Restaurants and K Food Master
“Mr. Tan”	Mr. Tan Chien Fong, one of our Controlling Shareholder(s) and an executive Director
“Mr. Terence Lai”	Mr. Lai Weijie, Terence, one of our Controlling Shareholder(s), an executive Director, and elder brother of Mr. Derek Lai
“Mr. Yeap”	Mr. Yeap Wei Han, Melvyn, one of our Controlling Shareholder(s) and an executive Director
“Ms. Evelyn Tan”	Ms. Tan Yee Siew, Evelyn, one of our Shareholders
“Ms. Goh”	Ms. Goh Siew Eng, Carolyn, one of our Shareholders
“Ms. Kweh”	Ms. Kweh Hui Cheng, one of our Shareholders

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## DEFINITIONS

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“Ms. Lim”	Ms. Lim Gui Rong, Amy, one of our Shareholders
“Ms. Ong”	Ms. Ong Hui Hui, the spouse of Mr. Ho
“Nipong Naepong”	Nipong Naepong Singapore Pte. Ltd., a company incorporated in Singapore on 1 November 2017 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Nipong Naepong Franchise Agreement”	the franchise agreement entered into between us and the Nipong Naepong Franchisor, in January 2018 to set up, operate and sub-franchise restaurants under the brand “Nipong Naepong” within the geographical region of Singapore, particulars of which are set out in “Business – Restaurant and catering brands”
“Nipong Naepong Franchisor”	JTABLE Franchise Corporation, a Korean company which is the operator of the brand “Nipong Naepong” and the franchisor under the Nipong Naepong Franchise Agreement
“Nipong Naepong (313)”	our self-operated restaurant under the brand “Nipong Naepong” which is located at #B3-03, 313@Somerset 313 Orchard Road, Singapore 238895
“Nipong Naepong (JEM)”	our self-operated restaurant under the brand “Nipong Naepong” which is located at #01-16 JEM, 50 Jurong Gateway Road, Singapore 608459
“NY Night Market”	NY Night Market Pte. Ltd., a company incorporated in Singapore on 18 December 2017 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“NY Night Market 2”	NY Night Market (313) Pte. Ltd, a company incorporated in Singapore on 18 June 2018 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“NY Night Market Franchise Agreement”	the franchise agreement entered into between us and the NY Night Market Franchisor, in January 2018 to set up, operate and sub-franchise restaurants under the brand “NY Night Market” within the geographical region of Singapore, particulars of which are set out in “Business – Restaurant and catering brands”



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## DEFINITIONS

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“NY Night Market (Westgate)”	our self-operated restaurant under the brand “NY Night Market” which is located at #01-08 Westgate 3 Gateway Drive, Singapore 608352
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.8 per Offer Share and expected to be not less than HK\$0.5 per Offer Share, such price to be agreed upon by our Company and the Underwriter(s) on the Price Determination Date
“Offer Share(s)”	collectively, the Placing Shares and Public Offer Shares
“PKG Agreement”	the joint venture agreement entered into between K Food Holdings and Mr. Peh dated 3 January 2017 and as amended by the amendment agreement dated 14 April 2018 and the second amendment agreement dated 20 July 2018 in respect of the operation and development of “Kogane Yama” restaurant network in Singapore through Kogane Yama
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in “Structure and Conditions of the Share Offer”
“Placing Shares”	the 90,000,000 new Shares offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in “Structure and Conditions of the Share Offer”
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Friday, 3 August 2018 by our Company, our Controlling Shareholders, our executive Directors, our non-executive Director, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters in respect of the Placing, as further described in “Underwriting – Placing”
“Pre-IPO Investment”	the pre-IPO investment in our Group as further described in “History, Reorganisation and Corporate Structure”

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## DEFINITIONS

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“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 3 August 2018, on which the Price Determination Agreement is entered into
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in “Structure and Conditions of the Share Offer” and the related Application Forms
“Public Offer Shares”	the 10,000,000 new Shares offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in “Structure and Conditions of the Share Offer”
“Public Offer Underwriters”	the underwriter of the Public Offer listed in “Underwriting – Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the underwriting agreement dated 30 July 2018 relating to the Public Offer and entered into by our Company, our Controlling Shareholders, our executive Directors, our non-executive Director, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters, as further described in “Underwriting – Public Offer Underwriting Agreement”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure”

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## DEFINITIONS

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“RM” or “MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGD” or “S\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company, a summary of principal terms of which are set forth in “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	Republic of Singapore
“Singaporean Legal Advisers”	Dentons Rodyk & Davidson LLP, the legal advisers of our Company as to the laws of Singapore in connection with the Share Offer
“Sole Sponsor”	Lego Corporate Finance Limited, a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two years ended 30 September 2017 and the four months ended 31 January 2018, and the phrase “for/during the Track Record Period”, following or followed by a series of figures or percentages, refers to information relating to the two years ended 30 September 2017 and the four months ended 31 January 2018

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## DEFINITIONS

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“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“USD” or “US\$”	United States dollars, the lawful currency of the U.S.
“U.S.”, “US” or the “United States”	the United States of America
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent

*In this prospectus, where otherwise specified the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary”, “significant shareholder”, “substantial shareholder” and “chief executive” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.*

*No information contained in our Company’s website forms part of this prospectus.*

*All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“breakeven period”	the number of month(s) required for a restaurant to have its monthly revenue being able to cover its monthly operating costs and expenses (including both cash and non-cash items such as depreciation and amortisation expenses on an accounting basis) for the first time since the commencement of operation of such restaurant
“CAGR”	compound annual growth rate
“Chimaek”	a compound word formed from chicken and beer in Korean. This combination of chicken and beer is served around evening in many Korean restaurants, including a number of specialized chains
“CPF”	the Central Provident Fund of Singapore
“EPF”	the Employees’ Provident Fund of Malaysia
“Halal”	denoting or relating to meat as religiously acceptable according to and as prescribed by Muslim law
“investment payback period”	the number of month(s) required for a restaurant to have its accumulated net cash inflows being able to cover the total initial investment amount since the commencement of operation of such restaurant, while total initial investment amount refers to the investment costs directly associated with setting up the restaurant prior to its commencement of operation
“K-drama”	televised dramas in Korean language, made in Korea, mostly in a mini series format, with distinctive features that set it apart from regular western television series or soap operas
“K-pop”	a music genre originating in Korea, characterized by a wide variety of audiovisual elements
“NEA”	National Environmental Agency of Singapore
“POS”	point of sale purchase, being the point where a transaction is finalised or the moment where a customer tenders payment in exchange for goods and services

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements relating to our plans, intentions, beliefs, objectives, expectations and predictions, which are, by their nature, subject to significant risks and uncertainties and may not represent our overall performance for the periods of time to which such statements relate. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our operations and business prospects;
- the amount and nature of, potential for and future development of our business;
- future developments, trends and conditions, competition for our business activities and future development in the industry and the geographical markets in which we operate;
- our strategies, plans and objectives and our various measures to implement or achieve such strategies, plans and objectives;
- our ability to meet the changing needs of our customers;
- our dividend distribution plans or dividend policy;
- our financial condition and performance;
- our needs for capital;
- changes in the laws, rules and regulations of the central and local governments in the countries in which we operate and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business, including changes in tax policy and environmental regulations;
- general political and economic conditions in Hong Kong and overseas;
- general economic trends and conditions;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- general economic trends, market and business conditions in the countries or regions in which we have operations;

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## FORWARD-LOOKING STATEMENTS

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- change or volatility in prices, volumes, operations, margins, overall market trends, risk management, interest rates and exchange rates;
- other statements in this prospectus that are not historical facts;
- realisation of the benefits or our future plans and strategies; and
- other factors beyond our control.

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “predict”, “project”, “propose”, “potential”, “seek”, “shall”, “should”, “will”, “would”, “with a view to” and the negatives of these terminologies and similar expressions, as they relate to us, are intended to identify forward-looking statements. We make these forward-looking statements based on current plans and estimates and they speak only as of the date they were made. These forward-looking statements are not a guarantee of future performance. Actual outcomes could be caused to differ materially from those expressed in any forward-looking statements by, including without limitation, the risk factors set forth under “Risk Factors”.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable and that our Directors confirm that these forward-looking statements are made after due and careful consideration, we can give no assurance that these views will prove to be correct. You are strongly cautioned that reliance on any forward-looking statements in this prospectus involves known and unknown risks and uncertainties. The risks and uncertainties in this regard include, but are not limited to, those identified in “Risk Factors”, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholder(s), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this prospectus.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules (including the GEM Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or reference to our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.



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## RISK FACTORS

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*Potential investors should consider carefully all of the information set out in this prospectus and, in particular, the following risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following risks could harm us and our business, results of operations and financial condition could be materially and adversely affected by any of these risks. The trading price of our Shares could decline and you may lose all or part of your investment.*

### RISKS RELATING TO OUR GROUP'S BUSINESS

**We are reliant on the master franchise rights in respect of the “Chir Chir” and the “Masizzim” brands and any discontinuation of such rights could materially and adversely impact our business, results of operations and financial condition**

During the Track Record Period, our business is largely dependent on the continuity of our franchise rights in respect of the brands “Chir Chir” and “Masizzim”. Pursuant to the Chir Chir Franchise Agreements and Masizzim Franchise Agreements, we were granted exclusive franchise rights by the Chir Chir Franchisor and the Masizzim Franchisor to operate and engage in the business under the “Chir Chir” brand in Singapore, Malaysia and Indonesia and the “Masizzim” brand in Singapore and Malaysia for a term of 20 years. The Chir Chir Franchise Agreements in relation to franchise rights in Singapore, Malaysia and Indonesia will expire in February 2035, January 2037 and March 2036 respectively, whereas the Masizzim Franchise Agreement in relation to franchise rights in Singapore will expire in September 2035. The term for the Masizzim Franchise Agreement for Malaysia is 20 years from the day of opening the first store. As we do not have any Masizzim store in Malaysia as at the Latest Practicable Date, the term of the Masizzim Franchise Agreement for Malaysia had yet to commence. In the event that we fail to renew the Chir Chir Franchise Agreements or the Masizzim Franchise Agreements, or such franchise agreements are being terminated, our business operations and financials will be adversely affected.

As at the Latest Practicable Date, we self-operated a total of four restaurants in Singapore and self-operated one restaurant in Malaysia under the brand “Chir Chir”. We have also licensed the brand “Chir Chir” to the Indonesia Licensee which had (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate four restaurants under the same brand in Indonesia. With regards to the “Masizzim” brand, as at the Latest Practicable Date, we self-operated a total of two restaurants in Singapore.

For the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, the revenue generated from our restaurants operating under the “Chir Chir” brand contributed approximately 76.4%, 79.2% and 71.0% of our total revenue from restaurant operations, respectively. For the two years ended 30 September 2017 and the four months ended 31 January 2018, the revenue generated from our restaurants operating under the “Masizzim” brand contributed approximately 23.6%, 18.5% and 23.7% of our total revenue from restaurant operations, respectively.

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## RISK FACTORS

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During the Track Record Period, we breached certain terms of the Chir Chir Franchise Agreement, which we obtained consent from Chir Chir Franchisor to waive enforcement rights. For details, please see “Business – Restaurant and Catering Brands – Chir Chir”. In the event that any material clause under the Chir Chir Franchise Agreements and/or the Masizzim Franchise Agreements has been breached by us, the Chir Chir Franchisor and the Masizzim Franchisor (as the case may be) will be entitled to terminate the respective agreements. Additionally, if the Chir Chir Franchise Agreements or the Masizzim Franchise Agreements are terminated for any other reason, we will have to cease the business of all our restaurants operating under the “Chir Chir” and/or the “Masizzim” brand, and accordingly, all our sub-franchise agreements concerning the “Chir Chir” and/or the “Masizzim” brand will be terminated. When the abovementioned incidents occur, the business, results of operations and financial condition of our Group could be materially and adversely affected.

In addition, as we are reliant on both the Chir Chir Franchisor and the Masizzim Franchisor, any factors which are detrimental to the business standing of either of them may adversely affect us. In such events, the business, results of operations and financial condition of our Group could be materially and adversely affected.

### **We may not successfully develop the “Nipong Naepong” and the “NY Night Market” brands recently franchised to us**

Pursuant to the Nipong Naepong Franchise Agreement and the NY Night Market Franchise Agreement secured by us in early 2018, we were granted exclusive franchise rights by the respective franchisors to establish and operate restaurants under the “Nipong Naepong” and “NY Night Market” brands in Singapore for a term of 10 years and 20 years respectively. Under the Nipong Naepong Franchise Agreement, we are committed to opening three restaurants by 4 July 2019 and 10 restaurants during the term of agreement which expires on 4 January 2028. For details, please see “Business – New Franchised Brands”. Subsequent to the Track Record Period and as at the Latest Practicable Date, we have set up and self-operated two “Nipong Naepong” restaurants in February 2018 and June 2018, and one “NY Night Market” restaurant in March 2018.

As Nipong Naepong and NY Night Market opened their first restaurants for approximately four months up to the Latest Practicable Date, there is no assurance that there is sufficient demand for these brands and in the event that any detriment to the business standing of either of the Nipong Naepong Franchisor and NY Night Market Franchisor occurs, our business and growth may be adversely affected.

### **Our business and operation are susceptible to product liability or food safety claims**

As we are not involved in the manufacturing of the raw materials we use in our restaurants, we do not have control over their quality. The sale of food and beverage products for human consumption involves inherent risks of personal injuries which includes risks posed by (i) food and beverage contamination or degeneration during storage or transportation processes; (ii) contamination of raw materials; and (iii) spoilage of raw materials. Incidents of

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## RISK FACTORS

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food poisoning caused by food ingredients from the suppliers or reasons beyond our control may occur. If the raw materials supplied to us are found to be spoiled, contaminated, tampered with or reported to be associated with any such incidents, our reputation, business, financial condition, results of operations could be materially and adversely affected.

In addition to the risks caused by our food processing operations and the subsequent storage and serving process, any food and beverage contamination could also subject us to product liability claims, adverse publicity, government scrutiny, investigation or intervention, or product returns, resulting in increased costs, and any of these events could adversely affect our business, results of operations and financial condition. Also, we cannot guarantee that our suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality control measures in such processes before the supply of raw materials to us. Upon receiving the raw materials from our suppliers, we cannot guarantee that our quality safeguards will be completely effective in ensuring that the quality of the raw materials will not deteriorate as a result of improper storage conditions or other unforeseeable reasons. Such product or raw material quality issues may cause illness to the consumers of our food and beverage products. Any dispute over the attribution of product liability that may arise would divert our resources and efforts from our business operations to defending legal proceedings which could adversely affect our business, results of operations and financial condition.

In addition, nuts, eggs and dairy products are common ingredients used in our restaurant dishes. If we are not made aware of such food allergies when the dishes are prepared at the restaurant, the consumption of such food items by our customers may cause severe allergic reactions, food poisoning and health hazards. These potential incidents could lead to liability claims and compensation ordered by court, as well as the imposition of penalties by relevant authorities, which may have a material adverse effect on our business operations. In addition, reports by the media of such incidents or any other negative publicity resulting from the publication of industry findings or research reports in relation to our food quality or customer service or any complaints from our customers may, regardless of their validity, adversely affect our business, results of operations and financial condition, which may result in the closure or suspension of the relevant restaurants.

### **We are subject to certain restrictions contained in our franchise agreements and we have breached certain material terms of the Chir Chir Franchise Agreements during the Track Record Period**

While we believe that it is imperative to seek and introduce new potential brands and food concepts to expand our operations, we may need to seek consent from our franchisors for bringing new brands or trademarks to our business if such new brands or trademarks could generally be perceived to be in competition with the brands and trademarks of such franchisors due to the relevant restrictive covenants in certain agreements with our franchisors. There is no assurance that we will be able to successfully source for suitable franchises of new brands or trademarks or if we manage to do so, to successfully secure and operate them as we may not be able to obtain the necessary consents from our existing franchisors.

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## RISK FACTORS

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Further, our rights to operate the various brands are subject to us complying with the provisions in the various franchise agreements, and in the event that we breach or violate any provisions in these franchise agreements and the relevant franchisor does not waive such breach or violation, we may lose the franchise rights to a particular brand and, depending on the nature of such breach, we may also be subject to a penalty. During the Track Record Period and up to the Latest Practicable Date, we breached certain material terms of the Chir Chir Franchise Agreements, which included: (i) failure to open the minimum number of restaurants in Malaysia and in Indonesia within the prescribed period of time; (ii) failure to expend on promotion and advertisements for more than five percent of the sales amount on an annual basis; and (iii) failure to comply with certain laws and regulations applicable to operation of our Chir Chir restaurants, which includes, amongst other things, the non-compliance incident set out in “Business – Legal Proceedings and Compliance”. Please see “Business – Restaurant and Catering Brands – Chir Chir – Franchise/License arrangement” for details.

**We have no control over our business partners and licensees and any actions taken by such partners and licensees may adversely affect our business partnership licensing arrangements and in turn affect the operation of our Group**

Our “Chir Chir” restaurant in Malaysia and Indonesia and our “Kogane Yama” restaurant in Singapore are conducted through business partnership or licensing arrangement with our business partners and licensee. Please see “Business – Restaurant and catering brands – Chir Chir” and “Business – Restaurant and catering brands – Kogane Yama” for details. There is no assurance that we will maintain our relationship with our business partners and licensee or that there will not be any material disputes with them in the future. Furthermore, the business partners and licensee may (a) have economic or business interests or goals that are inconsistent with ours; (b) take actions contrary to our policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the relevant business venture, which may affect our business, results of operations and financial condition of our Group.

**We are subject to changes in consumer preferences**

Our brands and food concepts presently focus on Korean or Japanese themes. The continuous growth and success of our Group will largely depend on the popularity of our menus, our dining environment and our ability to continue to innovate and satisfy consumers in terms of food preferences, dietary habits, trends and tastes. For the years ended 30 September 2016, and 2017 and the four months ended 31 January 2018, we recorded revenue of approximately SGD9.2 million, SGD13.9 million and SGD5.0 million, respectively. Our same store sales dropped between 16.9% and 31.6% for the year ended 30 September 2017 as compared to the previous year. There is no assurance that we will be able to react quickly and effectively to changes in consumer preferences. If we fail to do so or if consumers are not receptive to our menus or brands or food concepts, we may not be able to compete effectively and consequently, our business, results of operations and financial condition will be adversely affected. Any shift in consumer preferences and market trends deviate from our cuisine or dining environment, in particular, change in culture, such as, the Korean pop culture or the

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casual dining customs in Korea or Japanese on which the brands “Chir Chir”, “Masizzim”, “Kogane Yama”, “NY Night Market”, and “Nipong Naepong” are predicated, may materially and adversely affect our revenue, profitability, our operations sustainability and business prospects, in which case our business, results of operations and financial condition may be materially and adversely affected.

### **We are susceptible to the popularity of various brands and products**

We believe our success depends substantially on the popularity of the branded food and beverage from various franchisors and our branded food and beverage. Brand recognition plays an important role in influencing our customers’ decision in dining at our restaurant. We believe that our continuous success will depend in large part on the franchisors’ abilities to promote and preserve their brands and products. In addition, we could not assure you that our menu and dish items will meet the demands of customers. If we are unable to identify customer preference and to adjust our menu and dish items to cater for the customer preference, revenue at our restaurants may be adversely affected.

### **We may not be able to continue to successfully expand our product offering and brand portfolio**

We constantly seek to diversify and expand our brand and product portfolio by seeking for suitable new brands and entering into new franchise agreements or by developing our own brands. However, whether we will be able to establish new business relationships with new franchisors is dependent upon a number of factors. This includes factors such as whether there will be suitable franchisors seeking new franchisees in the relevant markets, whether our corporate culture and vision would be a good match with those franchisors, whether our competitors would be able to offer terms more favourable than ours and whether those franchisors may perceive that we have a conflict of interest, including as a result of our relationship with competing brands. There is no assurance that we can continuously source suitable new brands and enter into new franchise arrangements that will support our growth. On the other hand, whether we will be able to develop our own brands is also dependent upon a number of factors. This also includes factors such as whether we will be able to continually innovate to develop additional brands of our own, whether such additional self-developed brands will be able to appeal to the taste and aesthetic preferences, dietary habits, trends and spending patterns of our target customers, and whether we will be able to conduct effective research and development to anticipate such preferences of our target customers prior to the development of such additional self-developed brands. There is no assurance that we can continuously develop suitable new brands of our own that will appeal to the preferences of our base of customers that will support our growth.

If we enter into franchise arrangements with new franchisors or develop or new brands, we will need to recruit more staff with expertise in managing different brands and product categories, and to enhance our operational and financial systems, internal procedures and controls. It may also require us to introduce new product categories and work with different franchisors or suppliers to address the needs of different kinds of customers. We may also incur

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additional marketing expenses to promote these new brands and products. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017, we have paid approximately SGD22,000, SGD112,000 and SGD16,000 on initial royalty to franchisors, respectively. Our expansion into these new brands and product categories may not achieve broad customer acceptance. All of these endeavours involve risks, and require substantial planning, skillful execution and significant expenditures. There is no assurance that we will be able to recoup any investments we make in introducing these new brands and product categories.

There is also no assurance that we will be able to successfully source, integrate or self-develop new brands or product categories into our existing brand and product portfolio. The new brands or products we introduce or self-develop may not be well received by our customers. We cannot assure you that any new brands or products we offer will gain market acceptance or that they will be able to generate a positive cash flow. In addition, our profitability in our new product categories, if any, may be lower than in our existing categories, which may adversely affect our overall profitability and results of operations. Furthermore, the introduction of new brands and products may adversely affect the sales of our existing product-offering and brand portfolio, and we cannot assure you that we will maintain an optimised product-offering and brand portfolio at all times. If we are not able to manage our growth or execute our strategies effectively, we may not be successful in growing our business and our business and prospects may be materially and adversely affected.

### **Our self-developed dishes and the dishes of our franchised brands may face competition from competitors' imitation dishes**

Competition in the food and beverage industry is intense. One way we compete is to review and adjust our menu offerings and develop new dishes to cater to ever-evolving customer tastes from time to time. Our self-developed dishes and dishes of our franchised brands are not protected by any intellectual property rights. We are subject to the risk that our competitors may imitate or develop more popular versions of our self-developed dishes or dishes of our franchised brands and offer them at highly competitive prices. These imitation products and price competition may adversely affect our sales and profitability.

### **Our Group's operation may be adversely affected by the failure to find attractive locations on reasonable commercial terms, any increase in rental expenses and/or failure to renew existing leases of the leased properties on terms acceptable to us**

As at the Latest Practicable Date, all of our restaurants were located in shopping malls and we believe these locations are vital in drawing customers to our restaurants. In January 2018, we did not renew the tenancy agreement of Chir Chir (BP) due to the decline in its operating result which we believe to be caused by the reopening of a renovated shopping mall next to Bedok Point. For details, please see "Business – Restaurant and Catering Brands – Chir Chir". With fierce competition in the food and beverage industry in Singapore and Malaysia, attractive locations will likely be subject to high demand from, among others, other food and beverage operators who compete directly with our Group. There is no assurance that we will

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be able to enter into new lease agreements for attractive locations or be able to renew existing lease agreements on commercially reasonable terms. Therefore, any inability to obtain leases for desirable restaurant locations on commercially reasonable terms could adversely affect our business, results of operations and financial condition. Further, in the event that we cannot secure the lease for the desirable place, our Group's expansion may be delayed or cannot be implemented, which could have an adverse effect on our Group's operational and financial conditions.

All of our restaurants are operated on leased properties and our leases will expire between 2018 and 2021. It is uncertain that these leases can be renewed when they expire or, if renewed, on terms acceptable to us. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the landlord, who may insist on an increase in rent and/or a significant modification to the terms and conditions of the lease.

In such case, if the lease agreement is renewed at a rate substantially higher than the existing rate or any existing favourable terms granted by the landlord, we must evaluate whether renewal on such modified terms is in our best interest. If we are unable to renew leases for our restaurant premises, we will have to close or relocate the relevant restaurant, which would result in loss of sales that the restaurant would have contributed during the period of closure, write-off of fixed assets and could subject us to installation and renovation and other costs and risks. Therefore, any inability to renew existing leases on commercially acceptable terms could adversely affect our business, results of operations and financial condition.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our Group's rentals and related expenses amounted to approximately SGD1.7 million, SGD2.9 million and SGD1.1 million, representing approximately 19.0%, 20.6% and 21.2% of our total revenue, respectively. The rent payable under our Group's current lease agreements for our restaurants are either fixed or subject to adjustment based on a fixed percentage of the revenue of the relevant restaurants during the term of the leases. As rental expense is one of our major operating costs, any increase in rental expenses will nevertheless increase our costs of operation and thereby may adversely affect our business, results of operations and financial condition if our Group is unable to pass on the increased costs to our customers. Our substantial operating lease obligations expose us to potentially significant risks, including an increase of our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. We may also have disputes with our landlords, with risks of claims or litigation, and we may be unable to renew our existing tenancies.

**The future growth of our Group relies on our ability to open and profitably operate new restaurants, and our Group's new restaurants may not operate as successfully as our Group anticipates**

The food and beverage industry in Singapore is highly competitive and the success of opening our restaurant at a location is not indicative of our Group's continued guaranteed success at a different location. We believe that the future growth of our Group relies on our

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ability to open and operate new restaurants in a profitable manner. Our Group's expansion plan is subject to a number of risks and uncertainties, including but not limited to, timely securing any necessary governmental approvals and licences, ability to hire quality chefs, restaurant staff and other employees, and timely delivery in renovation and decoration works. The costs incurred in opening new restaurants and the expansion plans may place substantial strain on the managerial, operational and financial resources of our Group. Our management may be stretched or distracted by the operation of new restaurants. There is no assurance that the managerial, operational and financial resources of our Group will be adequate in supporting the expansion plans. There is also no assurance that we will be able to attract enough customers to the new restaurants and there is no assurance that the revenue of each of our new restaurants would be equal to or exceed those of our existing ones. If we fail to run the new restaurants profitably, our financial performance may be adversely affected.

**We may be affected by any change in tenant mix of shopping malls where our restaurants are located, unexpected closure or plans to demolish malls or opening of new malls proximate to our restaurants**

A change in the tenant mix or anchor tenant of a shopping mall where our restaurants are located may result in fewer customers visiting and patronising the shopping mall, thereby reducing the human traffic flow to our restaurants. In addition, there is no assurance that the buildings in which our restaurants are located will continue to be in operation and will not be closed down or demolished.

The closure or demolition of a particular mall where our restaurant is located may cause us to write off certain fixed assets located in such restaurants. Furthermore, we may not be able to find another suitable alternative location as replacement. This may result in a loss and disruption to part of our business operations. Further, any opening of shopping malls proximate to our restaurant may adversely affect the human traffic flow to our restaurants. Poor maintenance of the shopping mall may also result in less patronage at our restaurants and this may have an adverse effect on our business, results of operations and financial performance.

**If our suppliers fail to deliver necessary food ingredients of an acceptable quality or in a timely and prompt manner, we may experience supply shortages and increased food costs**

A disruption of food supplies for our restaurants may occur due to various reasons, many of which are beyond our control, including but not limited to unanticipated demand, adverse weather conditions, natural disasters, diseases, severe traffic accidents or delays, labour strikes, a supplier ceasing operations, a supplier experiencing sudden or unexpected production shortages, or a supplier experiencing higher production, transportation and labour costs, which in turn is passed on to us.

Under the Chir Chir Franchise Agreements and the Masizzim Franchise Agreements, the Chir Chir Franchisor and the Masizzim Franchisor have obligations to provide materials relating to the preparation of food under the brands "Chir Chir" and "Masizzim" respectively. These materials include but are not limited to, curing agents, powder, sauces and other raw



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materials. Further, we have similar arrangement with the franchisors under each of the “Nipong Naepong Franchise Agreement” and “NY Night Market Franchise Agreement” recently secured by us. In this regard, if there is a disruption in the supply of materials or if we are unable to obtain sufficient supplies for any reason, our business operations relating to these brands could be materially disrupted and this is expected to have a material adverse impact on our profitability and financial performance.

The major raw materials used in the preparation of food in our restaurants for our franchised brands and our self-developed brands are vegetables, food ingredients, meat and frozen food. Our Group’s costs of inventories consumed represented approximately 24.9%, 25.3% and 21.7% of our revenue for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. The prices of raw materials may be subject to fluctuations as a result of various factors beyond our Group’s control, such as global economic and financial conditions. In addition, since our Group has no long-term supply contracts with our suppliers, prices of raw materials are subject to market fluctuations from time to time. Since our food and beverage products face keen competition, we may not be able to shift the increase in prices of raw materials to our customers, and our business operations and financial performance may be adversely affected. For the sensitivity analysis in relation to changes in costs, please see “Financial Information – Sensitivity and breakeven analysis”.

Moreover, there is no assurance that our current suppliers will always be able to meet our stringent quality control requirements. If any of our suppliers do not perform adequately or otherwise fail to distribute qualified food ingredients, products or supplies to us in a timely and prompt manner, or in the event that the conditions of fresh or frozen food products, being perishable goods, deteriorate due to delays in delivery, malfunction of refrigeration and/or storage facilities, or inappropriate handling during transportation by the relevant suppliers, this may lead to such food ingredients being rejected or failing to meet our quality control standards. We may then not be able to find suitable replacement suppliers in a short period of time on favorable terms, and any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants. This in turn may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus as a result of food supply shortages for a prolonged period of time or failure of our Group to provide quality food and services to customers, thereby affecting our Group’s business and damaging our Group’s reputation, could result in a significant reduction in revenue during the time affected by such shortages.

### **Opening of new restaurants could result in fluctuations in our financial performance**

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of opening and performance of new restaurants. Substantial costs, such as rental deposit, renovation costs and costs of equipment will be incurred before opening of new restaurants. A new restaurant generally generates lower profit due to lower sales and higher start-up operating costs at the initial stage and requires a period of time from its opening to achieve target sales and breakeven.

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We had 12 self-operated restaurants as at the Latest Practicable Date, of which two, one and one restaurant under the respective brands “Nipong Naepong”, “NY Night Market” and “Kogane Yama” commenced operation after the Track Record Period. As part of our future plans and business strategies, we plan to further open one new restaurant under the brand “Masizzim”, one new restaurant under the brand “Nipong Naepong”, two new restaurants under the brand “NY Night Market”, one new restaurant under the brand “After School”, and one new restaurant under a new franchise brand to be procured during the period from the Latest Practicable Date to 31 March 2020. Our Directors believe that the growth of the revenue of our Group will be mainly generated from the new restaurants, in particular the new restaurants under the new brands. However, there is no assurance that revenue generated from these new restaurants will perform as expected. In addition, we expect that the opening of each new restaurant in Singapore will require, on average, capital expenditure of approximately SGD0.2 million. Based on our future expansion plan, the total planned capital expenditure for the two years ending 30 September 2020 for opening our new restaurants in Singapore is expected to be approximately SGD0.8 million and SGD0.4 million, respectively. Please see “Business – Key strategies – Develop more restaurant brands and continue to strengthen our regional presence, marketing efforts and information technology system” and “Future Plans and Use of Proceeds” for details. We determine the above expansion plan based on our current and forecast business operation and the overall market environment. However, our expansion plan will result in significant increases in operating expenses, including an increase of rental expenses, staff costs and depreciation expenses, arising from the opening of new restaurants, which may materially and adversely affect our operating results and financial position since our revenue and profit may not increase in proportion to our expansion and corresponding operating expenses. Based on the experience of our recently opened restaurants, following the commencement of operation of the new restaurant, the major operating costs for the restaurant comprises, among others, rental and related expenses, restaurant staff costs, utility expenses and marketing and advertising expenses, which in aggregate we estimate to be amounted to approximately SGD55,000 per month based on the experience of our existing restaurants, although such costs may vary depending on the size and customer traffic of the restaurant. There is no guarantee that the expansion plan would perform as expected or that the new restaurants would generate sufficient revenue to cover the operating expenses and that it would achieve breakeven and investment payback like other restaurants currently operated by our Group.

Our progress of opening new restaurants from period to period may occur at an uneven rate. Accordingly, the number and timing of new restaurant opening have had, and may continue to have, an impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of our results of operation at different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

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**We conducted a large part of our operations in, and derived a substantial portion of our revenue during the Track Record Period from Singapore, and we may not successfully expand into other geographical areas**

As of the Latest Practicable Date, we had a total of 12 self-operated restaurants, 11 of them were in Singapore. During the Track Record Period, we derived as substantial portion of our revenue from the seven self-operated restaurants in Singapore. Our business and prospects therefore are highly dependent upon the performance of the food and beverage market in Singapore. As a result, our exposure to the geographical concentration risk is higher than other competitors whose operations are more geographically diversified. As long as our operations remain substantially concentrated in Singapore, if Singapore experiences any significant economic downturn due to imbalances in the local economy, disturbances in local financial markets, natural disasters, epidemic, hostilities or any other reasons, or if more restrictive government policies on the food and beverage market are imposed, our business, results of operations and financial conditions may be materially and adversely affected.

In order to achieve sustainable growth, we may need to continue to seek for expansion opportunities in Southeast Asian markets with potential for continuous growth where we have only little or no existing operations. However, our experience as a restaurant operator and food caterer in our existing markets may not be applicable in other regions. We may face intense competition from local competitors with greater financial resources, established experience or presence in these new markets, and from other competitors with similar expansion plans. In addition, business expansion requires a significant amount of capital investment and human resources, and may divert our existing resources including the attention of our management. Additionally, we may not be able to hire, train or retain sufficient talent to manage our operations in the new markets. As a result, our inability to develop, manage and integrate new businesses may adversely affect our operating efficiency and the success of our expansion plans, which consequently may adversely affect our business, financial condition and future prospects.

**Our franchisors and our Group may be exposed to intellectual property infringement claims by third parties and imitation products, which could disrupt our business and cause us to incur substantial legal costs or damage our reputation**

Our franchisors who have franchised to us the right to use their brands and related intellectual properties and our Group may face claims of infringement of third parties' intellectual proprietary rights and claims for indemnification resulting from such infringement. In addition, our franchisors may be unaware of intellectual property registrations or applications relating to the products and brands that may give rise to potential infringement claims against the franchisors or us. There may also be know-how and recipes granted to us by the relevant franchisors and relied on by us or developed by us that are subject to infringement or other corresponding allegations or claims by third parties.

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Parties making infringement claims may be able to obtain an injunction to prevent our franchisors and us from delivering the subject products and brands or using relevant intellectual properties. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against our franchisors and us could, among other things, result in prohibiting us from continuously promoting, using, distributing or selling products and brands which have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless of whether we or our franchisors ultimately win or lose, could damage our reputation and adversely affect our business, results of operations and financial condition.

In addition, the intellectual properties licenced to us by the franchisors or developed by us may be used or infringed by unrelated third parties. Any occurrence of counterfeiting or imitation could impact negatively on franchisors, us or our food and beverage products, could result in a reduction of our market share, causing a decline in our sales and profitability as well as increasing our administrative costs in respect of detection and prosecution. Preventing intellectual property infringement is difficult, costly and time-consuming, and continued unauthorised use of the franchisors' or our intellectual properties by unrelated third parties may damage the reputation and brand image of our food and beverage products. The measures the franchisors or we adopt to protect the trademarks, trade secrets and other intellectual property rights may be inadequate to prevent unauthorised use by third parties. If the franchisors or we are unable to adequately protect their trademarks, trade secrets and other intellectual property rights licenced to us or developed by us, the franchisors or we may lose these rights, the brand image of our products may be harmed, and our competitive position and business may be affected. To the best knowledge and belief of our Directors, there were no counterfeit of our food and beverage products identified during the Track Record Period and up to the Latest Practicable Date.

### **Our business may be negatively affected in the event of an infringement of our intellectual property rights**

We currently hold our trademarks for "Kogane Yama", "Gangnam Kitchen" and "After School" for our self-developed brands.

We believe that our trademarks have significant value and are an integral part of our brand-building and expansion efforts, and the marketing of our restaurants' concepts. Any unauthorised use of our trademarks may harm our Group's image and seriously affect our business. If any third party alleges proprietary rights over our trademarks or if we deem necessary for any reason to commence action to stop infringement of our trademarks, we may be involved in legal proceedings brought against us or by us against a third party. Any such legal proceedings may result in monetary losses or may prevent us from further using such brands and trademarks. In these circumstances, there may be a negative impact on our Group's financial performance. For details of our intellectual property rights, please see "Statutory and General Information – Intellectual property rights of our Group".

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We rely on trade secrets to secure food recipes and formulas and production processes. We rely on a combination of contractual responsibilities and confidentiality restrictions in our agreements with our employees to which we disclose such food recipes and formulas, and legal and statutory protections to safeguard such proprietary rights, including the ingredients and food recipes and formulas. Any confidentiality breach by our employees or any other entities having access to such formulas and other trade secrets could result in third parties, including our competitors, gaining access to such recipes and formulas and trade secrets. If our competitors are able to successfully imitate such food recipes and formulas while managing to provide comparable products at competitive prices, our market share may decrease.

If the protection provided by law does not adequately safeguard such industrial know-how, we could suffer losses in our operation due to the sales of competing products, which exploit such industrial know-how. We may also be subject to disputes, claims or litigation involving third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management's attention from our operations and adversely affect our business, results of operations and financial condition.

**Any failure or perceived failure to deal with customer complaints or adverse publicity involving our food or services could materially and adversely affect our business, results of operations and financial condition**

Our business may be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity could materially harm our business, results of operations and financial condition and result in damage to our brands.

We are not aware of any customer complaints seeking material compensation that could have a material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

**We rely on our key management personnel to maintain our business relationships with existing franchisors, suppliers and customers, and to identify potential franchisors and secure new business**

Our continual success is substantially dependent on the contributions and dedication of our key management personnel, particularly our executive Directors and our senior management personnel. Each of our executive Directors is a co-founder of our Group and has over eight years of work experience in the financial sales and insurance industry, and has established strong connections with the Korean franchisors. Our senior management personnel, Mr. Ang Chip Teng, Mr. Chow Wai Loon, Mr. Khor Meng Kian and Mr. Zhou Ming, have over six years of work experience in the food and beverage industry. For details, please see "Directors, Senior Management and Employees". Since the establishment of our Group, our

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management team has built amicable business relationships with our franchisors and our suppliers and maintained our Group's reputation. If any key management personnel resigns or otherwise terminates his employment contract, we may not be able to recruit new management personnel of comparable industry experience and knowledge in a timely manner or at all. In such case, our Group may not be able to maintain our business relationships with our Group's existing franchisors, suppliers and customers, and to identify potential franchisors and secure new business, which may in turn cause material adverse impact on our ability to continue our success. In addition, competition for qualified personnel is intense and the availability of suitable candidates is limited. Failure to attract and retain our Group's core key personnel could adversely affect our business, results of operations and financial condition.

**Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability**

Our historical results may not be indicative of our future performance. Following the Listing and as we implement our future business plans as disclosed in "Future Plans and Use of Proceeds", we expect that our operating expenses to increase due to, among others, (i) the increase in staff costs, rental and related expenses and depreciation and amortisation as a result of opening of new restaurants; (ii) increases in staff costs as a result of the expansion of our human resources and staffing with respect to marketing, operations and catering management, and research development and increase in Directors' remunerations upon Listing; and (iii) increase in marketing expenses to promote our brand awareness. We will also expect to recognise non-recurring Listing expenses of approximately SGD3.2 million for the year ending 30 September 2018.

Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to the respective food and beverage industries in Singapore, Malaysia and Indonesia, and our ability to control costs and operating expenses.

**We had net loss and negative operating cash flow for the four months ended 31 January 2018**

During the Track Record Period, we mainly relied on cash generated from our operating activities and bank borrowings. For the four months ended 31 January 2018, we recorded net loss before tax of approximately SGD1.2 million, which was mainly due to Listing expenses incurred for the period, and negative cash flow from our operating activities of approximately SGD1.4 million. For more details, please see "Financial information – Liquidity and Capital Resources".

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Negative operating cash flow requires our Group to obtain sufficient external financing to meet our financing needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to expand our business. We cannot assure you that we will not experience another period of net loss or negative cash flow from our operating activities in the future, and thus, our business, results of operations and financial conditions may be materially adversely affected.

**We are subject to credit risks in relation to trade receivable and our debtors could default on their obligations to make payment to us**

During the Track Record Period, our trade receivables mainly represents receivables from credit card issuers, royalties receivables under our licensing arrangement, and receivable from sales of food and food ingredients. In general, we receive remittances from the relevant credit card issuers, net of service charges, within a few business days upon the credit card transactions by our customers have been approved. The Indonesia Licensee is required to make royalty payment to us pursuant to the licensing arrangement and the purchasers of our food and food ingredients need to settle our invoices. However, there is no guarantee that all of our debtors will timely settle payment in full as it falls due. If any of them become insolvent or delay their payment to us, our cash flow, as well as our business, results of operations and financial position could be adversely affected. As at 30 September 2016, 30 September 2017 and 31 January 2018, we had trade receivables which aged for 91 days or more of approximately SGD19,000, SGD526,000 and SGD686,000, respectively. For details, please see “Financial Information – Trade receivables”. We are also exposed to the credit risks of our debtors. Any financial difficulties experienced by any of them may result in impairment loss on our trade receivables and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition and results of operations.

**Our relatively short operating history may make it difficult to evaluate our results of operations and prospects**

We were established on 18 October 2014 and have a relatively short operating history. Although we have experienced growth since our inception, we cannot assure you that we will be able to operate profitably in future periods. Our relatively short operating history may make the prediction of future results of operations difficult and, therefore, past growth experienced by us may not be taken as indicative of our future performance. As such, our business and prospects are subject to risks, uncertainties and challenges that we will face as a relatively young restaurant and catering operator in the food industry and there is no assurance that our results of operations will be substantiated.

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### **We are subject to labour and immigration laws and policies that govern the employment of foreign workers, if any**

Any changes in applicable laws, regulations or policies of the countries that our Group has a presence in or those of the foreigners' countries of origin may result in labour shortages and/or increase our operating costs. For example, in Singapore, the availability of foreign workers is regulated by the Ministry of Manpower of Singapore (“MOM”) through policy instruments such as the imposition of levies and quotas. We had a total of 40, 53 and 54 foreign workers, constituting approximately 22%, 33% and 39% of the total number of employees of our Group, as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively. Any increase in such levies and any changes in the supply and/or quota of foreign workers that we are permitted to hire may increase our labour costs. Further, we may be restricted from hiring more foreign workers and could face difficulties in procuring alternative sources of foreign workers with the same or lower costs. If our labour costs increase substantially, our business, results of operations and financial condition may be materially and adversely affected. In addition, we are required to comply with the conditions stipulated in work permits issued to our foreign workers, and may be liable if we contravene such conditions. If we contravene the conditions stipulated in the work permits issued to our foreign workers, such contravention may result in a statutory penalty, a curb in our foreign workers' quota and/or a ban by the MOM on our applications and renewals of work permits for foreign workers. Such an event may result in the disruption of our operations and/or an increase in our labour costs, which may materially and adversely affect our business, results of operations and financial condition. As at the Latest Practicable Date, our Group has not encountered any such events that had a material impact on our Group's operations and financial performance.

### **Our Group may not be able to prevent, detect and deter all circumstances of fraud or other similar misconduct of cash transactions undertaken by employees, suppliers or other third parties**

A considerable amount of cash transactions happen on a daily basis at our restaurants. A substantial quantity of valuable food products, supplies and ingredients are also handled at our restaurants during our day-to-day operations. We may not be able to detect, deter and prevent all circumstances of fraud, dishonesty, theft or other forms of misconduct committed by employees, suppliers or other third parties. Any such circumstances committed against our Group's interests, which may include past acts that have managed to go undetected or future acts of misconduct, may have a material adverse effect on the business, results of operations and financial condition of our Group.

### **We face certain risks associated with our overseas expansion and is dependent on the availability and management of suitable franchisees, licensees and sub-licensees**

Since the start of our business, we have secured the franchise rights for both the “Chir Chir” and “Masizzim” brands to operate in Singapore, Malaysia and Indonesia. In early 2018, we have also obtained the franchise rights for “Nipong Naepong” and “NY Night Market” brands to operate in Singapore. As at the Latest Practicable Date, we have licensed the brand



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“Chir Chir” to the Indonesia Licensee which had (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate a total of four restaurants under the same brand in Indonesia. For the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, revenue generated from Indonesia amounted to approximately SGD456,000, SGD525,000 and SGD116,000, respectively, which accounted for approximately 4.9%, 3.8% and 2.3% of our total revenue for the corresponding period. Where suitable opportunities arise and depending on whether they are feasible, we may appoint new sub-franchisee(s), licensee(s) or sub-licensee(s) (as the case may be) to operate in the above countries to increase our presence. It is also our intention to venture into Southeast Asian markets to seek future opportunities either through business partnerships or sub-franchising. This business model subjects us to various risks, such as those which may impact our ability to receive royalty payments and affect the goodwill associated with the “Chir Chir” brand, which may materially and adversely affect our relationship with our franchisors and our business.

Our sub-franchisee typically manages its business independently and are responsible for the day-to-day operations of its restaurants. Thus, the ultimate success and quality of a sub-franchised restaurant lies with our sub-franchisee. If our sub-franchisee does not perform its obligations pursuant to the sub-franchise agreement with us or carry out the business in a way that projects an image inconsistent with the “Chir Chir” brand, it would affect our Group’s well-built business relationship with the Chir Chir Franchisor and our ongoing franchising relationship, which may materially and adversely impact our business and result of operations. Our Group cannot provide the assurance that our existing and potential sub-franchisee will be successful in its operations or business expansion. In addition, as the royalty fees received from it contribute to the total revenue of our Group, our financial results are thus dependent on the success of their business operations to a certain extent. Termination of such relevant agreements may also occur for reasons that are not within our Group’s control, such as unfavourable business conditions or breach of laws and regulations by the sub-franchisees. The loss of our sub-franchisee will result in an overall decrease of our total revenue whilst we seek alternative partners or to carry on with the business ourselves. The loss of our sub-franchisee may also present opportunities to competitors to increase their market share in that market.

**Any failure to maintain effective systems of quality control of our restaurants and our sub-franchisees could have a material adverse impact on our business and operations**

The quality of the food and beverage we sell is critical to our success. Maintaining consistent food and beverage quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors. This includes the design of our quality control systems and our ability to ensure that our employees or our sub-franchisee’s employees adhere to the same quality control policies and guidelines. For details of our quality control systems, please see “Business – Food safety and quality control”. However, there is no assurance that our quality control systems will prove to be effective at all times. Any significant failure or deterioration of our quality control systems could adversely affect our business, results of operations and financial condition.

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### **Our insurance policies may not provide adequate coverage for all claims associated with our business operations**

During the Track Record Period, we had obtained insurance policies that we believe are customary for business of our size and type and in line with the standard commercial practice. Our insurance expenses amounted to approximately SGD28,000, SGD35,000 and SGD5,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. Please see “Business – Insurance” for details. However, there are types of losses that could not be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

### **Failure to manage our multiple brands and potential competition among our brands may adversely affect our business**

Our offering of both Korean and Japanese cuisines may be perceived as an indirect competition among them. Also, there may be indirect competition between our restaurants under the same brand or with our other brands, as they offer identical or similar food and beverage products, have substantially the same ambience for the dining area and target the same kind of customers (ie. young adults). There is no guarantee that our opening of a new restaurant would not lure away customers from our existing restaurant, resulting in the decrease of the total revenue in our existing restaurants upon opening of new restaurants in Singapore and/or Malaysia. For instance, our existing restaurants generally recorded decrease in average daily revenue, number of dine-in customer visit and daily seat turnover rate for the year ended 30 September 2017 as compared to the prior year. Our Directors believe that such decrease was attributable to factors including, inter alia, the opening of Chir Chir (JEM) shortly before the year ended 30 September 2017, and Chir Chir (BJ) and Masizzim (Westgate) during the year ended 30 September 2017 in Singapore, which may have diverted some customers from our then existing “Chir Chir” and “Masizzim” restaurants. Please see “Business – Sustainability of Our Business” for details. If we fail to balance the marketing efforts or optimise product offerings and pricing strategies among our brands, the competition among these brands may result in an overall decrease in our sales, causing an adverse effect on our business, results of operations and financial condition.

### **Our operating results are dependent on the effectiveness of our promotional, marketing and business development initiatives and programmes**

Our results hinge on the effectiveness of our pricing, marketing and promotional plans, and the ability to adjust these plans to respond promptly and positively to evolving customer preferences, trends and shifting competitive and economic conditions. Our marketing and advertising expenses amounted to approximately SGD188,000, SGD275,000 and SGD73,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. In the event that our programmes in this regard are not successful, this may lead

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to the inability to attract new customers and retain our existing base of customers. If our initiatives are unsuccessful, or if they are comparatively not as successful as those of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

### **We may be affected by unforeseen circumstances beyond our control**

Unforeseeable business interruptions could adversely affect our business. These events include but are not limited to, natural disasters, adverse weather conditions, power failures, and power shortages, hardware and software failures, computer viruses, labour strikes, severe traffic accidents or delays, and other events, which are beyond our control, may hinder our operations and lead to a delay or failure to deliver necessary food ingredients and raw materials to our restaurants. This may also result in spoilage or contamination, especially if these events occur in the regions where our suppliers are located. Further, there may also be incidents such as the malfunction of key equipment such as refrigerators which could also lead to food deterioration, spoilage or contamination. This may result in failure on our part to maintain our high standards of food and service to our customers, thereby materially and adversely affecting our business and reputation.

Any outbreak of diseases or viruses in livestock or food scarcity in the region or around the world may be detrimental to our business. For example, diseases such as the avian influenza H7N9 virus (also known as “bird flu”) or bovine spongiform encephalopathy (also known as “mad cow disease”), amongst others, may materially and adversely affect our business and financial performance.

As a caterer of food and beverage products intended for direct human consumption, we are subject to extensive food safety laws and regulations of Singapore and Malaysia under which we sell our food and beverage products. If we fail to comply with food safety laws in Singapore and Malaysia, we may be subject to fines, suspension of operations, loss of respective food licences and, in more extreme cases, criminal proceedings against us and our management. There can be no assurance that the Singapore and Malaysia governments will not impose additional or stricter laws or regulations on food safety, providing for stricter and more comprehensive monitoring and regulation of food and beverage caterer, which may lead to an increase in our costs of complying with such regulations. We may be unable to pass these additional costs on to our customers. Any of these events could adversely affect our business, results of operations and financial condition.

### **An increase of GST in Singapore may affect our business, results of operations and financial condition**

GST in Singapore is a consumption tax that is levied on import of goods into Singapore as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%. On 19 February 2018, the Finance Minister of Singapore announced that the Singapore government intends to raise GST from its current rate of 7% to 9% during the period between 2021 and 2025. If the increase in GST materialises, this may (i) hinder Singaporean customers’

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spending in general; and (ii) result in adjustments in prices by our suppliers on, among other things, food ingredient and consumables which may in turn adversely affect our business, results of operations and financial condition.

**Our business is subject to various laws and regulations in Singapore and the governing laws of the respective franchise, license and business partnership agreement and there is a risk of regulatory arbitrage between our Company’s principal place of operation and the governing laws of these agreements**

Our business is subject to various laws, governmental regulations and policies, and we are susceptible to any changes of laws and regulations in Singapore, as well as the laws of Korea, Malaysia and Indonesia by which our respective franchise, licence and business partnership agreements are governed. We must comply with various requirements and standards mandated by the laws and regulations of Singapore, Korea, Malaysia and Indonesia. In addition, we are impacted indirectly by laws and regulations designed to influence the wider restaurant operation industry in Singapore, Korea, Malaysia and Indonesia. For details, please see “Regulatory Overview”. There is a risk of regulatory arbitrage between our principal place of operation as Singapore and the governing laws of these agreements in that our counterparty may negotiate and insist on a specific governing law to take advantage of a commercial benefit or circumvent certain laws and regulations in Singapore or their respective jurisdiction when entering into a franchise, licence, business partnership agreement or other form of agreement with us. If the relevant regulatory authorities reduce the regulatory arbitrage effectively through the improvement of rules and regulations and coordination of cross-border regulation, our business, results of operations and financial condition could be adversely affected.

**We are under contractual commitment to open a certain number of restaurants**

We entered into the Nipong Naepong Franchise Agreement pursuant to which we have committed to opening three restaurants by 4 July 2019 and 10 restaurants during the term of agreement which expires on 4 January 2028. For details, please see “Business – New Franchised Brands”. If we fail to open the restaurants according to the Nipong Naepong Franchise Agreement, the Nipong Naepong Franchisor is entitled to increase the running royalty payable by up to 50%. To adhere to such contractual commitment in opening such required number of new restaurants may place substantial strain on our managerial, operational and financial resources. In addition, we may not be able to attract sufficient customers to our new restaurants. If we are unable to mitigate the risks and uncertainties associated with the opening of new restaurants, including without limitations, identification of suitable locations and/or securing of leases on reasonable terms, obtaining of necessary governmental approvals and licences and hiring of employees in a timely manner, the operating results of such new restaurants may not be as profitable to our existing restaurants. The new restaurants may even operate at a loss, which could have an adverse effect on our business, financial condition and future prospect. We could not guarantee that our planned new restaurants could be opened on a timely basis and that if opened, these restaurants would operate profitably.

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### **Our future business expansion may be limited by non-competition clauses**

We have undertaken not to compete with the respective franchisors by engaging in certain food categories in the specific territory pursuant to the respective franchise arrangements. For instance, we have undertaken to the Chir Chir Franchisor that we would not engage in Korean casual dining restaurant business specialising in Korean fried chicken in any country during the term and within five years after termination or expiration of the Chir Chir Franchise Agreements; and we have undertaken to the Masizzim Franchisor that we would not engage in Korean casual dining restaurant business specialising in stew dishes similar to the Masizzim business in Singapore and Malaysia during the term and within five years after termination of the Masizzim Franchise Agreements. For details, please see “Business – Restaurant and Catering Brands”. Further, we entered into the Nipong Naepong Franchise Agreement and NY Night Market Franchise Agreement, respectively, pursuant to which we undertook not to compete with the respective Nipong Naepong Franchisor and the NY Night Market Franchisor in any identical business (i.e. Korean noodle and pasta fusion restaurant for Nipong Naepong and Korean style speciality steak restaurant for NY Night Market) in Singapore during the term of the agreement and for three years after the termination of the Nipong Naepong Franchise Agreement. For details, please see “Business – New Franchised Brands”. If we are in breach of such terms, the respective franchisors are entitled to terminate the relevant franchise agreements. The undertakings may limit our ability to grow and expand our business by developing our own brands and/or procuring franchises of new brands with food categories being limited by the non-competition clauses under the existing franchise agreements in the future.

### **In respect of our operating lease commitments, the future application of HKFRS 16 may materially affect the amounts of right-of-use assets, lease liabilities, rental expenses, interest expense and amortisation**

During the Track Record Period, our Group entered into various lease arrangements in relation to our business operation. Our future accounting policy for such lease arrangements is set out in Note 3 to the Accountants’ Report on Historical Financial Information contained in Appendix I to this prospectus. As at 31 January 2018, our Group had non-cancellable operating lease commitments of approximately SGD7.4 million and such amounts had original lease terms of over one year. In addition, our Group currently considers refundable rental deposits paid of approximately SGD1.2 million as at 31 January 2018 as rights and obligations under leases to which HKAS 17 “Leases” applies.

During the Track Record Period, our future operating lease commitments were not recognised in the combined statements of financial position of our Group. HKFRS 16 “Leases”, which we expect to apply for the first time in our financial year beginning on 1 October 2019, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

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Upon the application of the new standard, there will result an increase in right-of-use assets and lease liabilities in the combined statement of financial position of our Group. This will affect the related financial ratios, such as an increase in debt to equity ratio. We do not have any existing financial covenants that are directly affected by changes in our lease liability position. In our combined statement of profit or loss and other comprehensive income, the financial impact of leases will be recognised in the future as amortisation of right-of-use assets and will no longer be recorded as rental expenses. Interest expense on the lease liabilities will be presented separately under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while amortisation and interest expense will increase. The details of the application of HKFRS 16 are set out in Note 3 to the Accountants' Report on Historical Financial Information contained in Appendix I to this prospectus.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Our Group is heavily dependent on the macroeconomic situation in the countries we operate in and any economic downturn may adversely affect our business**

Our business is subject to the political, legal, economic and social conditions of the countries in which we operate (whether directly or through sub-franchisees). Any adverse change in such political, legal, economic and/or social conditions (such as change in laws and regulations, change of requirements of foreign ownership and the mandatory need of local business partners or business partnerships, inflation, unemployment levels or occurrence of terrorist attacks and other acts of violence or wars) may create hindrance business on our development in certain countries and affect consumers' discretionary spending and confidence. In the event of an economic downturn, consumers tend to become more price-conscious and sensitive to the amount and proportion of their incomes that they are willing to spend on food. There is no assurance that such markets will not be affected by a worldwide economic downturn, or that recovery will happen in the near future, if at all. As this could have a negative impact on the demand for our food products and services, our business, results of operations and financial condition may be adversely affected.

#### **Our Group operates in an industry that is highly competitive**

We operate in an industry that is highly competitive. Our competitors include large and diverse groups of restaurant chains and individual restaurants, whose target customer base is largely similar to, if not the same as, our target customers. We compete by offering, among other things, quality food, competitive pricing, good customer service and accessible locations for our restaurants. While we attempt to differentiate our restaurants with those of our competitors, we are aware that there are other competing restaurants that operate on similar concepts to our restaurants. Please see "Business – Competition" for details. The entry of new competitors into our markets or into the immediate areas surrounding our existing restaurants could affect the business and turnover of our restaurants. In the event we are unable to compete effectively in our industry, our business, results of operations and financial condition will be materially and adversely affected.

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### **We are subject to licencing and regulatory requirements for our operations**

We are subject to the respective laws and regulations governing the food and beverage industry for our operations in Singapore and Malaysia and other areas where we might operate our restaurants in, including but not limited to, the laws and regulations relating to licensing, food safety, handling, storage and hygiene standards. Please see “Regulatory Overview” for details. In this regard, we are required to obtain and maintain for our operations, certain licences, permits, approvals and certificates from relevant authorities. There is no assurance that we will be able to comply with the relevant regulations in the future or renew our existing licences in a timely manner or at all. If we are found to be in breach of any applicable laws, rules, regulations or conditions, the relevant government or regulatory authority may take action against us, such as issuing warnings, imposing penalties, imposing imprisonment term, suspending the licences, reducing the term of the licences, imposing additional conditions or restrictions and/or revoking the licences. Any failure to obtain, maintain or renew any of the licences may materially and adversely affect our business, results of operations and financial condition.

### **Labour shortages or increases in labour costs will increase our Group’s operating costs and reduce our profitability**

Restaurant operations are in general highly service-oriented and therefore, our Group’s success is dependent upon our ability to motivate and retain sufficient number of qualified employees, including restaurant managers, kitchen staff and floor staff, all of whom are necessary for our daily operations, and attract experienced staff to assist us in our Group’s expansion plans. We were able to recruit new staff to replace our vacant positions but there is no assurance that our Group will not experience difficulty in recruiting personnel in the future. Individuals with sufficient experience in the food and beverage industry are in short supply and competition for these employees is intense. Any inability to recruit qualified individuals in the future may delay the planned opening of our new restaurants or any inability to retain qualified individuals may adversely affect our daily operations of our existing restaurants. Any such delays, any material increases in employee turnover rates in existing restaurants or any widespread employee dissatisfaction could have a material adverse effect on our business, results of operations and financial conditions.

In addition, competition for qualified employees could also require us to pay higher wages which could result in higher labour costs. As at the Latest Practicable Date, our Group employed a total of 127 full-time employees working at its offices and restaurants in Singapore. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our staff costs (including emoluments paid to our executive Directors) amounted to approximately SGD2.4 million, SGD3.2 million and SGD1.2 million, respectively, representing approximately 25.7%, 23.1% and 23.2% of our Group’s total revenue, respectively. It is expected that our staff costs will increase as a result of the expected expansion of our business and the recent increase in salary level of employees in the food and beverage industry in Singapore. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the business, results of operations and financial condition

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of our Group. Due to the intense competition in the food and beverage industry, we may be unable to pass on the increased labour costs to our customers by correspondingly increasing our menu prices, in which case our Group's profit margins would be negatively affected.

### **RISKS RELATING TO THE PUBLIC OFFER**

#### **Termination of the Public Offer Underwriting Agreement**

Prospective investors should note that the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics.

#### **There has been no prior public market for our Shares and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Listing, there is no public market for our Shares. The listing of, and the permission to deal in, our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, strategic alliances or acquisitions made either by our Group or by our Group's competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuation in the market prices for our Group's food ingredients products or raw materials, the liquidity of the market for our Shares, the general market sentiment regarding the food and beverage industry could cause the market price and trading volume of our Shares to change substantially. Additionally, both the market price and liquidity of our Shares could be adversely affected by factors beyond our Group's control and that which are unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell our Shares at or above the Offer Price.

#### **Future sales of a substantial number of our Shares by our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares**

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholder(s) are subject to certain lock-up undertakings after the Listing, details of which are



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set out in “Underwriting – Underwriting arrangements and expenses – Lock-up undertakings to the Stock Exchange”. While we are not aware of any intention of our Controlling Shareholder(s) to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any of their Shares in the future.

### **The interests of our Controlling Shareholder(s) may differ from those of other Shareholders**

The interests of our Controlling Shareholder(s) may differ from the interests of other Shareholders. If the interests of our Controlling Shareholder(s) conflict with the interests of other Shareholders, or if our Controlling Shareholder(s) cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, you could be disadvantaged by the actions that our Controlling Shareholder(s) choose to cause us to pursue. Our Controlling Shareholder(s) could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholder(s) have no obligation to consider the interests of our Company or the interests of other Shareholders.

### **Shareholders’ interests in our Company may be diluted in the future**

Our Group may issue additional Shares upon exercise of share options to be granted under the Share Option Scheme. In addition, our Group may need to raise additional funds in the future to finance business expansion, which may relate to existing operations, new business developments and/or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced and they may experience dilution of their proportionate interest in our Company; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

### **Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Share Offer will experience immediate dilution**

If you purchase our Shares in the Share Offer, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Share Offer will experience an immediate dilution in the net tangible asset value and our existing Shareholder(s) will receive an increase in the pro forma adjusted combined net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if we obtain additional capital in the future through equity offering.

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### **We cannot assure you as to whether and when we will pay dividends in the future**

Dividends of SGD0.9 million and SGD0.6 million were declared and paid by K Food Holdings in respect of the financial years ended 30 September 2016 and 2017, respectively. However, we cannot assure you as to whether and when we will pay dividends in the future. Any future declarations of dividends will be proposed by our Board, and the amount of any dividend will depend on various factors such as our results of operations, financial condition and future business prospects. Please see “Financial Information – Dividend” for further details.

### **We have significant discretion as to how we will use the net proceeds from the Share Offer, and you may not necessarily agree with how we use them**

We plan to use the net proceeds from the Share Offer to expand our dining operations in Singapore and the Southeast Asian regions. For details of our intended use of net proceeds from the Share Offer, please see “Future Plans and Use of Proceeds”. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses of the net proceeds from the Share Offer.

### **The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong**

Our corporate affairs are governed by our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our Company’s minority Shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Law is set out in Appendix III to this prospectus.

### **There can be no guarantee as to the accuracy of facts and other statistics contained in this document with respect to the economies and the industry in which we operate**

Certain facts and other statistics in this document are derived from various sources including various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practise and other problems, the statistics referred to or contained in this document may be inaccurate or may not be comparable to

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statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

**The industry statistics and forward-looking information and statements contained in this prospectus may not be accurate, reliable or fair**

Statistics and other information relating to our industry particularly contained in “Industry Overview” have been compiled partly from various publicly available publications as well as the CIC Report. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other persons or their respective directors, advisers or affiliates has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Such information may not be complete or latest. As the way of collecting the information may contain faults or may not be effective, or there exist variations and other problems between the information published and market practises, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon when making decisions on your investment in our Company or otherwise.

Further, this prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus.

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**Investors should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer**

There may be, prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in “Forward-looking statements”. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information about our Group to the public. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms, on the terms and subject to conditions set out herein. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer. The Share Offer comprises the Placing and the Public Offer and is subject to, in each case, re-allocation described in “Structure and Conditions of the Share Offer”.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Bookrunners. Subject to the terms of the Public Offer Underwriting Agreement including the determination of the Offer Price by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For more information about the Underwriters and the underwriting arrangements, see “Underwriting – Underwriting arrangements and expenses”.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DETERMINATION OF THE OFFER PRICE**

The Offer Price is expected to be determined by an agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 3 August 2018, and in any event no later than Friday, 10 August 2018. If, for whatever reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are not able to agree on the Offer Price by Friday, 10 August 2018, the Share Offer will not proceed and will lapse.

### **SELLING RESTRICTIONS**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdictions or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Each person acquiring the Offer Shares will be required to confirm and is deemed by his/her/its acquisition of the Offer Shares to have confirmed that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Department of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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No part of our Company's share or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, our Company's share or loan capital on any other stock exchange. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **SHARE REGISTRAR AND STAMP DUTY**

All Shares in issue must be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Estera Trust (Cayman) Limited, at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered in our Company's Hong Kong branch register of members may be traded on the Stock Exchange. Dealings in Shares registered on the register of members kept by our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of holders of our Shares resulting from the subscription, purchase, holding or disposal of our Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedures for applying for the Public Offer Shares are set out in "How to Apply for Public Offer Shares" and in the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer”.

### **OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on GEM as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **DEALINGS AND SETTLEMENT**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 13 August 2018. Shares will be traded in board lots of 5,000 Shares each. The GEM stock code of our Company is 8475. Our Company will not issue any temporary document of title.

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange’s teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Only certificates for Shares registered in the branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Hong Kong nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the English names shall prevail.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

### **TRANSLATIONS**

Unless otherwise stated, the conversion of (i) SGD into HK\$ is based on the approximate exchange rate of SGD1 to HK\$5.9; (ii) RM into HK\$ is based on the approximate exchange rate of RM1 to HK\$2.0; (iii) KRW into HK\$ is based on the approximate exchange rate of KRW1,000 to HK\$7.2; and (iv) US\$ into HK\$ is based on the approximate exchange rate of US\$1 to HK\$7.8 in this prospectus.

No representation is made that any SGD amounts or RM amounts or KRW amounts or US\$ amounts were or could have been or could be converted into HK\$, at such rate or any other rate on any day.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Lai Weijie, Terence (賴偉傑)	69 Seletar Green View Singapore 805189	Singaporean
Mr. Ho Zhi Yi, Levi (何智毅)	Block 83 Yishun Avenue 11 #08-27 Singapore S768864	Singaporean
Mr. Yeap Wei Han, Melvyn (葉偉漢)	559 Choa Chu Kang North 6 #07-66 Singapore S680559	Singaporean
Mr. Tan Chien Fong (陳千楓)	332 Yishun Ring Road #03-1380 Singapore S760332	Singaporean
<i>Non-executive Director</i>		
Mr. Ng Yook Tim (吳煜添)	33 Leonie Hill Road #20-08 Singapore S239197	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Chow Wai San (招偉樂)	Block 211 Bishan Street 23 #10-337 Singapore 570211	Singaporean
Mr. Law Chung Lam Nelson (羅頌霖)	Flat D, 14/F Chester Court 6-8 Praya Kennedy Town Hong Kong	Chinese
Mr. Choo Zheng Xi (朱正熙)	56 Trevoise Crescent #03-07 Singapore 290088	Singaporean

For further information on the profile and background of our Directors, please see “Directors, Senior Management and Employees”.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

#### **Lego Corporate Finance Limited**

*a corporation licenced to carry out Type 6  
(advising on corporate finance) regulated  
activity under the SFO*

Room 1601, 16/F  
China Building  
29 Queen's Road Central  
Hong Kong

#### Joint Bookrunners

#### **Lego Securities Limited**

*(a corporation licenced to carry out type 1  
(dealing in securities) regulated activity  
under the SFO)*

Room 301, 3/F, China Building  
29 Queen's Road Central  
Central  
Hong Kong

#### **Quasar Securities Co., Limited**

*(a corporation licenced to carry on type 1  
(dealing in securities) regulated activity  
under the SFO)*

Unit A, 12/F, Harbour Commercial Building  
122-124 Connaught Road Central  
Hong Kong

#### Joint Lead Managers

#### **Lego Securities Limited**

*(a corporation licenced to carry out type 1  
(dealing in securities) regulated activity  
under the SFO)*

Room 301, 3/F, China Building  
29 Queen's Road Central  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Quasar Securities Co., Limited**

*(a corporation licenced to carry on type 1  
(dealing in securities) regulated activity  
under the SFO)*

Unit A, 12/F, Harbour Commercial Building  
122-124 Connaught Road Central  
Hong Kong

**Everstone Securities Limited**

*(a corporation licenced to carry out type 1  
(dealing in securities) regulated activity  
under the SFO)*

Suite 3712, 37/F, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

**Grand Tai Securities Limited**

*(a corporation licenced to carry out type 1  
(dealing in securities) and type 2 (dealing in  
futures contracts) regulated activities under  
the SFO)*

Unit A1 13/F United Centre  
95 Queensway, Queensway  
Hong Kong

**Co-managers**

**Run Investment Services Limited**

*(a corporation licenced to carry out type 1  
(dealing in securities) regulated activity  
under the SFO)*

Room 08, 24/F, Dominion Centre  
43-59 Queen's Road East  
Wanchai  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### **Wellington Financial Limited**

*(a corporation licenced to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO)*

Unit B, 10/F  
128 Wellington Street  
Central  
Hong Kong

### **Fruit Tree Securities Limited**

*(a corporation licenced to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

Room 1906, 19/F  
China Insurance Group Building  
141 Des Voeux Road Central  
Central  
Hong Kong

### **Long Asia Securities Limited**

*(a corporation licenced to carry out type 1 (dealing in securities) regulated activity under the SFO)*

Unit A, 23/F, The Wellington  
198 Wellington Street  
Sheung Wan  
Hong Kong

### **Legal advisers to our Company**

*As to Hong Kong law:*

### **CFN Lawyers in association with Broad and Bright**

Room Nos. 4101-4104, 41/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wan Chai  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*As to Cayman Islands law:*

**Appleby**

2206 – 19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Singapore law:*

**Dentons Rodyk & Davidson LLP**

80 Raffles Place  
#33-00 UOB Plaza 1  
Singapore 048624

*As to Malaysian law:*

**Foong & Partners**

13-1 Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara  
Mont Kiara  
50480 Kuala Lumpur  
Malaysia

*As to Korean law:*

**Bae, Kim & Lee LLC**

133 Teheran-ro  
Gangnam-gu  
Seoul 06133,  
Republic of Korea

*As to Indonesian law:*

**Dau & Tuah**

Unit 209  
Gedung Pusat Perfilman H  
Usmar Ismail  
JL. H.R. Rasuna Said Kav.  
C-22 Kuningan  
DKI Jakarta Selatan 12940  
Indonesia

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law:</i> <b>Eversheds Sutherland</b> 21/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Auditor and reporting accountants</b>	<b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
<b>Industry consultant</b>	<b>China Insights Industry Consultancy Limited</b> 10/F Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai, China
<b>Receiving bank</b>	<b>DBS Bank (Hong Kong) Limited</b> 16/F, The Center 99 Queen's Road Central Hong Kong
<b>Compliance adviser</b>	<b>Lego Corporate Finance Limited</b> <i>a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F China Building 29 Queen's Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarter and principal place of business in Singapore</b>	1 Grange Road Orchard Building #12-01 Singapore 239693
<b>Principal place of business in Hong Kong</b>	Units 4101-4104 41/F Sun Hung Kai Centre 30 Harbour Road Wan Chai Hong Kong
<b>Company secretary</b>	Mr. Kwok Siu Man (郭兆文) <i>FCS</i> 31/F, 148 Electric Road North Point, Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Ho Zhi Yi, Levi (何智毅) Block 83 Yishun Avenue 11 #08-27 Singapore S768864  Mr. Kwok Siu Man (郭兆文) <i>FCS</i> 31/F, 148 Electric Road North Point, Hong Kong
<b>Compliance officer</b>	Mr. Yeap Wei Han, Melvyn (葉偉漢) 559 Choa Chu Kang North 6 #07-06 Singapore S680559
<b>Audit committee</b>	Mr. Chow Wai San (招偉燊) ( <i>Chairman</i> ) Mr. Law Chung Lam Nelson (羅頌霖) Mr. Choo Zheng Xi (朱正熙) Mr. Ng Yook Tim (吳煜添)



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## CORPORATE INFORMATION

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<b>Remuneration committee</b>	Mr. Choo Zheng Xi (朱正熙) ( <i>Chairman</i> ) Mr. Law Chung Lam Nelson (羅頌霖) Mr. Chow Wai San (招偉榮) Mr. Ng Yook Tim (吳焜添)
<b>Nomination committee</b>	Mr. Law Chung Lam Nelson (羅頌霖) ( <i>Chairman</i> ) Mr. Chow Wai San (招偉榮) Mr. Choo Zheng Xi (朱正熙) Mr. Ng Yook Tim (吳焜添)
<b>Principal share registrar and transfer office in the Cayman Islands</b>	<b>Estera Trust (Cayman) Limited</b> PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Boardroom Share Registrars (HK) Limited</b> 2103B, 21/F 148 Electric Road North Point Hong Kong
<b>Principal banker</b>	<b>United Overseas Bank</b> 80 Raffles Place UOB Plaza Singapore 048624
<b>Company's website</b>	<u><a href="http://www.kgroup.com.hk">www.kgroup.com.hk</a></u> ( <i>the information contained in this website does not form part of this prospectus</i> )

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## INDUSTRY OVERVIEW

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*The information presented in this section is, including certain facts, statistics and data, derived from the CIC Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside of Singapore or Malaysia. As a result, excessive reliance on the information contained in this section shall be avoided.*

### SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on Korean and Japanese casual dining restaurant industry in Singapore and Malaysia for the period from 2012 to 2021. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK\$450,000, which we believe reflects the market rate for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting services across multiple industries. CIC's services include industry consulting services, commercial due diligence and strategic consulting.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysis of market data obtained from several publicly available data sources, such as releases from the governments of the research countries, company reports, independent research reports and CIC's own internal database. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for accuracy. On the basis of the aforementioned, we consider the data and statistics to be reliable.

### ASSUMPTIONS

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in the research scope regions are expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in Korean and Japanese casual dining restaurant industry throughout the forecast period, including no significant changes in the monthly income, dining out ratios, popularity of K-drama and Korean culture, and its healthy and affordable features; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

The CIC Report mainly focuses on the market for Korean and Japanese casual dining restaurant industry in Singapore and Malaysia. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. Parameters used in the CIC Report include: (i) private consumption expenditure on food and non-alcoholic beverages; (ii) food service operating receipts; (iii) Korean and Japanese casual dining restaurant market size; and (iv) cost composition indices of rent, raw material and wage.

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## INDUSTRY OVERVIEW

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### **General economic environment for Korean and Japanese casual dining restaurant Industry**

#### *Private consumption expenditure on food and non-alcoholic beverage*

##### *Singapore*

In Singapore, consumption expenditure on food increased as a result of increasing per capita GDP and increasing household income. Between 2012 and 2017, the private consumption expenditure on food and non-alcoholic beverages increased from approximately US\$6,900.6 million to approximately US\$7,921.9 million, representing a CAGR of approximately 2.8%. The consumer food service industry is expected to continue its upward trend in Singapore. Total expenditure is expected to reach approximately US\$9,083.3 million by 2021.

##### *Malaysia*

Between 2012 and 2017, the private consumption expenditure on food and non-alcoholic beverages in Malaysia increased from approximately US\$11.9 billion to approximately US\$16.9 billion, representing a CAGR of approximately 7.3%, which was mainly due to the increasing disposable income. The sector is expected to further reach approximately US\$24.9 billion in 2021, representing a CAGR of approximately 10.2%.

### **Overview of Korean and Japanese casual dining restaurant market**

#### *Definition and Categorization*

Restaurant market refers to the businesses where people pay to sit and consume meals that are cooked and served, generally on the premises, but some also offer take-out and/or food delivery services. By service type, restaurant market can be further divided into fine dining, casual dining, fast food and food courts and café.

Casual dining restaurants refers to restaurant practices that encompass a casual dining atmosphere which requires some level of table services, little or no dress code, and is moderately priced. Casual dining restaurants target the mass market customers including the white collars and tourists.

#### **Value chain analysis of Korean and Japanese casual dining industry**

The upstream of Korean and Japanese food service value chain starts from turning agricultural products into preliminary food ingredients. Food traders, wholesalers and distributors are active agents that facilitate the movement of agricultural products into foods.

The midstream of Korean and Japanese food service value chain includes various food service providers and retail outlets that sell final food products to customers. Food services providers cook ingredients and turn food into ready-to-serve meals. This link includes restaurants, caterers, central kitchens and cafeterias. It is the industry norm that the restaurants do not hold long term contracts with their suppliers.

The downstream of the value chain include final consumers of all foods prepared and served. Customers of Korean and Japanese cuisines can be categorised into three types by scene of consumption: in public, in groups and in private.

#### *Market size*

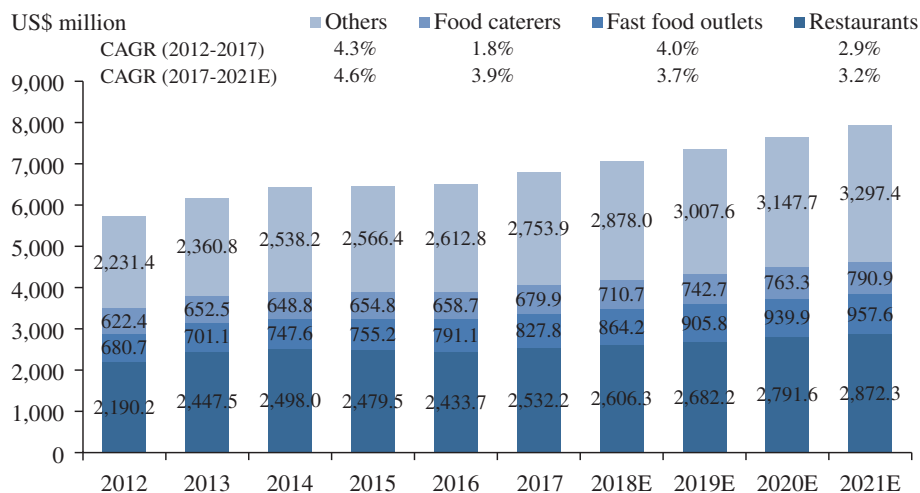
##### *Singapore*

Singapore continues to be one of the most developed food markets in Southeast Asia. With high disposable incomes and high per capita GDP, Singaporeans have strong demands for restaurant for leisure and entertainments. The total operating receipts increased from approximately US\$5,724.7 million in 2012 to approximately US\$6,793.8 million in 2017, representing a CAGR of approximately 3.5%. Food service sector ranges from basic cooked food stalls operating in local food centers located in residential heartlands to fine dining

## INDUSTRY OVERVIEW

restaurants operating at a single site and star hotels and retail shopping malls. Between these two types of operations are a sizeable mid-range group of fast food, casual dining restaurant and food courts. Restaurants as a group account for approximately 37.3%, while fast food outlets account for approximately 12.2% of the total revenue of the food & beverage services industry in 2017. Food caterers take up approximately 10.0% share of the food and beverage industry. The “Others” category consisting of cafes, coffee houses, food courts, and eating houses take up the remaining 40.5% of the total. Singapore food service industry is expected to continue to maintain an upward trend, reaching approximately US\$7,918.2 million by 2021.

### Food service operating receipts by category, Singapore, 2012-2021E

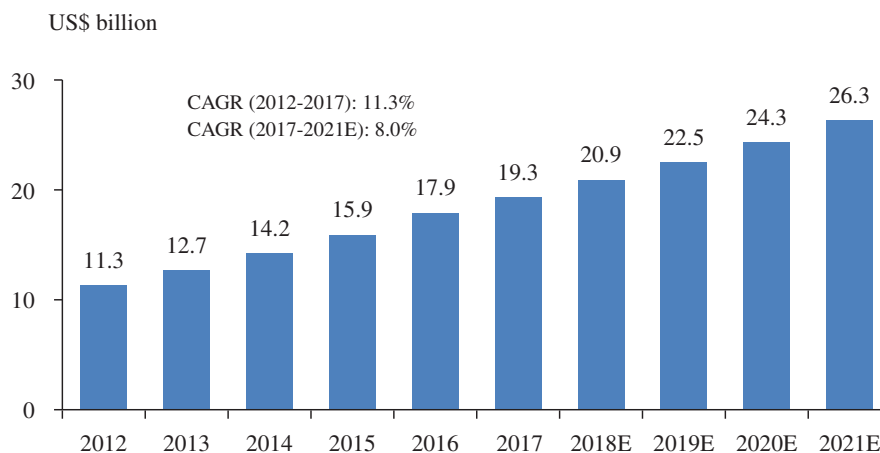


Source: Department of Statistics of Singapore, CIC

### Malaysia

Malaysia’s population has a significant pool of active young consumers with evolving eating habits that tend to follow a modern lifestyle and preferring to dine out rather than cook at home. This leads to greater consumption of foreign food and beverages from other countries. Consumers dine at the full range of establishments available in Malaysia, including full-service restaurants, fast food restaurants, fine dining or casual dining eateries. Between 2012 and 2017, food service operating receipts increased from approximately US\$11.3 billion to approximately US\$19.3 billion, representing a CAGR of approximately 11.3%. The market is projected to further reach approximately US\$26.3 billion by 2021. The Malaysia Tourism Transformation Plan is expected to attract 36 million tourists to Malaysia and generate about US\$42.0 billion for the country by the year 2020. The development of food service industry is encouraged in line with the promotion of Malaysia as an attractive tourist destination.

### Food service operating receipts, Malaysia, 2012-2021E



Source: Department of Statistics of Malaysia, CIC

## INDUSTRY OVERVIEW

### *Market size of Korean and Japanese casual dining restaurants*

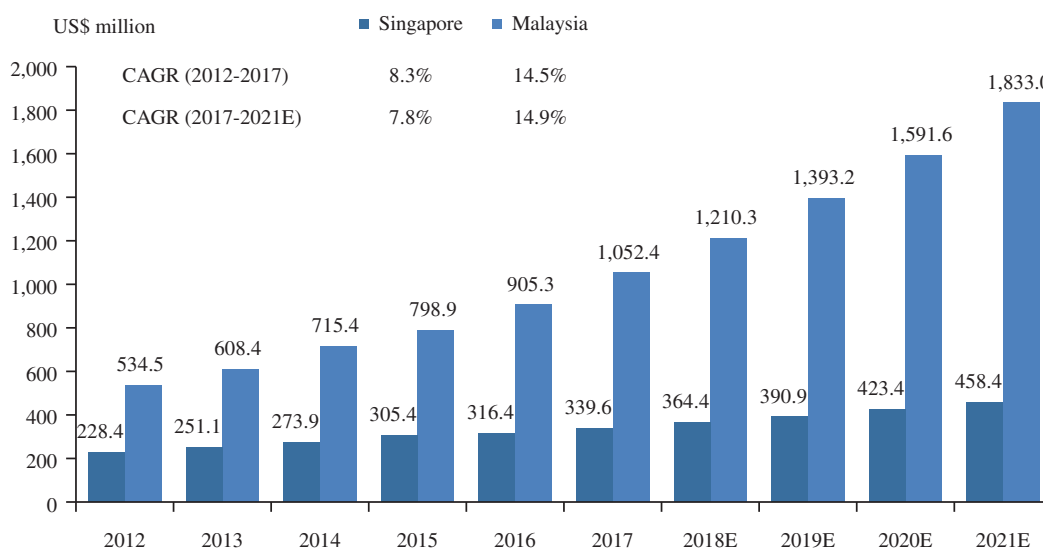
#### *Singapore*

Food landscape in Singapore is changing as a result of the introduction and preference of more foreign foods. The restaurant scene is getting more vibrant. Korean cuisine is getting even more attention and are finding successes with consumers here because of the influence by K-pop and K-dramas. More and more Korean eateries are springing up in malls and food courts. Between 2012 and 2017, the market size of Korean and Japanese casual dining restaurants in Singapore increased from approximately US\$228.4 million to approximately US\$339.6 million, representing a CAGR of approximately 8.3%. In 2017, Korean and Japanese casual dining restaurants accounted for approximately 5.0% out of the total restaurant market in terms of revenues. The market is expected to further reach approximately US\$458.4 million by 2021.

#### *Malaysia*

Most restaurants in Malaysia provide Asian cuisine, with Chinese dominating the middle to high end restaurants. Malaysian, Indian, Japanese, Korean, Indonesian, and Thai restaurants also dominate the local restaurant scene. Between 2012 and 2017, the market size of Korean and Japanese casual dining restaurants in Malaysia increased from approximately US\$534.5 million to approximately US\$1,052.4 million, representing a CAGR of approximately 14.5%. In 2017, Korean and Japanese casual dining restaurants accounted for approximately 5.5% out of the total restaurant market in terms of revenues. The market is expected to further reach approximately US\$1,833.0 million by 2021.

**Korean and Japanese casual dining restaurant market size,  
Singapore and Malaysia, 2012-2021E**



Source: CIC

### *Historical major cost composition indices of raw material, wage and rent*

#### *Singapore*

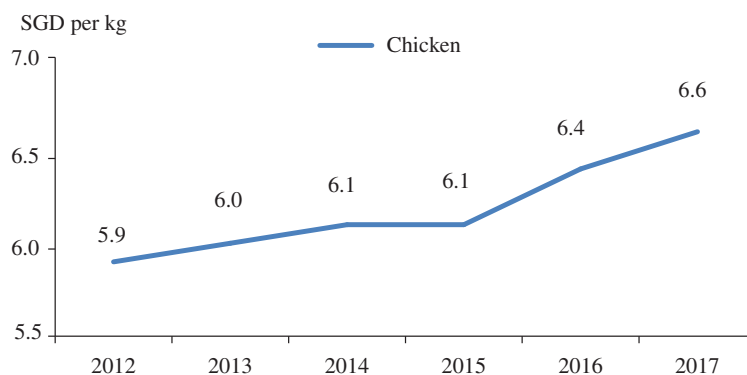
In Singapore, workforce benefits greatly from social welfare system. The cost of staff is increasing at a steady pace. Commercial retail rental and raw material input price are slowly decreasing due to sufficiency of supply. High level of food safety regulation imposes additional cost to overall budget. The food price is expected to stay relatively stable or observe a steady upward trend in the next few years.

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## INDUSTRY OVERVIEW

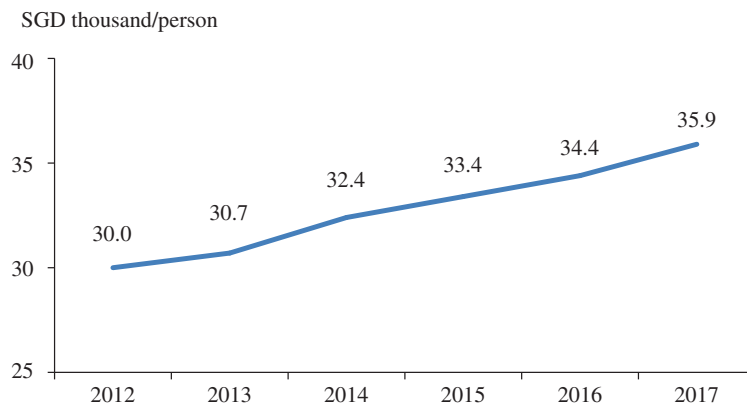
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### Average prices of chicken, Singapore, 2012-2017



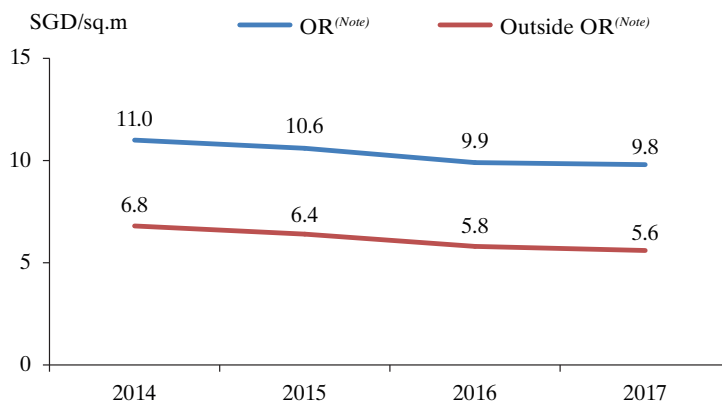
Source: Department of Statistics of Singapore, CIC

### Annual compensation rate of employee in accommodation and food service industry, Singapore, 2012-2017



Source: Department of Statistics of Singapore, CIC

### Median rental price of retail space, Singapore, 2014-2017



Source: Department of Statistics of Singapore, CIC

Note: OR refers to Orchard Planning Area, Outside OR refers to Central area outside of Orchard.

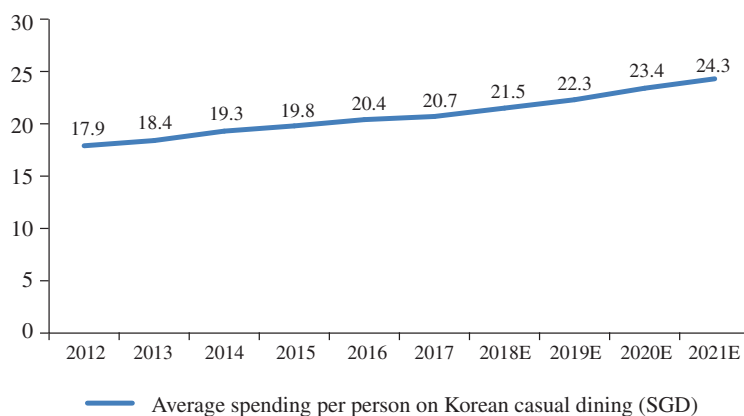
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Average spending per person on Korean casual dining in Singapore increased from approximately SGD17.9 in 2012 to SGD20.7 in 2017. With increasing popularity of Korean cuisine in Singapore and considering the increasing operating and raw material cost, the average spending per person on Korea casual dining in Singapore is expected to reach SGD24.3 in 2021.

**Average spending per person on Korean casual dining, Singapore, 2012-2021E**



Source: CIC

### Malaysia

In Malaysia, costs of operation are increasing overall, with wage rising the quickest. Between 2012 and 2017, average price of cheese in Malaysia increased from approximately RM28,963.7 per tonne to approximately RM31,220.0 per tonne, representing a CAGR of approximately 1.5%. Between 2012 to 2017, average price of chicken in Malaysia increased from approximately RM7,250.0 per tonne to approximately RM8,640.0 per tonne, representing a CAGR of approximately 3.6%. The final sales price is expected to rise as the raw food ingredients increase. Growths of labour and rental costs are driven by overall economic development and increasing demands from all economic sectors. The rising trend of food price is expected to continue in the forecast period.

### Drivers for the growth of Korean and Japanese casual dining restaurant market

According to CIC, the following factors have driven, and are expected to continue to drive the growth of Korean and Japanese casual dining restaurant market in the research scope regions.

- (i) **Continuous growth of monthly incomes:** Between 2012 and 2017, the CAGR of average monthly income in Singapore and Hong Kong were approximately 4.0% and 5.4% respectively, indicating a promising future growth potential. Meanwhile, between 2012 and 2016, the average monthly income in Malaysia increased from MYR1,916.0 to MYR2,463.0, representing a CAGR of 6.5%. As the income level of residents in our Group's current business regions such as Singapore and Malaysia as well as the probable future business regions in Southeast Asia keep increasing, customers will have more financial capability and willingness to dine out, leading to further growth of the Korean and Japanese casual dining industries.
- (ii) **Dining out ratio increase as the unemployment rate decreases and working hours extends:** The unemployment rate in these countries are relatively low compared to other regions of the globe. The rates in Singapore and Malaysia are rather steady and are both below 3.5%. The average working hours in these regions are all above the standard number of 40. The longer people work, the less leisure time that people will spend on cooking, therefore an increasing number of people will choose to dine out for convenient purpose.

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## INDUSTRY OVERVIEW

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- (iii) **Korean culture is becoming more popular in Asian countries, and the affiliated featured food and dining culture are also getting more popular among K-Drama fans and audiences:** According to Korean government statistics, the cultural content export volume has seen a rapid growth since 2012, from approximately US\$4.6 billion in 2012 to approximately US\$6.3 billion in 2016. The cultural contents include dramas, films and entertainment programs, which will all further facilitate the promotion of Korean food and dining culture. According to the Korean Ministry of Culture, Sports and Tourism, Southeast Asia accounted for the second largest proportion of Korea's broadcasting exports, which reached approximately US\$21.3 million with approximately 11.9% share of exports in 2014. It also indicates that K-drama are well accepted in Southeast Asia countries with further development potentials in the years to come. Korean food culture becomes widely accepted in Asian countries alongside the culture exports. Chimaek, illustrated in the K-drama, is a compound formed from chicken and Maekju (beer). It has become a distinctive part of Korean culture. In some cities, K-drama fans have to queue for hours to order fried chicken. Related Korean restaurants are expected to experience large revenue growth by this market driver as well.
- (iv) **Korean and Japanese foods are becoming popular in Asian countries for the advantage of being healthy as well as having exotic features and short serving time among the mainstream cuisine styles:** Korean and Japanese cuisine offer more diversification of daily dining options for customers. The wide range of food including meat, soup, and vegetables, are considered more exotic than Chinese cuisine and local Southeast Asian cuisine.

Korean and Japanese cuisines are becoming more widely accepted due to their healthy diet composition. Both cuisines contain less sugar and fat, focus on fresh ingredients and pay huge attention to ingredient qualities. Korean and Japanese foods are budget friendly and time efficient choices with serving time at around 1 hour per meal.

### *Future trend of Korean and Japanese casual dining restaurant market*

- (i) **Casual dining is expected to become the new mainstream dining option in target countries and regions:** Casual dining can offer the advantages of flexible meal time, efficient service and affordable meal price while providing a cozy dining environment for customers where customers are still able to chat and relax with friends easily compared to fast food dining. Casual dining is expected to become the new mainstream dining option, especially in urban areas and big cities.
- (ii) **Restaurant diversification and specification are more and more significant:** The market is expecting a more diversified local dynamic of restaurant operations as cultural exchange and tourism intensified in Southeast Asia. Ethnic foods gained stronger market position when people are exposed to foreign culture that is different from existing local recognition. Diversified restaurant operation includes ethnic foods, innovation on specialty foods and fusion foods.
- (iii) **Korean and Japanese casual dining restaurants will bring more social networking experiences such as posting on Instagram and Facebook:** With the wide spread of Japanese animation and K-drama, Korean and Japanese cultures are well accepted by overseas customers and are possibly linked to fashion trends, thus some fans of animation and dramas will go to Korean and Japanese restaurants not just for food. For instance, the fans of K-drama would possibly go to Chimaek restaurants and post the pictures of fried chicken on Instagram or Facebook, illustrating that they finally have the opportunity to taste the eye-catching Chimaek and hail their idols. Therefore, Korean and Japanese casual dining restaurants will provide more and more social networking possibilities rather than only bringing food.
- (iv) **The major customers of Korean and Japanese restaurants will be more concentrated in young generations:** There are many exotic features and the affiliated culture factors behind Korean and Japanese casual dining. Young generations, especially the Z generation (people born after the mid-1990s), are exposed to Japanese animation and K-drama since their childhood and are more



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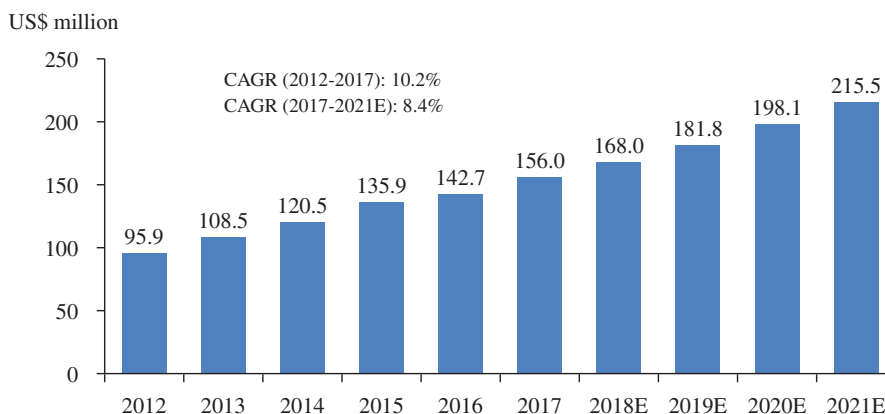
open to foreign cultures as well, thus they are more willing and more likely to choose Korean and Japanese casual dining as their daily dining options. The major customers of Korean and Japanese food would possibly be more and more concentrated in young generations.

### *Major challenges of Korean and Japanese casual dining restaurant market*

- (i) **Patronisation:** Our Group dissipates its potential customer impact through online marketing. This strategy is effective for new consumers who have no experience with the dishes offered by our Group. It is important to effectively convert new customers into regular patrons. Patronisation ensures sustainable profit generation of each individual shop.
- (ii) **Food quality concern:** Emerging markets exhibit higher risks of food safety than developed markets where safety guidelines are better designed and enforced. Common risks posed to restaurant operation can happen at the storage, handling, preparation stage or cooking stages. Quality food supply ensures consistency and safety of raw ingredients processed at kitchen. It also greatly lowers the risk of food poisoning.
- (iii) **Localization:** From the supplier side, our Group shall secure local supply chain for smooth daily operation. Local sourcing is critical for daily operation as well as cost control. From the customer side, dishes served are tailored to local palates for maximum acceptance by local customers, resulting in higher customer flow and profit.

### **Competitive landscape of Korean and Japanese casual dining restaurants**

#### **Korean casual dining restaurant market size, Singapore, 2012-2021E**



Source: CIC

The Korean casual dining restaurants accounted for approximately 6.2% of total casual dining market in Singapore.

#### **Top 5 Korean restaurant operators in Singapore in terms of revenue, 2017**

The Korean restaurant operators market is fragmented in Singapore. The entry barriers are (i) moderately low which increases competition; (ii) requiring sufficient capital investments to set up business; and (iii) providing high service standard to attract customer. Thus, leading Korean restaurant operators are the local and international restaurant groups. The consumer food service industry in our countries of operation is competitive in terms of consistency of food quality, price-value relationships, dining environment, customer service and restaurant location. Our Group adopts a multi-brand business model. Save for our Group, top leading brands such as Royal T Group and Zingrill implement the same multi-brand strategy as well.

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## INDUSTRY OVERVIEW

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The following ranking is based on the revenue made in 2017. Our Group ranked the fifth among Korean restaurant operators in Singapore in terms of revenue in 2017.

Ranking	Company name	Establishment time	Number of Korean restaurants in Singapore	Number of brands owned	Total revenue of Korean Restaurants (SGD million)	Market Share
1	Company A	1999	19	7	21.7	13.9%
2	Company B	1983	14	3	20.2	12.9%
3	Company C	2009	12	1	15.4	9.9%
4	Company D	2003	5	1	14.9	9.6%
5	Our Group	2014	7 <i>(Note 1)</i>	5	13.6 <i>(Note 2)</i>	8.7%

Source: CIC

*Note 1:* As of December 2017, our Group operated seven Korean restaurants in Singapore, one Korean restaurant in Malaysia and one Japanese restaurant in Singapore.

*Note 2:* Representing our Group's revenue for the year ended 30 September 2017 attributable to the seven Korean restaurants operated by our Group as of December 2017.

### ***Entry barriers of Korean and Japanese casual dining restaurant market***

- (i) **Strategic positioning:** Strategic positioning refers to the place in the market a company occupies in the mind of customers. Positioning distinguishes our Group from other restaurants. A strategic positioning allows decision makers to focus on the niche of choice and corroborate on the business plan. Strategic positioning highlights and differentiates our Group from its competitors, such as the specialty Korean and other food services that our Group offers. A well-established positioning prevents competitors from entering the same segment of business as well as prevents our Group from being merged with competitors or removed from the market.
- (ii) **Social network exposure:** Social network exposure advertises the company in a relatively cost-efficient way. New customers are drawn to the store through recommendations and images posted online. The social network exposure confirms Company's position among young customers. Having established a reputation of trendy, tasty and well-prepared food on social networks such as Instagram, Facebook, Twitter and Yelp, our Group enjoys unshakable market position as an innovative provider of Korean and Japanese foods.
- (iii) **Understanding of Korean and Japanese dining culture:** Each of the dishes on menu is derived from traditional Korean and Japanese cuisine and is adapted with current food fads to suit the ever-changing demand dynamic. Basic understanding of Korean foods and Japanese foods ensures the credibility of social exposure of the restaurants during marketing campaign.
- (iv) **Understanding of local food service market:** Understanding the local food and beverage market is crucial for entering the food service market. To operate in different nations, our Group needs to filter supply chain channels. As accommodating local ingredients into exotic foods can be expensive, local understanding is as critical to control cost. Bringing new food concepts requires professional expertise and experience for proper execution. Our Group has acquired such professionalism over the years of successfully operating exotic food restaurants across Singapore, Malaysia, Indonesia and other South East Asian countries.
- (v) **New players crowded out by large restaurant groups:** Large restaurant groups hold market power in terms of customer concentration, branding, supply channels and local acceptance rate. Large restaurant groups have more insights than independent new restaurants. During operation, large groups charters can attract more customers and utilise branding to charge premium prices while keeping cost low. Gradually, new players can be crowded out by large restaurant groups.

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### *Our competitive strengths*

- (i) **Strong branding and effective marketing:** Our Group owns several well-established brands, each of which provides a unique menu and style. Branding refers to the process and outcome of charring of ideology onto a virtual entity. Branding identifies the entity with the idea. Our Group has successfully incorporated the idea of innovative Korean and Japanese cuisine into dishes and services provided. Such branding allows customers to recognise uniqueness and prioritise the branded franchise over other dining options. Branding also establishes customer loyalty that elongates the lifespan and visiting period of every individual customer. Successful marketing infused a positive public image of our Group's brands into the customer base. Such marketing tactic enhances the Company's market position and further prevents new competitors from knocking into market.
- (ii) **Innovative menu:** Food provided by our Group is highlighted by features such as interesting, new, authentic and unique. When consumers become triggered by our Group's food concept, they are willing to bring friends to try. Customers from target regions are willing to travel and spend on good quality authentic Korean food especially if a new concept comes with good dining services. Our Group develops new dishes and provides wider choices of food item for customers by regularly updating its menus to remain attractive to its customers.
- (iii) **Unique dining experience:** Our Group aims to provide consistent food with matching services and store interior. The experience of dining is as important as food itself. Providing a welcoming dining atmosphere and attentive services enables the franchises of our Group to offer a whole experience. Unique dining experience gives an easy way to impress visitors and come back again with friends. Uniqueness also attracts young visitors to come-in and take pictures. Pictures that are later posted online shall further enhance the marketing effect at minimum cost. Word of mouth is better promotion than any measures.
- (iv) **Multi-brand business model:** Our Group runs franchised Korean food brands as well as operates self-developed ethnic food brands. For companies that implement multi-brand strategy, they need to establish business relationship with others to secure compelling brands to bring to the market. In addition, the companies need strong financial resources to be able to hold many brands in its portfolio. Save for capital investment, to build a brand from scratch, the companies need the expertise, experience, resources and know-how to create menu and concept.

### **Director's confirmation**

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN SINGAPORE

The following is a summary of the material laws and regulations of Singapore which are relevant to our Group's operations in Singapore.

#### Environmental Public Health Act

The Environmental Public Health Act (Chapter 95) of Singapore (“**EPHA**”) requires any person who operates or uses a food establishment to obtain a licence from the Director-General of Public Health (“**Food Shop Licence**”).

Under the EPHA, “food establishment” means any place or premises used for the sale, preparation or manufacture for sale, storage or packing for sale, of food (whether cooked or not) intended for human consumption. The types of food establishments for which a Food Shop Licence is required includes retail food establishments where food is sold wholly by retail, such as restaurants and catering establishments providing a catering service whereby food is prepared, packed and thereafter delivered to a consumer for his consumption or use. Any retail food establishments or catering establishments that are part of a non-retail food business within the meaning of the Sale of Food Act (Chapter 283) of Singapore (“**Sale of Food Act**”) are exempted from obtaining a licence under the EPHA.

As our Group operates a food establishment, we are required to obtain a licence from the Director – General of Public Health.

#### Environmental Public Health (Food Hygiene) Regulations

The Environmental Public Health (Food Hygiene) Regulations (“**EPHR**”) requires a licensee holding a Food Shop Licence to exhibit such licence in a conspicuous and accessible position within the licenced premises at all times. A licensee who is permitted to carry out food catering is also required to insert the licence number in all advertisements relating to the food catering business. The EPHR also provides that a licensee holding a Food Shop Licence must adhere to certain requirements in relation to, *inter alia*:

- registration of any employees who are engaged in the sale or preparation for sale of food (“**food handler**”) with the Director-General of Public Health;
- storage and refrigeration, packaging, transportation, sale and preparation of food;
- cleanliness of equipment used in the licenced premises;
- upkeep of the licenced premises; and
- personal cleanliness of any persons who are engaged in the sale or preparation for sale of food.

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A food handler who wishes to register with the National Environment Agency (“NEA”) is required to undergo and complete the training and assessment of the Basic Food Hygiene Course conducted by training providers that are accredited by SkillsFuture Singapore (“SSG”). Upon successful completion of the course and assessment, participants will be awarded a Statement of Attainment, which is to be submitted along with the registration application.

In addition, food handlers who have already passed the Basic Food Hygiene Course are required to attend a refresher training session by (a) the fifth year of the date that they passed the Basic Food Hygiene Course, and (b) every 10th year from the last refresher course passed date.

Under the EPHR, no licensee of a catering establishment shall sell or supply any food for consumption which has been maintained at a temperature not below 5 degree Celsius and not above 60 degree Celsius for an aggregate period exceeding four (4) hours after it was first prepared for consumption. In addition, every licensee of a catering establishment is required to time-stamp the catered food in accordance with the EPHR.

From 1 June 2014, the National Environment Agency (“NEA”) requires all catering establishments to implement a Hazard Analysis and Critical Control Point (“HACCP”) based Food Safety Management System (“FSMS”), which promotes compliance with food hygiene regulations and ensure that the food prepared for sale is safe for consumption. A new applicant for a catering licence will have to submit a FSMS plan within the first three (3) months of the licence issuance date, while an existing catering establishment will have to submit a FSMS plan at least three (3) months prior to the renewal date of its Food Shop Licence, starting with licences expiring from 1 September 2014. A HACCP-certified catering establishment shall submit a copy of its valid HACCP certificate for its catering premises to fulfil the FSMS requirement.

All catering establishments are also required to appoint at least one (1) staff of supervisory role at each licenced premises to undergo and pass a course in “Singapore Workforce Skills Qualifications Apply FSMS for Food Service Establishments” and to submit a statement of attainment (“SOA”) to NEA. A HACCP certified catering establishment need not submit the SOA and are only required to submit a copy of its HACCP certificate for its catering premises to fulfil the FSMS requirement.

As our Group operates a catering establishment, we are required to comply with the EPHR.

### **Grading Scheme for Licenced Eating Establishments and Food Stalls**

The NEA has implemented the Grading System for Eating Establishments and Food Stalls, a structured system of appraisal which motivates retail food establishments to achieve and maintain high standards of overall hygiene, cleanliness and housekeeping standards of the premises. Retail food establishments are assessed by the NEA and awarded a grade ranging from A to D. All retail food establishments are advised to display the certificate indicating their grade, to enable the public to make more informed choices when patronising food establishments.

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As our Group operates retail food establishments, we are assessed by the NEA under the Grading System.

### **Liquor Control (Supply and Consumption) Act 2015**

The Liquor Control (Supply and Consumption) Act 2015 of Singapore (the “**LCA**”) requires any person who supplies any liquor to obtain a liquor licence (“**Liquor Licence**”). Liquor means a beverage containing more than 0.5% ethanol by mass or volume. The LCA requires a licensee holding a Liquor Licence to adhere to requirements such as not supplying any liquor or allowing any liquor to be consumed within the licenced premises outside of the trading hours specified in the Liquor Licence.

Pursuant to the Liquor Control (Supply and Consumption) (Liquor Licencing) Regulations 2015, different classes of Liquor Licence may be granted depending on the types of liquor to be consumed at and trading hours of the premises. Subject to certain conditions, the licencing officer may grant more than one class of Liquor Licence for any premises. As at the Latest Practicable Date, in respect of our Group’s restaurants in Singapore, a Class 1B Liquor Licence has been obtained for all our restaurants.

### **Import of Processed Food Products and Food Appliances**

The import of processed food products and food appliances is regulated by Agri-Food & Veterinary Authority of Singapore (“**AVA**”). Processed food products refer to all food products and supplements of food nature except meat products and fish products, fresh fruits and fresh vegetables. Any person who imports processed food and food appliances are required to register with AVA to obtain a registration number (“**Registration to Import Processed Food Products and Food Appliances**”). In addition, a registered person must obtain a permit from AVA before importing any processed food products or food appliances into Singapore for sale. For food products that have been identified through trend studies to be of high potential health risk or have a history of poor food safety record, the importer is required to submit documents certifying the safety of the products together with the import permit application, whereas food products which are considered low risk are automatically approved by AVA.

As our Group imports sauces and powders from Korea, we are required to register with AVA.

### **Workplace Safety and Health Act**

The Workplace Safety and Health Act (Chapter 354A) of Singapore (the “**WSHA**”) requires every employer to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of its employees at work. These measures include, *inter alia*:

- providing and maintaining a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work;

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- ensuring that adequate safety measures are taken for any machinery, equipment, plant, article or process used at the workplace;
- developing and implementing procedures for dealing with emergencies that may arise; and
- ensuring that workers are provided with adequate instruction, information, training and supervision as is necessary for them to perform their work.

As our Group employs workers, we are required to comply with WSHA.

### Employment Act

The Employment Act (Chapter 91) of Singapore (“**EA**”) is administered by the Ministry of Manpower (“**MOM**”) and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA (“**relevant employees**”).

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding SGD4,500 a month and employees (other than workmen) who receive salaries not exceeding SGD2,500 a month. Section 38(8) of the EA provides that a relevant employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) of the EA limits the extent of overtime work that a relevant employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (the “**Commissioner**”) for exemption if they require a relevant employee or class of relevant employees to work for more than 12 hours a day or work overtime for more than 72 hours a month. The Commissioner may, after considering the operational needs of the employer and the health and safety of the relevant employee or class of relevant employees, by order in writing exempt such relevant employees from the overtime limits subject to such conditions as the Commissioner thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

From 1 April 2016, employers are required to implement enhanced administrative requirements for employees covered under the EA. These enhanced administrative requirements include, among other things, (a) providing itemised payslips to all employees; (b) providing all employees with written key employment terms; and (c) keeping detailed employment records for each employee.

As our Group employs workers, we are required to comply with the Employments Act.

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### Employment of Foreign Manpower Act

The Employment of Foreign Manpower Act (Chapter 91A) of Singapore (“**EFMA**”) provides that no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him.

In relation to the employment of semi-skilled foreign workers in the services sector, employers must ensure that such persons apply for a “Work Permit”. In relation to the employment of foreign mid-level skilled workers, employers must ensure that such persons apply for an “S Pass”. The S Pass is intended for mid-level skilled foreigners who earn a monthly fixed salary of at least SGD2,200.

In relation to the employment of foreign professionals, managers and executives, employers must ensure that such persons apply for an “Employment Pass”. The Employment Pass is intended for professionals who earn a monthly fixed salary of at least SGD3,600.

As at the Latest Practicable Date, we had approximately 51 foreign employees in Singapore.

The Employment of Foreign Manpower (Work Passes) Regulations 2012 (“**EFMR**”) requires employers of work permit holders, *inter alia*, to:

- be responsible for and bear the costs of the employee’s upkeep and maintenance in Singapore, including the provision of medical treatment;
- provide safe working conditions and take such measures as are necessary to ensure the safety and health of the foreign employee at work;
- ensure that employee has acceptable accommodation; and
- purchase and maintain medical insurance with coverage of at least SGD15,000 per 12-month period of the employee’s employment for inpatient care and day surgery.

The EFMR also requires employers of S Pass holders, *inter alia*, to:

- be responsible for and must bear the costs of the foreign employee’s medical treatment in Singapore; and
- purchase and maintain medical insurance with coverage of at least SGD15,000 per 12-month period of the employee’s employment for inpatient care and day surgery.

In addition to the EFMA, an employer of foreign workers is also required to comply with, *inter alia*, the provisions in the EA, the Immigration Act (Chapter 133) of Singapore and the regulations issued pursuant to the Immigration Act.



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### Foreign Worker Levies

The employment of foreign workers is also subject to the payment of levies. As of 1 July 2016, levies of SGD450, SGD600 and SGD800 are payable monthly for basic skilled tier one work permit holders, basic skilled tier two work permit holders and basic skilled tier three work permit holders in the services sector respectively. Tier one applies where work permit holders make up to 10.0% of the total workforce of the employer in the services sector. Tier two applies where this percentage is above 10.0%, and up to a maximum of 25.0%. Tier three applies where this percentage is above 25.0% and up to a maximum of 40.0%.

The levies applicable for S Pass holders take a tiered approach, such that companies which hire close to the maximum quota will pay higher levies. To qualify for S Pass, candidates should be mid-skilled staff who earn at least SGD2,200 a month and meet the assessment criteria by MOM. As of 1 July 2016, levies of SGD330 and SGD650 are applicable for S Pass holders under tier one and tier two respectively. Tier one is applicable to companies with a dependency ratio of one foreign worker for every 10 full-time local workers (10.0%) or lower while tier two is applicable to companies with a dependency ratio of above 10.0% and up to a maximum of 15.0%.

### Central Provident Fund Act

The Central Provident Fund Act (Chapter 36) of Singapore (the “**CPF Act**”) governs the monthly contributions made by every employer and employee into the Central Provident Fund (the “**CPF**”). The CPF Act is administered by the CPF Board, a statutory board operating under the MOM.

CPF is a mandatory social security savings scheme funded by contributions from employers and employees for working Singapore citizens and Singapore permanent residents primarily to fund their retirement, healthcare and housing needs. CPF contributions are due at the end of the month and employers have a grace period of 14 days to pay. From 1 January 2016, employer’s contribution rates for private sector employees varies between 7.5% and 17% of the employee’s wage depending on the employee’s age.

### Fire Safety Act

Under the Fire Safety Act (Chapter 109A) of Singapore (the “**Fire Safety Act**”) which is administered by the Singapore Civil Defence Force, the person for whom any proposed fire safety works are to be commenced or carried out in any building shall apply to the Commissioner of Civil Defence (the “**CCD**”) for approval of the plans of the fire safety works in accordance with the Fire Safety (Building Fire Safety) Regulations and such person shall appoint an appropriate qualified person to prepare those plans. Upon completion of any fire safety works, the person for whom the fire safety works had been carried out and completed shall apply to the CCD for a fire safety certificate in respect of the completed fire safety works. Under the Fire Safety Act, the owner or occupier of certain prescribed buildings has to apply and obtain a fire safety certificate. Any person who fails to comply with the requirement to apply and obtain a fire safety certificate shall be guilty of an offence.

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### Compliance with the laws and regulations in Singapore

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has, in the course of its business, complied with all applicable laws and regulations which are relevant to our Group's business in Singapore in all material respects.

### LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN MALAYSIA

#### LAWS AND REGULATIONS OF MALAYSIA

The following is a summary of the material laws and regulations of Malaysia which are relevant to our Group's business in Malaysia:

#### Registration of Franchisee for Franchise Business

Section 54 of the Franchise Act 1998 provides that a foreign person who intends to sell a franchise in Malaysia or to any Malaysian citizen shall submit an application to the Registrar of Franchises, Ministry of Domestic Trade Co-operatives and Consumerism (“**Registrar**”). Franchisor is defined under the Franchise Act 1998 as a person who grants a franchise to a franchisee and includes a master franchisee with regard to his relationship with a sub franchisee, unless stated otherwise in the Franchise Act 1998.

The Registrar may approve or refuse the application without giving any reason for the refusal.

Pursuant to Section 13(2) of the Franchise Act 1998, the Registrar shall cancel the registration of the franchise from the register if he is satisfied with the following:

- (a) the franchisor has failed to submit his annual report to the Registrar for the duration of five (5) years continuously;
- (b) the franchisor is insolvent; or
- (c) the franchisor is no longer granting rights under the franchise.

For the operation of the restaurant franchise brand “Chir Chir” in Malaysia, K Food Holdings is operating the “Chir Chir” franchise in Malaysia as master franchisee, through its indirect subsidiary, K Food Restaurants. K Food Holdings has submitted its application to the Registrar for approval for K Food Holdings to register as franchisor to operate the “Chir Chir” franchise business in Malaysia through its indirect subsidiary, K Food Restaurants.

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## REGULATORY OVERVIEW

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### Certificate of Registration for Food Premises

Pursuant to Regulation 3 and First Schedule of the Food Hygiene Regulations 2009, no person shall use any premises where food is prepared, processed, stored or served for sale, for the purposes of, or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food unless the premises is registered with the Deputy Director General of Health (Public Health) of the Ministry of Health.

The Deputy Director General of Health (Public Health) of the Ministry of Health may, after considering the application and being satisfied with the information and particulars submitted, issue a certificate of registration for food premises in a prescribed form.

K Food Restaurants has registered the premises bearing postal address Lot No. 1.108.00, Level 1, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia with the Ministry of Health, valid from 11 January 2018 until 10 January 2021.

### Premises Licence

Pursuant to By-Law 3 of the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016, any person may use any premises for operating any business activity when a planning approval, if necessary, for that purpose has been obtained under the relevant planning law and a business premises licence has been issued pertaining to the said premises by the Commissioner of the City of Kuala Lumpur (“**Commissioner**”).

The Commissioner has the discretion in respect of the approval for such application and may, from time to time and while a licence is still in force, impose any additional conditions on the licence or amend or revoke any conditions imposed on the licence.

K Food Restaurants was issued with the Premises Licence Account No. 1000539652 which is valid from 24 January 2018 until 23 January 2019 from the Commissioner for the premises occupied by K Food Restaurants bearing postal address Lot 1.108, Tingkat 1, Pavilion KL, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia for the use as a restaurant.

By-Law 12 of the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016 provides that the Commissioner may revoke the licence if he is satisfied of the following:

- (a) the licensee has contravened any provisions of the Act, By-laws, conditions or restrictions of the licence;
- (b) the licensee has, either in relation to the application of a licence or at any time after the licence is issued, submitted to the Commissioner, a document or declaration which is false, confusing or not accurate;
- (c) the licensee has not operated the licensed business activity for a consecutive period of three (3) months without informing the Commissioner; or

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## REGULATORY OVERVIEW

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- (d) a winding up order or bankruptcy order was made against the licensee or a resolution for voluntary winding up has been approved.

If such licence is revoked by the Commissioner, no business operation shall be carried out at the premises.

### **Food Establishment Licence**

By-Law 3 of the Licensing of Food Establishments (Federal Territory of Kuala Lumpur) By-Laws 2016 provides that any person may use a building or any part of a building as a food establishment when a planning approval, if necessary, for that purpose has been obtained under the relevant planning law and a food establishment licence has been issued pertaining to the building or any part of the building by the Commissioner.

Under the Licensing of Food Establishment (Federal Territory of Kuala Lumpur) By-Laws 2016, food establishment is defined as a building or any part of a building where food for human consumption is processed, prepared, stored, served or sold for the purpose of business.

The Commissioner has the discretion in respect of the approval for such application and may, from time to time and while a licence is still in force, impose any additional conditions on the licence or amend or revoke any conditions imposed on the licence.

With respect to the Food Establishment Licence, K Food Restaurants was issued with the Premises Licence Account No. 1000539652 which is valid from 24 January 2018 until 23 January 2019 from the Commissioner for the premises occupied by K Food Restaurants bearing postal address Lot 1.108, Tingkat 1, Pavilion KL, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia, for the use as a restaurant.

### **Public House Licence**

Pursuant to Section 32 of the Excise Act 1976 (“**Excise Act**”), no person shall sell by retail, or offer for sale by retail, any intoxicating liquor whether for consumption on or off the premises of the vendor except in accordance with a licence issued under the Excise Act and in a place specified in such licence.

Intoxicating liquor includes any alcohol, or any liquid containing more than two per centum of proof spirit, which is fit or intended to be or which can by any means be converted for use as a beverage.

During the Track Record Period, “soju”, a type of intoxicating liquor was sold for consumption on the premises of Chir Chir (PV). A public house licence issued under subsection 35(1) of the Excise Act is required for the sale intoxicating liquor for consumption on the premises.

Pursuant to section 76 of the Excise Act, any person who shall sell intoxicating liquors otherwise than in accordance with a licence issued under subsection 35(1) of the Excise Act shall, on conviction, be liable to a fine not exceeding RM5,000.

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## REGULATORY OVERVIEW

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From 31 January 2018, K Food Restaurants ceased to offer soju for sale and consumption at its premises. Please refer to the section headed “Business – Legal Proceedings and Compliance” for further information.

### **Employment of Foreign Students**

Pursuant to Section 55B of the Immigration Act 1959/63, any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding twelve months or to both for each such employee.

During the Track Record Period, K Food Restaurants employed foreign students as part-time employees.

Foreign students are allowed to work part-time as long as their student pass is valid and if they obtain prior approval from the Department of Immigration. Applications to work part time must be made by the foreign students through the educational institution at which the foreign students are enrolled.

From 31 January 2018, K Food Restaurants ceased to employ any foreign employees at its premises. Please refer to the section headed “Business – Legal Proceedings and Compliance” for further information.

### **Occupational Safety and Health**

The Occupational Safety and Health Act 1994 (“**OSHA**”) was enacted to promote high standards of safety and health at work. The aim is to promote safety and health awareness through self-regulation schemes designed to suit the particular industry. Pursuant to Section 1 of OSHA, the industries specified in the First Schedule of OSHA shall ensure the performance of the duties set out in OSHA. One of the industries specified in the First Schedule of OSHA is “Hotels and Restaurants”.

K Food Restaurants has a duty to ensure, so far as is practicable, the safety, health and welfare at work of the employees. The duties to be carried out by K Food Restaurants under OSHA are as follows:

- (a) duty to ensure, so far as it is practicable, the safety, health and welfare at work of all the employees;
- (b) duty to prepare and revise a written statement of its general policy with respect to the safety and health;
- (c) duty to notify the nearest occupational safety and health officer of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely or occur at the place of work;

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## REGULATORY OVERVIEW

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- (d) duty to keep and maintain a record of all accident and dangerous occurrence which have occurred or occupational poisonings or occupational disease which have occurred or are likely to occur;
- (e) duty to provide information to persons (not being the employees), so far as is practicable, as to how work activities carried out might affect the health and safety of these persons and as far as is practicable, they are not exposed to risks to their safety and health; and
- (f) duty to take measures as are practicable to ensure that the premises, all means of access thereto and egress therefrom available for use by persons (not being the employees) using premises, is or are safe and without risks to health.

### **Personal Data Protection Act 2010**

Personal Data Protection Act 2010 (“**PDPA**”) applies to any person who processes or has control over the processing of any personal data in respect of commercial transactions. “Processing” has been defined widely under the PDPA to include collecting, recording or storing personal data or carrying out various operations, such as organising, adapting and others. Under PDPA, there are seven personal data protection principles that have to be complied with when processing personal data.

As K Food Restaurants processes the personal data of its employees, PDPA is applicable to K Food Restaurants and the seven principles which K Food Restaurants is required to comply with are set out below:

- (a) to obtain consent from the individual prior to processing the personal data unless such processing is necessary, examples of which includes, for the performance of a contract to which the data subject is a party (General Principle);
- (b) to inform the individual by written notice, in both the national and English languages with respect to the processing of personal data, including the purpose of which personal data is being collected and further processed, the individual’s right to request access to and correction of personal data and contact particulars of the data user in the event of any inquiries or complaints, the class of third parties to which the data is or may be disclosed, the choice and means offered to the individual to limit the processing of the data and whether it is obligatory or voluntary for the individual to supply the data, and if obligatory, the consequences of not doing so (Notice and Choice Principle);
- (c) to obtain consent from the individual at the time of collection of personal data before disclosing the personal data of the individual for purposes other than disclosed or notified to the individual (Disclosure Principle);
- (d) to take practical steps to protect the personal data during its processing from any loss, misuse, modification, unauthorised or accidental access or disclosure, alteration or destruction (Security Principle);

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## REGULATORY OVERVIEW

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- (e) to take reasonable steps to ensure that the data is destroyed or permanently deleted once the purpose of processing the data has been fulfilled (Retention Principle);
- (f) to take reasonable steps to ensure that the personal data is accurate, complete, not misleading and kept-up-to-date for the purpose that it was collected and processed (Data Integrity Principle); and
- (g) to allow the individual access his/her own data and to correct personal data which is inaccurate, incomplete, misleading or outdated (Access Principle).

Non-compliance by a data user of any of these seven principles constitutes an offence under PDPA and is liable to a fine not exceeding RM300,000 or imprisonment for a term not exceeding 2 years or both.

### **Compliance with the laws and regulations in Malaysia**

Save as disclosed in “Business – Legal Proceedings and Compliance”, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has, in the course of business, complied with all applicable laws and regulations which are relevant to our Group’s business in Malaysia in all material respects.

### **LAWS AND REGULATIONS OF INDONESIA IN RELATION TO OUR GROUP’S BUSINESS**

The following is a summary of the material laws and regulations of Indonesia that may be relevant to our Group’s operations:

#### **Licensing**

Licensing is less regulated than franchising in Indonesia. Licensing is regulated under Law No. 20 of Year 2016 and Regulation of Minister of Law and Human Rights No. 8 of Year 2016 (“**Licensing Regulations**”). Generally, licensing is an effective means of permitting the conditional use of intellectual property and know-how when licensors do not qualify as franchisors or do not meet the requirements of franchising in Indonesia. Licensing of intellectual property rights must be effected by valid written instruments (“**License Agreements**”).

Under the Licensing Regulations, License Agreements are valid and enforceable in the whole of Indonesia unless agreed otherwise by the parties thereto, and such License Agreements should be registered with the Ministry of Law and Human Rights. A registration fee of IDR 500,000 (for the licensing of trade marks) or IDR 150,000 (for the licensing of trade secrets) is chargeable in respect thereof. Registration is valid for 5 (five) years and may be renewed for another term of five (5) years upon payment of a renewal fee. However, the Licensing Regulations do not provide any sanctions for failure to register License Agreements, and such License Agreements will remain valid and enforceable between the parties thereto.

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## **REGULATORY OVERVIEW**

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As at the Latest Practicable Date, we have entered into the Indonesia Master License Agreement with the Indonesia Licensee. We will register the Indonesia Master License Agreement upon the “Chir Chir” trademark being registered in Indonesia.

### **Compliance with the laws and regulations in Indonesia**

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has, in the course of its business, complied with all applicable laws and regulations which are relevant to our Group’s business in Indonesia in all material respects.

### **LAWS AND REGULATIONS OF KOREA IN RELATION TO OUR GROUP’S BUSINESS**

The following is a summary of the material laws and regulations of Korea that are relevant to our Group’s operations:

#### **Fair Transactions in Franchise Business Act**

Fair Transactions in Franchise Business Act (the “**Fair Franchise Business Act**”) requires any person who grants a franchise license to a franchisee in connection with a franchise business to adhere to certain requirements, including:

- registering the disclosure document to be provided to the prospective franchisee with the Fair Trade Commission;
- having the franchisee deposit the franchise fees to the deposit agency;
- not providing false or exaggerated information to the franchisee; and
- not committing unfair trade practices.

The Fair Franchise Business Act also grants any person to whom a franchise license is granted by a franchisor the right to request for the renewal of the franchise agreement, provided that the total term of the franchise agreement including the initial franchise agreement does not exceed 10 years.

#### **Trademark System in Korea**

Under the Trademark Act, a trademark refers to a mark used to distinguish goods (including services or goods related to the provision of services, except goods on which a geographical indication is used) of one business from those of others.



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### *Trademark License System*

#### *Exclusive License*

Generally, a trademark right may be freely sold or given without reference to a business, and divided by each of its designated goods. Accordingly, a trademark licensee is entitled to seek prevention or injunction against other persons using a trademark identical or similar to the licensed trademark. The licensee may also transfer the exclusive license, or grant non-exclusive rights to others with the consent of the trademark rights owner. Registration of a trademark right creates a preferential right in regard to the registered trademark against third parties so an exclusive license would not be effective against third parties unless it is registered and/or transferred.

#### *Non-exclusive License*

A trademark rights owner or an exclusive licensee may grant non-exclusive license for the use of the trademark rights to others. A non-exclusive licensee is entitled to use the registered trademark regarding the designated goods in accordance with the pertinent license agreement. A non-exclusive licensee may transfer the licensed trademark rights to others with the consent of the trademark rights owner or the exclusive licensee. In addition, since a non-exclusive licensee is only entitled to use the registered trademark for the designated goods, such licensee would not have injunction rights against an infringement on the trademark and only a trademark rights owner or an exclusive licensee would be entitled to seek injunction against an infringement thereof. Registration of a trademark right creates preferential rights in regard to the registered trademark against third parties so a non-exclusive license would not be effective against third parties unless it is registered and/or transferred.

#### *Effect of Registering a Trademark Right*

Once a trademark is registered, the trademark rights owner is entitled to exclusively use the registered trademark for designated goods, seek injunctive relief against others using a trademark identical or similar to the registered trademark without due authorisation, and exercise claims for injunctive relief in regard to an infringement or right of compensation for damages against others who infringe such owner's trademark rights by using any trademark identical or similar to the registered trademark.

#### *Term of a Trademark Right*

The term of a trademark right commences at the time of registration and ends 10 years thereafter. However, the term may be extended every 10 years through an application for renewal. As long as the trademark rights are in use, they are considered semi-permanent.

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## REGULATORY OVERVIEW

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### **Compliance with the laws and regulations in Korea**

As advised by our Korean Legal Advisers, the compliance with the terms of (a) the Chir Chir Franchise Agreements; (b) the franchise agreement entered into between K Food Holdings and the franchisor relating to the franchising of the brand “Nipong Naepong”; and (c) the franchise agreement entered into between K Food Holdings and the Chir Chir Franchisor relating to the franchising of the brand “NY Night Market”, will not conflict with or result in a violation of the Fair Franchise Business Act of Korea, and the usage of the relevant trademarks granted to K Food Holdings by the respective franchisors will not conflict with or result in a violation of the Trademark Act of Korea.

### OUR BUSINESS HISTORY

Our Group was established in 2014 when our Controlling Shareholder(s) incorporated Chir Chir Fusion Chicken Factory Singapore (Pte.) Ltd in Singapore with their own personal funds to commence the business of restaurant operations. At the relevant time, our Controlling Shareholders incorporated Chir Chir Fusion Chicken Factory Singapore (Pte.) Ltd to reflect the “Chir Chir” brand as franchised from our Chir Chir Franchisor. Save as aforementioned, there is no association between our Controlling Shareholders and the Chir Chir Franchisor before our Group’s establishment. Subsequently, to position our Group as a multi-brand restaurant group with the intention to develop and obtain additional brands, Chir Chir Fusion Chicken Factory Singapore (Pte.) Ltd changed its name into K Food Holdings in July 2015. We headquarter in Singapore and focus on Asian cuisines and casual dining concepts that target the Southeast Asian markets. Our Controlling Shareholders, who are also our Directors or senior management of our Group, are food lovers and had interest in investing in the catering industry through the operation of restaurants. Through their own business networks, our Controlling Shareholders got acquainted with the Chir Chir Franchisor and started to discuss the potential cooperation with the Chir Chir Franchisor to introduce the “Chir Chir” brand to Singapore in or around November 2014. Our Directors believe although they did not have prior experience in the food and catering industry, the Chir Chir Franchisor granted them the franchise right to operate the “Chir Chir” restaurant in Singapore due to their commitment to introduce the “Chir Chir” restaurant business in Singapore. As a franchisee under the franchise arrangement with the Chir Chir Franchisor, our Group was provided with various support from the Chir Chir Franchisor which were essential in commencing the operation of the “Chir Chir” restaurant business. By working closely with the Chir Chir Franchisor and being assisted by the senior management of our Group, who were generally experienced in the restaurant and catering industry, and combined with the business management skill of our Controlling Shareholders acquired from their own working experience, our Controlling Shareholders accumulated knowledge and experience in operating and growing the restaurant chain business of our Group.

Subsequently in 2015, having gained the initial experience in the food and catering industry through the operation of “Chir Chir” restaurant with satisfactory financial and operational performance, we expanded our brand portfolio and obtained the franchise right of the “Masizzim” brand in Singapore. By continuing to work closely with both the Chir Chir Franchisor and the Masizzim Franchisor, our Controlling Shareholders and senior management had accumulated solid experience in the operation of restaurants and catering industry in general. With increasing experience gained from the operation of our restaurants since the commencement of business of our Group, our Controlling Shareholders, assisted by the senior management, had grown our business to the present scale.

Over the years, we have grown to be an established restaurant and catering group with a network of twelve self-operated restaurants under five major brands, namely “Chir Chir”, “Masizzim”, “Kogane Yama”, “Nipong Naepong”, and “NY Night Market” and a catering brand “Gangnam Kitchen”, as at the Latest Practicable Date.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### BUSINESS MILESTONES

The following are the key milestones and achievements in the business development of our Group:

<b>Year</b>	<b>Event</b>
2014	<ul style="list-style-type: none"><li>– Incorporation of K Food Holdings</li><li>– Obtained the “Chir Chir” franchise right for Singapore</li></ul>
2015	<ul style="list-style-type: none"><li>– Obtained the “Masizzim” franchise right for Singapore</li><li>– Opened our first “Chir Chir” and “Masizzim” restaurants in Singapore</li><li>– Obtained the “Chir Chir” franchise right for Malaysia</li></ul>
2017	<ul style="list-style-type: none"><li>– Opened our first self-developed “Kogane Yama” restaurant in Singapore</li><li>– Opened our first “Chir Chir” restaurant in Malaysia</li><li>– Commenced the business of Gangnam Kitchen</li></ul>
2018	<ul style="list-style-type: none"><li>– Obtained the “Nipong Naepong” franchise right for Singapore</li><li>– Obtained the “NY Night Market” franchise right for Singapore</li><li>– Opened our first “Nipong Naepong” and “NY Night Market” restaurants in Singapore</li></ul>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### CORPORATE HISTORY

A summary of the corporate history of the major operating subsidiaries of our Group is set out below:

#### K Food Holdings

On 18 October 2014, K Food Holdings was incorporated in Singapore with an issued and paid-up share capital of SGD20,000 comprising 20,000 ordinary shares which were allotted and issued to Mr. Terence Lai at SGD1.00 each. On 17 November 2014, K Food Holdings allotted and issued 750,000 shares to Mr. Terence Lai, 550,000 shares to Mr. Yeap, 300,000 shares to Mr. Ng, 400,000 shares to Mr. Ho and 200,000 shares to Mr. Tan, respectively, at SGD0.5 each. On 5 March 2015, K Food Holdings allotted and issued 30,000 shares to Ms. Evelyn Tan, 30,000 shares to Ms. Kweh, 30,000 shares to Ms. Lim, 30,000 shares to Ms. Goh and 15,000 shares to Mr. Louis Tan, respectively, at SGD0.8 each. On the same date, K Food Holdings allotted and issued 30,000 shares to Mr. Terence Lai, 100,000 shares to Mr. Tan and 30,000 shares to Mr. Derek Lai, respectively, at SGD0.7 each. On 5 November 2015, K Food Holdings further allotted and issued 200,000 shares to Mr. Terence Lai at SGD0.7 each, 137,500 shares to Mr. Yeap at SGD0.7 each, 70,000 shares to Mr. Ng at SGD0.75 each, 100,000 shares to Mr. Ho at SGD0.7 each, and 70,000 shares to Mr. Tan at SGD0.75 each. On 11 December 2015, K Food Holdings allotted and issued 5,000 shares and 5,000 shares to Mr. Ng and Mr. Tan at SGD0.0002 each, respectively. Since 11 December 2015 and prior to the Reorganisation and the Pre-IPO Investment, the issued and paid-up share capital of K Food Holdings was SGD1,744,254.15 comprising 3,102,500 ordinary shares and the shareholding structure of K Food Holdings was set out below:

<b>Name of shareholders</b>	<i>Number of shares</i>	<i>%</i>
Mr. Terence Lai <sup>(Notes 1 and 2)</sup>	1,000,000	32.23
Mr. Yeap <sup>(Note 2)</sup>	687,500	22.16
Mr. Ho <sup>(Note 2)</sup>	500,000	16.12
Mr. Tan <sup>(Note 2)</sup>	375,000	12.08
Mr. Ng <sup>(Note 2)</sup>	375,000	12.08
Mr. Derek Lai <sup>(Notes 1 and 2)</sup>	30,000	0.97
Ms. Kweh	30,000	0.97
Ms. Goh	30,000	0.97
Ms. Lim	30,000	0.97
Ms. Evelyn Tan	30,000	0.97
Mr. Louis Tan	15,000	0.48
<b>Total:</b>	<b>3,102,500</b>	<b>100</b>

*Notes:*

1. Mr. Terence Lai and Mr. Derek Lai are brothers.
2. Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai have confirmed that since 1 October 2015 they have been and will be acting in concert and voted and will vote in an unanimous manner on any resolution in respect of the management and development of our Group's operations.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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K Food Holdings is the major operating company of our Group, which operates the franchised brands of “Chir Chir”, “Masizzim”, “Nipong Naepong” and “NY Night Market” and our own brands of “Kogane Yama”, “Gangnam Kitchen” and “After School” through its respective subsidiaries.

### **Background of other shareholders of K Food Holdings**

Each of Ms. Kweh, Ms. Goh, Ms. Lim, Ms. Evelyn Tan and Mr. Louis Tan are individual investors who worked in Prudential Assurance Company Singapore (Pte) Limited for over five years up to the Latest Practicable Date. Each of Ms. Kweh, Ms. Goh, Ms. Lim, Ms. Evelyn Tan and Mr. Louis Tan had acquainted to our executive Directors as they work together from time to time as representatives of Prudential Assurance Company Singapore (Pte) Limited.

### **K Food Master**

On 6 September 2016, K Food Master was incorporated in Malaysia with an issued and paid up share capital of RM2.00 divided into 2 ordinary shares of RM1.00 each, of which 1 share and 1 share were allotted at par to Mr. Lawrence Tan and Mr. Shenton Yap (both being shareholders of Jaesan Food Holdings). K Food Holdings entered into a joint venture agreement on 10 September 2016 with Jaesan Food Holdings regarding the operation of K Food Master. On 16 October 2016, Mr. Lawrence Tan transferred 1 share to Jaesan Food Holdings at a consideration of RM1.00 and Mr. Shenton Yap transferred 1 share to K Food Holdings at a consideration of RM1.00 based on nominal value due to internal reorganisation. As confirmed by our Malaysian Legal Advisers, the said transfers had been properly and legally completed and settled in compliance with the relevant laws and regulations of Malaysia. On 22 September 2017, K Food Master allotted and issued 199,999 shares to Jaesan Food Holdings and 299,999 shares to K Food Holdings for RM499,998.00. Since 22 September 2017 and up to the Latest Practicable Date, K Food Master was owned as to 60% by K Food Holdings and 40% by Jaesan Food Holdings and acts as our investment holding company of K Food Restaurants in Malaysia.

### **K Food Restaurants**

On 6 September 2016, K Food Restaurants was incorporated in Malaysia with an issued and paid up share capital of RM2.00 divided into 2 ordinary shares of RM1.00 each, of which 1 share and 1 share were allotted and issued at par to Mr. Lawrence Tan and Mr. Shenton Yap (both being shareholders of Jaesan Food Holdings), respectively. On 16 October 2016, Mr. Lawrence Tan and Mr. Shenton Yap each transferred 1 share of K Food Restaurants to K Food Master at an aggregate consideration of RM2.00 based on nominal value. Mr. Lawrence Tan and Mr. Shenton Yap incorporated K Food Restaurants first due to administrative convenience with the intention to transfer the shares back to K Food Master afterwards. As confirmed by our Malaysian Legal Advisers, the said transfers had been properly and legally completed and settled in compliance with the relevant laws and regulations of Malaysia. On 8 September 2017, 999,998 shares of K Food Restaurants were allotted and issued to K Food Master for RM999,998.00. Since 8 September 2017 and up to the Latest Practicable Date, K Food Restaurants was wholly-owned by K Food Master and principally engages in operation of restaurants under the brand “Chir Chir” in Malaysia.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Kogane Yama**

On 3 January 2017, Kogane Yama was incorporated in Singapore with an issued and paid-up share capital of SGD3,000 comprising 1,000 ordinary shares, of which 600 shares and 400 shares were allotted and issued to K Food Holdings and Mr. Peh, respectively.

On 20 September 2017, 120,000 shares and 80,000 shares were allotted and issued to K Food Holdings and Mr. Peh, respectively at SGD1.00 each. As at 3 January 2017 and up to the Latest Practicable Date, Kogane Yama was owned as to 60% by K Food Holdings and 40% by Mr. Peh and principally engages in operation of a restaurant under its own brand “Kogane Yama” in Singapore.

### **Gangnam Kitchen**

On 18 January 2017, Gangnam Kitchen was incorporated in Singapore with an issued and paid-up share capital of SGD3,000 comprising 1,000 ordinary shares, of which 510 shares and 490 shares were allotted and issued to K Food Holdings and Mr. Peh, respectively, at SGD3.00 each. Mr. Peh decided to transfer his entire shareholding to our Group due to divergence in business objectives and on 25 July 2017, Mr. Peh transferred 490 shares of Gangnam Kitchen to K Food Holdings at a consideration of SGD1,470 based on the initial subscription value taking into account that Gangnam Kitchen has not commenced any business activity prior to the said transfer. As confirmed by our Singaporean Legal Advisers, the said transfers had been properly and legally completed in compliance with the relevant laws and regulations in Singapore. Since 25 July 2017 and up to the Latest Practicable Date, Gangnam Kitchen was wholly-owned by K Food Holdings. It principally engages in operation of manufacture of cooked food preparations in Singapore.

### **After School**

On 1 November 2017, After School was incorporated in Singapore with an issued and paid-up share capital of SGD100 comprising 100 ordinary shares, which were allotted and issued to Mr. Ho at SGD1.00 each. On 28 December 2017, Mr. Ho transferred 100 shares of After School to K Food Holdings for a consideration of SGD100 based on the initial subscription value. Mr. Ho incorporated After School first due to administrative convenience with the intention to transfer the shares back to our Group later. As confirmed by our Singaporean Legal Advisers, the said transfers had been properly and legally completed in compliance with the relevant laws and regulations in Singapore. Since 28 December 2017 and up to the Latest Practicable Date, After School was wholly-owned by K Food Holdings. After School was incorporated for the operation of restaurants to be opened by our Group under our own brand “After School”. As at the Latest Practicable Date, After School had not commenced business operation.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Nipong Naepong**

On 1 November 2017, Nipong Naepong was incorporated in Singapore with an issued and paid-up share capital of SGD100 comprising 100 ordinary shares, which were allotted and issued to K Food Holdings at SGD1.00 each. Since 1 November 2017 and up to the Latest Practicable Date, Nipong Naepong was wholly-owned by K Food Holdings. As at the Latest Practicable Date, Nipong Naepong principally engages in the operation of restaurants under the franchised brand “Nipong Naepong” in Singapore.

### **NY Night Market**

On 18 December 2017, NY Night Market was incorporated in Singapore with an issued and paid-up share capital of SGD100 comprising 100 ordinary shares, which were allotted and issued to K Food Holdings at SGD1.00 each. On 16 January 2018, 149,900 ordinary shares were allotted and issued to K Food Holdings at SGD1.00 each. Since its incorporation and up to the Latest Practicable Date, NY Night Market was wholly-owned by K Food Holdings. As at the Latest Practicable Date, NY Night Market principally engages in the operation of restaurants under the franchised brand “NY Night Market” in Singapore.

### **NY Night Market 2**

On 18 June 2018, NY Night Market 2 was incorporated in Singapore with an issued and paid-up share capital of SGD3,000 comprising 3,000 ordinary shares, which were allotted and issued to K Food Holdings at SGD1.00 each. Since 18 June 2018 and up to the Latest Practicable Date, NY Night Market 2 was wholly-owned by K Food Holdings. As at the Latest Practicable Date, NY Night Market 2 was dormant and will be principally engaged in the operation of restaurant under the franchised brand “NY Night Market” for the premises located at 313 Orchard Road, #01-29 313@Somerset, Singapore 238895.

## **PRE-IPO INVESTMENT**

### **Subscription and acquisition of shares in K Food Holdings by the Investors**

On 15 November 2017, K Food Holdings and the Investors entered into a subscription agreement, pursuant to which the Investors subscribed for an aggregate of 430,650 new ordinary shares of K Food Holdings at an aggregate consideration of SGD2,742,508.40.

On the same date, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng, Mr. Derek Lai, Ms. Kweh, Ms. Goh, Ms. Lim, Ms. Evelyn Tan and Mr. Louis Tan, each as a vendor (collectively the “**Vendors**”), and the Investors entered into a sale and purchase agreement, pursuant to which the Investors acquired an aggregate of 430,650 shares in K Food Holdings at a total consideration of SGD2,742,508.40.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The said consideration for the subscription and acquisition of shares in K Food Holdings were arrived at after arm's length negotiations between the parties with reference to the historical financial information of our Group. Consideration of the Pre-IPO Investment is set at a certain discount to the Offer Price range as our Directors and the Vendors expect the Investors to have a reasonable investment return and having taking into account there are risks associated with the Pre-IPO Investment as there is uncertainty to the success of the Listing. Our Directors are of the view that the Pre-IPO Investment was entered into on normal commercial terms.

Our Directors are of the view that the Pre-IPO Investment broadens our Shareholders' base, enhances our Group's business network and provides funds immediately available for our Group's business with additional working capital. The aforesaid acquisition and subscription of shares in K Food Holdings were legally completed on 15 November 2017 and 17 November 2017, respectively, following which K Food Holdings was held as to approximately 75.62% by the Vendors and approximately 24.38% by the Investors. The entire Pre-IPO Investment was completed on 17 November 2017. Following the completion of the Pre-IPO Investment and the Reorganisation, the Investors will in aggregate be interested in approximately 24.38% of the issued share capital of our Company immediately before completion of the Share Offer. Upon Listing, the Investors would be interested in approximately 18.28% of the issued share capital of our Company.

Details of the Pre-IPO Investment of each Investor are summarised below:

Name of Investor:	First Maple Capital Ltd
Number of shares subscribed:	23,554
Number of shares acquired:	23,554
Amount of consideration for shares subscribed:	SGD149,998.94
Amount of consideration for shares acquired:	SGD149,998.94
Payment date of the consideration:	13 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Investment capital
Number of Shares and approximate percentage of shareholding upon Listing:	4,000,324 Shares, representing approximately 1.00% of the issued share capital of our Company upon Listing

First Maple Capital Ltd was incorporated in the Republic of the Marshall Islands on 24 August 2016 with its entire issued share capital owned by Ms. Susy Angkawijaya. First Maple Capital Ltd is an investment holding company. Ms. Susy Angkawijaya is a businesswoman in the finance industry. She had acquainted to our executive Directors during her visit to our restaurants.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Name of Investor:	Mr. Kong Kin Fei
Number of shares subscribed:	88,329
Number of shares acquired:	88,329
Amount of consideration for shares subscribed:	SGD562,505.58
Amount of consideration for shares acquired:	SGD562,505.58
Payment date of the consideration:	16 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	15,001,470 Shares, representing approximately 3.75% of the issued share capital of our Company upon Listing

Mr. Kong Kin Fei is a self-employed individual engaged in trading business. As a regular customer of our restaurants, he has been acquainted to our executive Directors during his visit to our restaurants.

Name of Investor:	Mr. Ng Seng Kee
Number of shares subscribed:	26,695
Number of shares acquired:	26,695
Amount of consideration for shares subscribed:	SGD170,001.77
Amount of consideration for shares acquired:	SGD170,001.77
Payment date of the consideration:	16 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	4,533,780 Shares, representing approximately 1.13% of the issued share capital of our Company upon Listing

Mr. Ng Seng Kee has retired and he was an accountant prior to retirement. As a regular customer of our restaurants, he has been acquainted to our executive Directors during his visit to our restaurants.

Name of Investor:	Mr. Peh
Number of shares subscribed:	9,422
Number of shares acquired:	9,422
Amount of consideration for shares subscribed:	SGD60,002.13
Amount of consideration for shares acquired:	SGD60,002.13
Payment date of the consideration:	16 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Number of Shares and approximate percentage of shareholding upon Listing: 1,600,198 Shares, representing approximately 0.40% at the issued share capital of our Company upon Listing

Mr. Peh is a substantial shareholder and director of Kogane Yama. Mr. Peh has worked in the finance industry for about 14 years. Mr. Peh has been working as group financial services director in Prudential Assurance Company Singapore (Pte) Limited since 2004 up to the Latest Practicable Date. Mr. Peh has been acquainted to our executive Directors as they work together as representatives of Prudential Assurance Company Singapore (Pte) Limited.

Name of Investor: Mr. Ricardo Juanito Karjono  
Number of shares subscribed: 39,257  
Number of shares acquired: 39,257  
Amount of consideration for shares subscribed: SGD250,000.35  
Amount of consideration for shares acquired: SGD250,000.35  
Payment date of the consideration: 14 November 2017  
Effective cost per Share: SGD0.075 (equivalent to approximately HK\$0.43)  
Source of fund: Personal fund  
Number of Shares and approximate percentage of shareholding upon Listing: 6,667,263 Shares, representing approximately 1.67% of the issued share capital of our Company upon Listing

Name of Investor: Mr. Riva Alberto Karjono  
Number of shares subscribed: 39,257  
Number of shares acquired: 39,257  
Amount of consideration for shares subscribed: SGD250,000.35  
Amount of consideration for shares acquired: SGD250,000.35  
Payment date of the consideration: 14 November 2017  
Effective cost per Share: SGD0.075 (equivalent to approximately HK\$0.43)  
Source of fund: Personal fund  
Shareholding upon Listing: 6,667,263 Shares, representing approximately 1.67% of the issued share capital of our Company upon Listing

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Name of Investor:	Mrs. Saphira Devi Karjono
Number of shares subscribed:	39,257
Number of shares acquired:	39,257
Amount of consideration for shares subscribed:	SGD250,000.35
Amount of consideration for shares acquired:	SGD250,000.35
Payment date of the consideration:	14 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	6,667,263 Shares, representing approximately 1.67% of the issued share capital of our Company upon Listing

Mr. Ricardo Juanito Karjono, Mr. Riva Alberto Karjono and Mrs. Saphira Devi Karjono are engaged in car leasing and financing business in Indonesia and have approximately five years of experience investing in the food and beverage industry in Indonesia. Mr. Ricardo Juanito Karjono, Mr. Riva Alberto Karjono and Mrs. Saphira Devi Karjono are siblings to each other. They were acquainted to our executive Directors through their mutual friend, Mr. Rudi Darmawan.

Name of Investor:	Mr. Rudi Darmawan
Number of shares subscribed:	39,257
Number of shares acquired:	39,257
Amount of consideration for shares subscribed:	SGD250,000.35
Amount of consideration for shares acquired:	SGD250,000.35
Payment date of the consideration:	16 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	6,667,263 Shares, representing approximately 1.67% of the issued share capital of our Company upon Listing

Mr. Rudi Darmawan is the father-in-law of Mr. Nick Soetiono, who owns 35% equity interest in the Indonesia Licensee. Mr. Rudi Darmawan is a businessman in the restaurant and catering business industry and a distributor of few fashion and cosmetics brands. He was first acquainted with our executive Directors through his son-in-law, Mr. Nick Soetiono.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Name of Investor:	Mr. Tai Shin Fatt
Number of shares subscribed:	7,851
Number of shares acquired:	7,851
Amount of consideration for shares subscribed:	SGD49,997.52
Amount of consideration for shares acquired:	SGD49,997.52
Payment date of the consideration:	15 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	1,333,385 Shares, representing approximately 0.33% of the issued share capital of our Company upon Listing

Mr. Tai Shin Fatt has about seven years of experience in the finance industry. Mr. Tai Shin Fatt has been working in Prudential Assurance Company Singapore (Pte) Limited since 2012 up to the Latest Practicable Date with his current position as a financial services director. He has been acquainted to our executive Directors as they work together as representatives of Prudential Assurance Company Singapore (Pte) Limited.

Name of Investor:	Mr. Tan Yit Hoe
Number of shares subscribed:	117,771
Number of shares acquired:	117,771
Amount of consideration for shares subscribed:	SGD750,001.06
Amount of consideration for shares acquired:	SGD750,001.06
Payment date of the consideration:	15 November 2017
Effective cost per Share:	SGD0.075 (equivalent to approximately HK\$0.43)
Source of fund:	Personal fund
Number of Shares and approximate percentage of shareholding upon Listing:	20,001,791 Shares, representing approximately 5.00% of the issued share capital of our Company upon Listing

Mr. Tan Yit Hoe was a former employee of our Group. He had been employed by K Food Holdings from 1 August 2017 to 31 December 2017 as business development executive and had then been acquainted with our Controlling Shareholders during his employment in our Group. As at the Latest Practicable Date, Mr. Tan Yit Hoe is a businessman in the construction industry.

The above number of Shares to be held by each of the Investors and approximate percentage of their respective shareholding upon Listing were based on the assumption that the Capitalisation Issue and the Share Offer has been completed (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), and the effective cost per Share has been calculated on such basis accordingly. Based on the indicative Offer Price range, the effective cost per Share represents

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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(i) a discount of approximately 13.0% to HK\$0.5 per Offer Share, being the lower end of the indicative Offer Price range; and (ii) a discount of approximately 45.6% to HK\$0.8 per Offer Share, being the higher end of the indicate Offer Price range.

As at the Latest Practicable Date, the proceeds from the Pre-IPO Investment have been fully utilised for funding the payments of Listing fees, opening of new restaurants under our newly acquired franchised brands and our existing brands and for working capital.

Each of the Investors represents, warrants and undertakes to K Food Holdings that they are independent and not connected to (as defined under the GEM Listing Rules) K Food Holdings and its connected persons, save for Mr. Peh who is a substantial shareholder and director of Kogane Yama, and that they are independent and not a party acting in concert (as defined under the Takeovers Code) with each of the other Investors (notwithstanding that Ricardo Juanito Karjono, Riva Alberto Karjono and Saphira Devi Karjono are siblings to each other, each of them confirms that they do not have a common interest in our Group and they are acting independently of each other in making decisions in all respects and will continue to do so in the future).

As confirmed by the Investors, save as Mr. Peh, they have never been involved in any investment or dealings with our Directors, Controlling Shareholder(s), our Group's subsidiaries and any of their respective associates. The Investors invested in our Group due to their confidence in the business prospects, management and potentials of our Group. Our Directors believe that the Pre-IPO Investment would strengthen the shareholder base of our Group and enhance our Group's business network and provides funds immediately available for our Group's business with additional working capital. Our Group thus considers that by introducing the Investors as additional Shareholders, our Group would benefit from their capital injection.

### *Other major terms of the Pre-IPO Investment*

Pursuant to the condition precedents in the Pre-IPO Investment, the Investors each duly executed a put option agreement on the same date. Pursuant to the said put option agreement, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan and Mr. Ng have jointly granted to each of the Investors an option to require each of them to purchase all (and not some only) of our Shares held by the Investors at an agreed price conditional upon the occurrence of our Company failing to complete the Listing by 31 December 2018. Such put option arrangement shall forthwith lapse and cease to be exercisable upon Listing. Save as the put option arrangement, the Investors are not entitled to any special rights in connection with the Pre-IPO Investment.

Each of the Investors has irrevocably and unconditionally agreed and undertaken that he/she/it will not sell, transfer, encumber or otherwise dispose of, or enter into any agreement or arrangement to sell, transfer, encumber or otherwise dispose of, any of his/her/its Shares until the date falling six (6) months after the Listing Date. Save for the Shares held by Mr. Peh, the Shares held by the other Investors who are Independent Third Parties will count towards the public float after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Guidance Letter HKEx-GL29-12 (January 2012) (Updated in March 2017) and HKEx-GL43-12 (October 2012) (Updated in July 2013 and March 2017) since the considerations under the subscription agreement and the sale and purchase agreement were settled more than 28 clear days before the date of the first submission of the listing application form to the Stock Exchange in relation to the Listing. The Sole Sponsor also confirmed that the Guidance Letter HKEx-GL44-12 (October 2012) (Updated in March 2017) is not applicable to the Pre-IPO Investment.

### REORGANISATION

In contemplation of the Listing, our Group has undergone the Reorganisation whereupon our Company became the holding company and the listing vehicle of our Group.

The Reorganisation involved the following principal steps:

#### 1. Incorporation of Canola and Canopy

Canola was incorporated in the BVI with liability limited by shares on 28 November 2017 as the investment holding company of Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai. On the same date, 3,369 shares, 2,317 shares, 1,685 shares, 1,264 shares, 1,264 shares and 101 shares were allotted and issued at par to Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai, respectively. The shareholding structure of Canola since incorporation is set out below:

<b>Name of shareholders</b>	<i>Number of shares</i>	<i>%</i>
Mr. Terence Lai	3,369	33.69
Mr. Yeap	2,317	23.17
Mr. Ho	1,685	16.85
Mr. Tan	1,264	12.64
Mr. Ng	1,264	12.64
Mr. Derek Lai	101	1.01
<b>Total:</b>	<b>10,000</b>	<b>100</b>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Canopy was incorporated in the BVI with liability limited by shares on 28 December 2017 as the investment holding company of Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan. On the same date, 2,219 shares, 2,219 shares, 2,219 shares, 2,219 shares and 1,124 shares were allotted and issued at par to Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan, respectively. The shareholding structure of Canopy since incorporation is set out below:

<b>Name of shareholders</b>	<i>Number of shares</i>	<i>%</i>
Ms. Goh	2,219	22.19
Ms. Evelyn Tan	2,219	22.19
Ms. Kweh	2,219	22.19
Ms. Lim	2,219	22.19
Mr. Louis Tan	1,124	11.24
<b>Total:</b>	<u>10,000</u>	<u>100</u>

### **2. Incorporation of K Investment**

K Investment was incorporated on 29 November 2017 in the BVI with liability limited by shares and will act as the intermediate holding company of our Group. Upon incorporation, 10,000 Shares were allotted to Canola and K Investment was wholly-owned by Canola.

### **3. Incorporation of our Company**

Our Company was incorporated on 24 January 2018 in the Cayman Islands under the Companies Law as an exempted company with limited liability. The authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On 24 January 2018, our Company allotted and issued one (1) nil-paid Share to the initial subscriber who is an Independent Third Party, which was subsequently transferred to Canola on the same date at nil consideration.

### **4. Acquisition of the entire issued share capital in K Food Holdings by K Investment**

On 8 February 2018, (i) Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai, transferred an aggregate of 2,555,588 shares of K Food Holdings; (ii) Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan transferred an aggregate of 116,262 shares of K Food Holdings; and (iii) the Investors transferred an aggregate of 861,300 shares of K Food Holdings, representing approximately 72.33%, 3.29% and 24.38% of the issued share capital of K Food Holdings, respectively, to K Investment in consideration of and in exchange for K Investment allotting and issuing 4,466 shares, 658 shares and an aggregate of 4,876 shares of K Investment to Canola (at the direction of Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai), Canopy (at the direction of Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan) and the Investors, respectively.



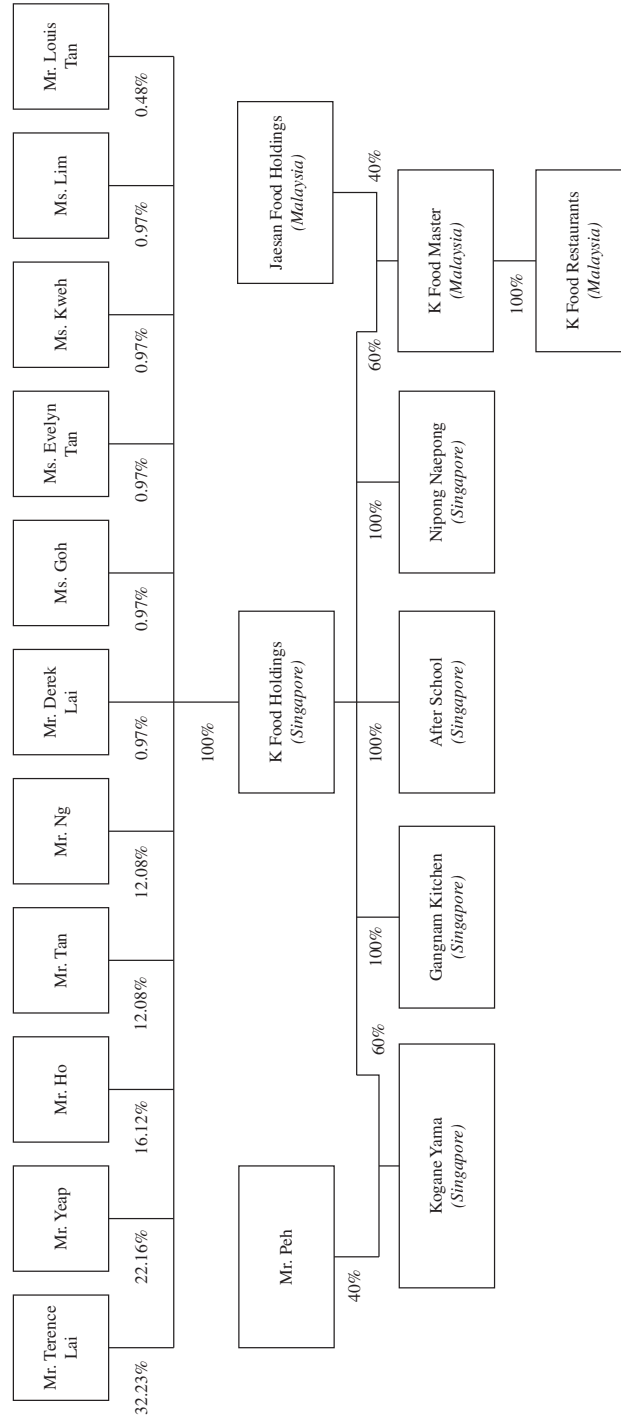
### **5. Transfer of the entire issued share capital of K Investment to our Company**

On 24 July 2018, our Company acquired 14,466 shares, 658 shares and 4,876 shares in K Investment from Canola, Canopy and the Investors, respectively in exchange our Company (i) allotted and issued 7,232 Shares to Canola, 329 Shares to Canopy and an aggregate of 2,438 Shares to the Investors, credited as fully paid at par and (ii) credited as fully paid at par the one (1) nil-paid Share which was then registered in the name of Canola. The Reorganisation of our Group (being completion of transfer of the entire issued share capital of K Investment to our Company) was completed on 24 July 2018. Each of the steps regarding the Reorganisation mentioned above was properly and legally completed and settled.

After the aforesaid transactions, our Company became the holding company of our Group.

**CORPORATE STRUCTURE**

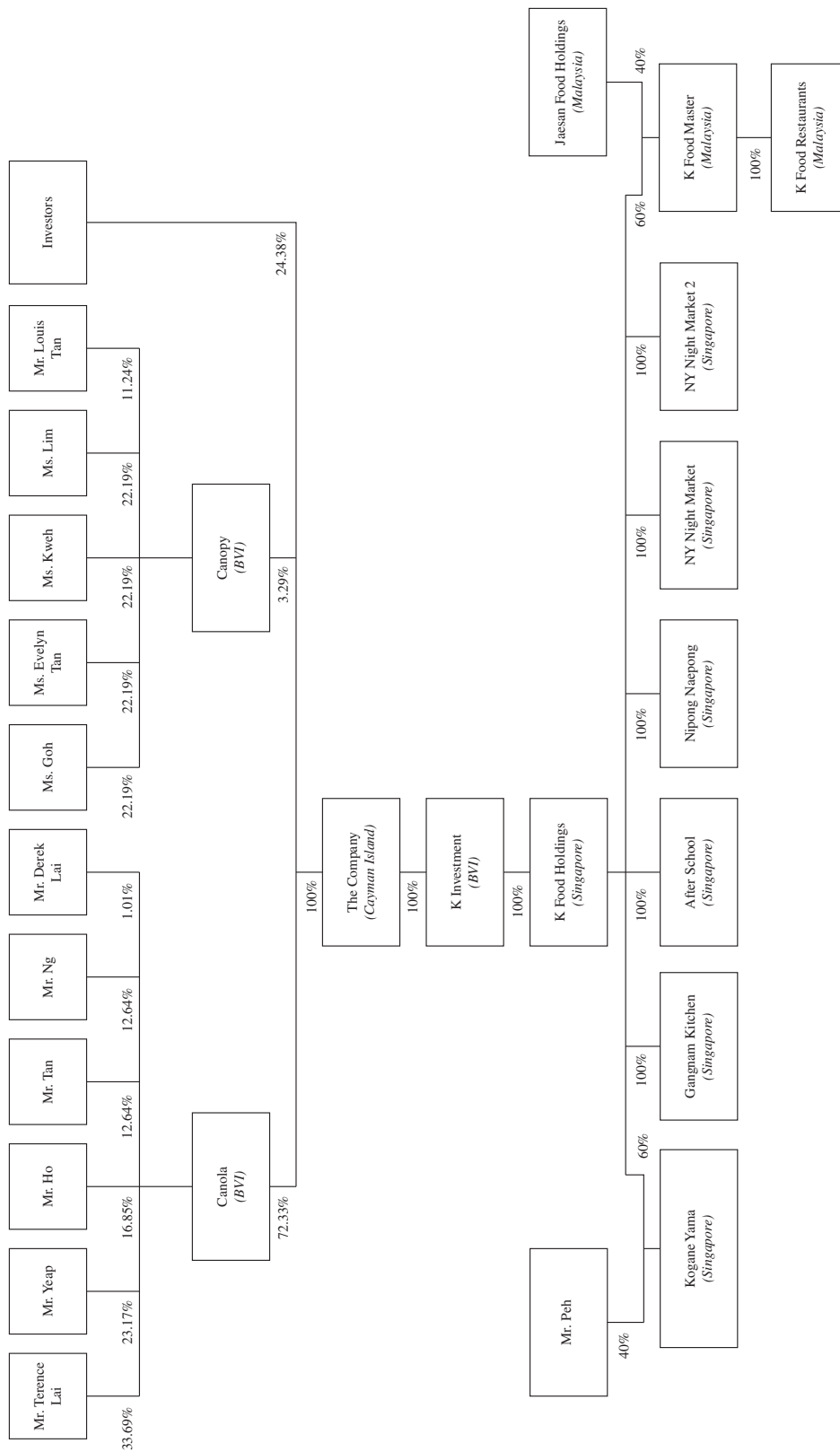
The following chart sets out our corporate structure immediately prior to the implementation of the Reorganisation and Pre-IPO Investment:



Note:

1. Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai are parties acting in concert pursuant to the Acting-in-concert Confirmation.

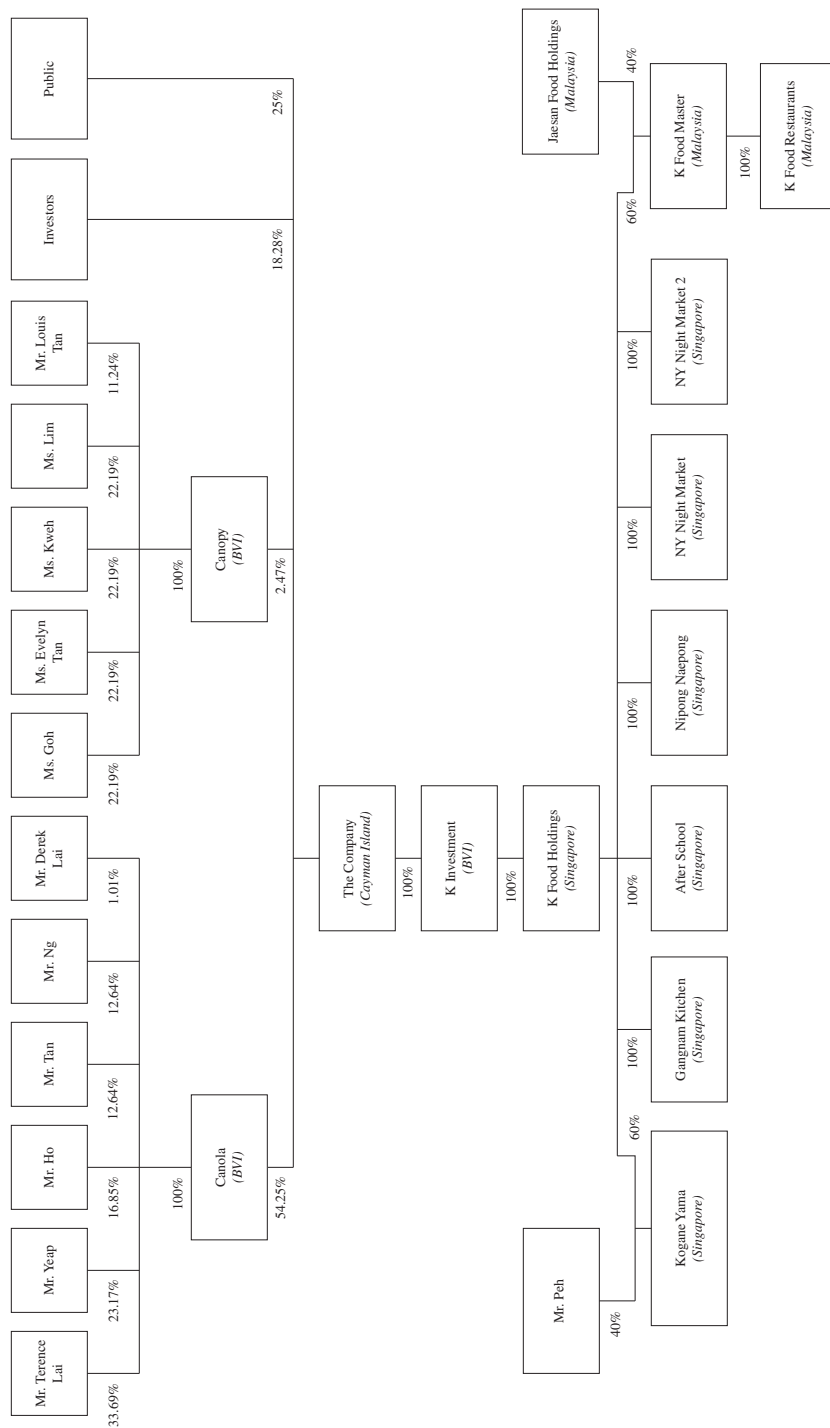
The chart below sets out the corporate structure of our Group immediately after completion of the Reorganisation and Pre-IPO Investment but prior to completion of the Capitalisation Issue and the Share Offer:



Note:

1. Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai are parties acting in concert pursuant to the Acting-in-concert Confirmation.







The chart below sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account of the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme):



Note:  
 1. Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai are parties acting in concert pursuant to the Acting-in-concert Confirmation.

### OVERVIEW

We are a multi-brand restaurant group headquartered in Singapore, of which our restaurants are mainly operated under a franchise model. We offer Korean and Japanese cuisines with casual dining concepts that target the middle-income mass market in Singapore, Malaysia and Indonesia. As at the Latest Practicable Date, we had 12 self-operated restaurants and one central kitchen in total, including:

- four self-operated restaurants in Singapore and one self-operated restaurant in Malaysia opened during the Track Record Period under the brand “Chir Chir ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean fried chicken restaurant chain;
- two self-operated restaurants in Singapore opened during the Track Record Period under the brand “Masizzim ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean stew dish restaurant chain;
- two self-operated restaurants in Singapore of which one and one opened during and subsequent to the Track Record Period under our self-developed brand “Kogane Yama ” which offers Japanese premium tendon bowls;
- two self-operated restaurant in Singapore opened subsequent to the Track Record Period under the brand “Nipong Naepong ” pursuant to an exclusive franchise we obtained from the franchisor which owns a Korean fusion noodle restaurant chain;
- one self-operated restaurant in Singapore opened subsequent to the Track Record Period under the brand “NY Night Market ” pursuant to an exclusive franchise we obtained from the Chir Chir Franchisor which also owns a restaurant chain offering Korean fusion western food; and
- one central kitchen in Singapore opened during the Track Record Period under our self-developed brand “Gangnam Kitchen ” which offers catering and delivery services of Korean food in Singapore and serves as the central kitchen to our restaurants in Singapore.

In January 2018, we ceased operation of Chir Chir (BP) because of its decline in operating results which, we believe, was caused by the reopening a recently renovated shopping mall next to the mall where Chir Chir (BP) was situated.

We have also licensed the brand “Chir Chir” to the Indonesia Licensee which has (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate a total of four restaurants under the same brand in Indonesia as at the Latest Practicable Date.

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According to the CIC Report, we ranked fifth among Korean restaurant operators in Singapore in terms of revenue in 2017 and with a market share of approximately 8.7% in the Korean restaurant market. Our Group has a market share in terms of revenue of (i) approximately 2.8% in the Korean and Japanese casual dining restaurant market; and (ii) approximately 0.4% in the overall restaurant market, in Singapore in 2017. For details, please see “Industry Overview”.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our revenue amounted to approximately SGD9.2 million, SGD13.9 million and SGD5.0 million, respectively. Our net profit attributable to our Shareholders for the years ended 30 September 2016 and 2017 amounted to approximately SGD1.1 million and SGD1.6 million, respectively. For the four months ended 31 January 2018, our net loss attributable to our Shareholders amounted to approximately SGD1.2 million. Excluding the Listing expenses, our net profit attributable to our Shareholders amounted to approximately SGD0.5 million for the four months ended 31 January 2018. For details, please see “Financial Information”.

### **KEY STRENGTHS**

We believe we possess the following key strengths which contributed to our success, as well as distinguishing us and positioning us for significant further growth in the future.

#### **Proven abilities to select franchised brands which appeal to our customers**

Our abilities to select and procure a franchised brand to launch restaurant chains in certain Southeast Asian markets on an exclusive basis is the key to our success to date. In less than five years’ time, our founders succeeded in building a network of 12 self-operated restaurants and one central kitchen in Singapore and Malaysia, as well as seven licensed and sub-licensed restaurants in Indonesia, which is largely attributable to the success in selecting and procuring the 20-year exclusive franchise terms granted by the Chir Chir Franchisor and the Masizzim Franchisor, to set up, operate and sub-franchise or sub-license their branded restaurants in Singapore, Malaysia and/or Indonesia.

Our founders believe that they have a good understanding of our customers’ tastes and preferences. Our founders pride themselves in selecting and procuring “Chir Chir” and “Masizzim” brands in 2014 and 2015, respectively, which were significant contributors to our track record results. For the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our “Chir Chir” restaurants contributed revenue of approximately SGD6.7 million, SGD10.3 million and SGD3.3 million respectively, representing approximately 76.4%, 79.2% and 71.0% of our total revenue from restaurant operations for the corresponding period; and our “Masizzim” restaurants contributed revenue of approximately SGD2.1 million, SGD2.4 million and SGD1.1 million respectively, representing approximately 23.6%, 18.5% and 23.7% of our total revenue from restaurant operations for the corresponding period.

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As we intend to partner and grow with selected franchisors on a long term basis, we seek to choose brands that are sustainable in the long run. In evaluating a brand, we focus on factors including target customers, affordability, ease of food preparation and quality control, menu choices and updates, brand image and positioning, operation policies and manuals, training and support, etc. We believe that we are in a good position to negotiate franchise terms favourable to us because we are driving the growth of the selected franchisors. We are inclined to obtain a long term franchise in multiple countries together with sub-franchising rights.

With our proven brand selection methodologies and our track record of successful launching franchised brands as detailed above, we believe that we are able to maintain the growth momentum by procuring more franchised brands to expand our business in the future. Our management travels to Korea on a frequent basis to taste different brands and will continue to source new potential brands which could enrich our current food portfolio. In early 2018, we succeeded in expanding our portfolio by (i) obtaining an exclusive franchise for one additional Korean brand, namely “Nipong Naepong”, from the “Nipong Naepong Franchisor; and (ii) obtaining an exclusive franchise for another new brand, namely “NY Night Market”, from the Chir Chir Franchisor, to set up, self-operate and sub-franchise their branded restaurants in Singapore.

### **Our restaurants are strategically located in convenient shopping malls**

Our restaurants are strategically located in convenient shopping malls in Singapore with high foot traffic, easy access to public transport and proximity to residential or commercial districts. Our restaurants are able to benefit from a steady flow of potential customers, mall amenities (including car parks and sanitary facilities) as well as promotion campaigns offered by such shopping malls.

Our first flagship restaurants of “Chir Chir” and “Masizzim” are both located at 313@Somerset, a convenient shopping mall located in Orchard Road Shopping District within the central business district in Singapore. According to the CIC Report, the occupancy rates of convenient shopping malls are consistently high in Singapore and the mall operators are selective in choosing tenants based on a variety of factors including product offerings and seat turnover rates. We believe that our food concepts, which are signified with authentic brands, regular menu updates and affordable pricing strategies, are able to complement the malls’ restaurants mix, draw traffic to the malls and help them to differentiate from their rivals. Our success in such malls is also testament to our food quality, the popularity of our restaurants and the ability to select strategic locations to promote brand image.

### **A relentless commitment to food quality and hygiene as well as dining experience**

As a chain restaurant and catering operator, it is a core requirement for us to consistently deliver quality and hygienic food at all times and across all restaurants. In terms of food quality, we place strong emphasis from sourcing to serving. For non-perishable items, e.g. sauces and powders, we import them from a Korean supplier designated by the Chir Chir Franchisor and the Masizzim Franchisor to ensure consistency with the home brands. For

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perishable items, e.g. chicken, other meat and vegetables, we source them from local suppliers with reliable and traceable origins to ensure freshness and tenderness. We maintain a standardised and easy-to-follow procedure and provide regular staff trainings on our food preparation processes to ensure that all our food products are consistently made by our staff in a high quality and hygienic manner at all times and across all restaurants. Our restaurant managerial staff are sent to Korea to visit the home brands and we occasionally arrange trainers from the franchisors to provide induction to our restaurant staff. As a testament to the overall hygiene, cleanliness and housekeeping standards for all of our restaurants in Singapore, we have been consistently awarded Grade A by NEA during the Track Record Period and up to the Latest Practicable Date. Grade A is the highest grading out of four grades based on an annual scoring system adopted by NEA taking into account various factors including food storage and processing as well as hygiene control.

In addition to our stringent commitment to maintain food quality and hygiene standard, we strive to enhance the dining experience of our customers and to provide them with authentic foreign cuisines. The interior design of our “Chir Chir” and “Masizzim” restaurants are guided and approved by the respective franchisors, which are decorated in an authentic Korean theme. Our food is designed to enhance dining experiences of our customers. Our riceball dishes at “Masizzim” restaurants allow our customers to make dishes (i.e. moulding riceballs) for their families or buddies which is a particularly good bonding experience for our customers (including busy working adults in a fast-paced community).

### **A passionate and dynamic management team**

Our executive Directors and senior management team are passionate and have an ardent interest in food which enables them to identify gourmet cuisines that would appeal to our customers. Our executive Directors have successfully secured exclusive franchises for four restaurant brands, established a network of 12 self-operated restaurants and one central kitchen in Singapore and Malaysia, licensed and sub-licensed seven restaurants in Indonesia and developed two brands as at the Latest Practicable Date, with a clear focus on Korean and Japanese cuisines and casual dining concepts. Our executive Directors are supported by experienced managers and staff who have substantial food and beverage experience. For further details of our management team, see “Directors, Senior Management and Employees”.

### **KEY STRATEGIES**

We intend to become a leading restaurant operator in Singapore and to extend our network to other Southeast Asian countries. We plan to achieve our goals by implementing the following key strategies:

#### **Continue to grow our business by procuring new franchised brands**

The establishment and expansion of our business are mainly driven by the successful procurement of our two franchised brands, namely “Chir Chir” and “Masizzim”, in 2014 and 2015, respectively. We intend to continue to grow our business by procuring additional



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franchised brands. We believe that our target customers are demanding and tend to find foreign food brands imported overseas being more authentic and reliable. To establish a market presence quickly, we plan to procure more franchised brands of popular foreign food into the Southeast Asian markets in the future.

In early 2018, we entered into franchise agreements for two new franchised brands, namely “Nipong Naepong” and “NY Night Market” pursuant to which we plan to set up, operate and/or sub-franchise their branded restaurants in Singapore. For details, please see “Business – New franchised brands”. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have set up Nipong Naepong (JEM), NY Night Market (Westgate) and Nipong Naepong (313) in Singapore, which commenced operations in February 2018, March 2018 and June 2018, respectively. In addition, we plan to open (i) one “Nipong Naepong” restaurant and one “NY Night Market” restaurant in Singapore during the year ending 30 September 2019; and (ii) one “NY Night Market” restaurant in Singapore during the year ending 30 September 2020, by using the net proceeds from the Share Offer. For details, please see “Future Plans and Use of Proceeds”.

Although the CAGR for total expenditure on food and non-alcoholic beverages in Singapore from 2017 to 2021 is expected to be relatively low (i.e. 3.5% only) according to the CIC Report, we still plan to open new restaurants in Singapore because (i) we believe that Singapore is a more developed and vibrant food market and Singaporeans are generally more receptive to new foreign restaurant brands; (ii) the proportion of middle-income class (our target customers) is relatively large in Singapore, which was 62.3% in 2017 (as compared with 16.9% and 4.8% in Malaysia and Indonesia, respectively); and (iii) it is easier for us to put attention and efforts in the early implementation stage in the location where our headquarter situate and our members of senior management ordinarily reside.

We believe that our current expansion plan for the new franchised brands is justifiable because (i) the market size for Korean and Japanese casual dining restaurants (to which market we are targeting) is expected to expand further at a relatively rapid rate and grow at a CAGR of approximately 7.8% from 2017 to 2021 according to the CIC Report; and (ii) we were able to grow our revenue generated from self-operated restaurants in Singapore by approximately 32.3% for the year ended 30 September 2017, where the market size for Korean and Japanese casual dining restaurants in Singapore grew at approximately 7.3% from 2016 to 2017 according to the CIC Report. We also believe that when we are successful in launching the new brands in Singapore, we could replicate the success in other Southeast Asian countries (e.g. Malaysia and Indonesia) at a later stage.

In addition to the two new franchised brands procured, it is our current plan to procure one new franchised brand by 31 March 2019 and another new franchised brand by 30 September 2019. We consider that such plan is feasible based on our successful track record in procuring the “Chir Chir” brand in 2014, “Masizzim” brand in 2015, and “Nipong Naepong” and “NY Night Market” brands in early 2018. However, we will remain prudent when identifying new suitable franchised brands, and we will continue to focus on Asian food brands. To avoid potential cannibalisation effects among our brands (whether franchised or

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self-developed), we intend to identify brands which are able to differentiate itself with distinctive food and beverage choices, ambience, clientele, pricing strategies, etc. We plan to use approximately 6.5% of our net proceeds from the Share Offer to fund the payment of franchise fees for the two new franchised brands to be procured. Please see “Future Plans and Use of Proceeds” for details.

### **Open restaurants of existing brands outside the central area of Singapore**

Location of restaurants is one of our key elements to success. When we launched our “Chir Chir” and “Masizzim” restaurants in Singapore back in 2015, we strategically placed their respective flagship restaurants in Orchard Road Shopping District within the central business district in Singapore, which allowed us to build their brand image and raise their market profile more quickly and easily. Because we are targeting to the middle-income mass market in Singapore and we are operating casual dining restaurants, our restaurant locations are not confined to central business district, but should be dispersed to a number of residential and other commercial districts in Singapore. According to the CIC Report, Singapore has been experiencing suburbanisation in recent years, which leads to the outward growth of urban population outside central area and therefore creates corresponding demand for our restaurants in the suburban areas of Singapore.

In order to capture the growing market of Korean and Japanese casual dining restaurants in Singapore, which are expected to grow at a CAGR of approximately 7.8% from 2017 to 2021 according to the CIC Report, we expect to open more restaurants of our existing brands in Singapore. Our current plan is to open one more “Masizzim” restaurant during the year ending 30 September 2019 by using the net proceeds from the Share Offer. Please see “Future Plans and Use of Proceeds” for details.

We recorded overall growth in revenue from our “Masizzim” restaurant for the year ended 30 September 2017 as compared with that of the prior year. However, the number of customer visit, revenue and our average daily revenue of Masizzim (313), which is our flagship “Masizzim” restaurant, decreased during the year ended 30 September 2017 as compared with that of the prior year. We still believe that there would be room for expanding “Masizzim” restaurant in Singapore because (i) we have been operating our “Masizzim” restaurants profitably with an average breakeven period of approximately one month and average investment payback period of approximately 16 months; and (ii) the scale of our “Masizzim” restaurants are relatively small as compared with that of our “Chir Chir” restaurants in Singapore.

In choosing a location outside the central business district in Singapore, we intend to locate our restaurants at convenient shopping malls proximate to residential or commercial districts with high foot traffic and easy access to public transport. When identifying the exact locations, we take into account factors including store availability, mall traffic, shoppers’ spending power, restaurant mix or existence of anchor tenants within the mall, mall amenities and locations, rental terms, as well as renovation costs and other start-up costs to be required. For further details, please refer to “Future Plans and Use of Proceeds – Use of Proceeds”.

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We believe that the new restaurants to be set up will have similar breakeven periods and investment payback periods with those we achieved during the Track Record Period. During the Track Record Period, our self-operated restaurants in Singapore generally achieved a breakeven period ranging from approximately one to three months and an investment payback period ranging from approximately seven to 18 months. As at the Latest Practicable Date, only two of our self-operated restaurants (excluding the restaurants opened subsequent to Track Record Period), which commenced operation in January 2017 and May 2017, had yet to achieve investment payback.

### **Develop more restaurant brands and continue to strengthen our regional presence, marketing efforts and information technology system**

We self-developed our brands “Kogane Yama” and “Gangnam Kitchen” during the Track Record Period. We expect to launch a new and self-developed Korean brand “After School” with one restaurant to be set up and self-operated by us during the six months ending 30 September 2019 (see “Business – New self-developed brand” for details) by using the net proceeds from the Share Offer. Please see “Future Plans and Use of Proceeds” for details.

As at the Latest Practicable Date, our restaurant network consisted of 12 self-operated restaurants under four franchised brands and one self-developed brand in Singapore and Malaysia. In addition, there were seven licensed and sub-licensed restaurants in Indonesia through our license arrangement with the Indonesia Licensee. We intend to expand such restaurant network in the existing countries and introduce such existing brands into new countries in the Southeast Asian region.

To strengthen our marketing effort, we plan to hire marketing personnel who will be responsible for organising and implementing our marketing campaigns. We also intend to arrange Korean pop stars to visit our restaurants and to participate in our marketing events to raise the brand image and publicity of our restaurants. We intend to use the net proceeds from the Share Offer and internal resources to finance these expenses. Please see “Future Plans and Use of Proceeds” for details.

To strengthen our information technology system, we plan to upgrade our point-of-sale system which allows us to more effectively monitor sales figures, track inventory, and generate operational data and statistics. We also plan to purchase computer software and additional upgrades which will enable us to further automate our operations, including maintaining an electronic inventory system. We intend to use the net proceeds from the Share Offer to finance these expenditures. Please see “Future Plans and Use of Proceeds” for details.

### BUSINESS MODEL

We are a restaurant and catering group headquartered in Singapore. We offer Korean and Japanese cuisines with casual dining concepts that target the middle-income mass market in Singapore, Malaysia and Indonesia. According to the CIC Report, we ranked fifth among Korean restaurant operators in Singapore in terms of revenue in 2017 and with a market share of approximately 8.7% in the Korean restaurant market. Our Group has a market share in terms of revenue of (i) approximately 2.8% in the Korean and Japanese casual dining restaurant market; and (ii) approximately 0.4% in the overall restaurant market, in Singapore in 2017.

We adopt a multi-faceted business model in terms of brands, cuisines, countries of operations and mode of operations. Our multi-faceted business model enables us to capture customers with different origins, tastes and preferences and therefore allows us to diversify our revenue sources.

### RESTAURANT AND CATERING BRANDS

#### Chir Chir

We obtained an exclusive franchise from the Chir Chir Franchisor, which operates a Korean fried chicken restaurant chain, to set up, operate and sub-franchise its branded restaurants in Singapore, Malaysia and Indonesia. As at the Latest Practicable Date, we set up and self-operated four restaurants in Singapore and one restaurant in Malaysia. We have also licensed the brand “Chir Chir” to the Indonesia Licensee which has (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate a total of four restaurants under the same brand in Indonesia as at the Latest Practicable Date.

#### *Brand information*

Originating from Seoul, Korea and established in 2010, “Chir Chir” is a casual dining restaurant chain with over 70 outlets in Korea, 20 outlets in the PRC, one outlet in Hong Kong and four outlets in Taiwan as at the Latest Practicable Date. The “Chir Chir” brand offers a variety of well-marinated and succulent fried chicken that targets young adults who enjoy the authentic “*chimaek*” experience (i.e. consuming fried chicken together with beer) as influenced by the Korean pop culture. “Chir Chir”, pronounced as “*Chi-re Chi-re*”, was named after the bubbling sound that burning oil makes when a chicken is dunked into it during the deep frying process. According to the CIC Report, Chir Chir is one of the most famous Korean-style fried chicken brands, which accounted for around 1.5% of casual dining market segment in Korea in terms of number of outlet as at the Latest Practicable Date.

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### *Franchise/License arrangement*

Our “Chir Chir” operations began when we entered into an exclusive five-year term franchise agreement with the Chir Chir Franchisor to set up, operate and sub-franchise “Chir Chir” restaurants within the geographical region of Singapore in November 2014. In May 2015 and November 2015, we entered into exclusive five-year term franchise agreements carrying similar terms for the geographical regions of Indonesia and Malaysia, respectively.

With the success of launching “Chir Chir” restaurants in Singapore and Malaysia, the success of implementing the sub-franchising arrangements in Indonesia and to reflect our long-term commitment, we subsequently entered into respective supplemental agreements with the Chir Chir Franchisor in 2016 to extend the franchise terms for all three countries to 20 years.

### *Existing franchising terms*

The salient terms of the franchise/license arrangements for Singapore, Malaysia and Indonesia as at the Latest Practicable Date are set out as follows:

Term	:	20 years from the respective date of opening of the first store (i.e. 1 February 2035 for Singapore, 23 January 2037 for Malaysia and 11 March 2036 for Indonesia)
Governing law	:	Korea laws
Geographical region and exclusivity	:	to set up, operate and sub-franchise “Chir Chir” restaurants in Singapore and Malaysia and sub-license “Chir Chir” restaurants in Indonesia on an exclusive basis
Sub-franchising/ Sub-licensing	:	allowed, subject to obtaining consent from the Chir Chir Franchisor
Joint venture with other operator(s)	:	allowed, subject to obtaining consent from the Chir Chir Franchisor
Roles and obligations of the franchisor	:	the Chir Chir Franchisor is responsible for, among other things, providing (i) training and support for restaurant opening and operation; (ii) standard operation manuals on food preparation and serving as well as quality control; and (iii) house sauces, mixes and recipes
Franchise/License fees	:	KRW100 million (for Singapore), KRW115 million payable by two installments (for Malaysia), and US\$ 220,000 (for Indonesia)

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Royalties	:	KRW5.0 million, US\$10,000, and US\$12,000 when a new restaurant is opened in Singapore, Malaysia and Indonesia, respectively
Promotion and advertisement	:	nil
Minimum number of restaurants to open	:	nil
Non-competition	:	not to compete with the Chir Chir Franchisor by engaging in Korean casual dining restaurant business specialising in Korean fried chicken in any country during the term of the agreement and five years after termination
Renewal	:	at either parties' option with prior written notice at least twelve months before the expiration of the term
Termination	:	the Chir Chir Franchisor has right to terminate the agreement if we are in breach of the agreement terms or fail to obtain government licences or approvals for the restaurants

Our Korean Legal Adviser has advised us that the above franchise agreements are valid and legally binding under Korea law.

### *Previous franchising terms*

During the implementation of the Chir Chir Franchise Agreements, we identified that certain terms, which are similar to the terms offered by the Chir Chir Franchisor to other franchisees, were either not practical and difficult to implement in our countries of operations or need clarifications. We therefore requested the Chir Chir Franchisor to amend or clarify certain terms of the Chir Chir Franchise Agreements in the form of written consents as detailed below:

- pursuant to the Chir Chir Franchise Agreements, we were required to expend on promotion and advertisements for more than five percent of the sales amount on an annual basis but we failed to do so. In November 2017, we obtained written consent from the Chir Chir Franchisor to confirm that we are not required to do so, that the relevant clauses are for reference purposes only and that the Chir Chir Franchisor shall not enforce them.
- pursuant to the Chir Chir Franchise Agreements, we were required to (i) in Singapore, open and operate at least one restaurant in three months and two stores in six months from the effective date of agreement; (ii) in Malaysia, open and operate at least two restaurants within the first year, four restaurants within the second year and six restaurants within the third year from the effective date of

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agreement; and (iii) in Indonesia, open and operate at least one restaurant within six months, three restaurants within the first year, five restaurants within the second year and ten restaurants within the third year from the effective date of agreement. We failed to open the minimum number of restaurants required in Malaysia and Indonesia promptly because it took longer time than originally expected to identify suitable locations for opening the restaurant in Malaysia and Indonesia. In November 2017, we obtained written consent from the Chir Chir Franchisor to confirm that we are not required to do so, that the relevant clauses are for reference purposes only and that the Chir Chir Franchisor shall not enforce them.

- The Chir Chir Franchise Agreements set out that we shall not compete with the Chir Chir Franchisor by engaging in business involving poultry, or engaging in food services or food service franchises in any country during the term of the agreement and for five years from the termination or expiration date of the agreement without the prior written permission of the Chir Chir Franchisor. We obtained written consent from the Chir Chir Franchisor to clarify that our non-competition undertaking shall be limited to the scope as read under the above existing franchising terms. For prudence sake, we also sought express written consent from the Chir Chir Franchisor that we could operate our “Masizzim”, “Kogane Yama”, “Nipong Naepong”, “NY Night Market” restaurants and “Gangnam Kitchen” business in any countries.

We believe that the Chir Chir Franchisor was willing to amend or clarify the terms of the Chir Chir Franchise Agreements was mainly because the performance of our restaurants were satisfactory and thus we were able to persuade the Chir Chir Franchisor that those standard terms are not applicable in our business operations. Our Korean Legal Advisers are of the view that the above amendments and clarifications are valid and legally binding under Korean law.

### *Certain breaches to franchising terms*

During the Track Record Period and up to the Latest Practicable Date, apart from (i) failure to open the minimum number of restaurants in Malaysia and in Indonesia within the prescribed period of time; and (ii) failure to expend on promotion and advertisements for more than five percent of the sales amount on an annual basis as mentioned above, we breached certain material terms of the Chir Chir Franchise Agreements, which included failure to comply with certain laws and regulations applicable to operation of our Chir Chir restaurants, which includes, amongst other things, the non-compliance incident set out in “Business – Legal Proceedings and Compliance”. We failed to comply with relevant laws due to the lack of knowledge on the relevant local laws and regulations of our business partner in Malaysia and the Indonesia Licensee when we expand into new markets.

We subsequently obtained written consent from the Chir Chir Franchisor on 19 April 2018 to permanently waive its enforcement rights on all of the above breaches of terms under the Chir Chir Franchise Agreements. According to the Korean Legal Advisers, the Chir Chir Franchisor has lawfully waived its right to terminate the Chir Chir Franchise Agreements or to

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pursue further legal actions or to make retrospective claims as a result of the above breaches pursuant to the written consent from the Chir Chir Franchisor dated 19 April 2018. Based on this, our Directors are of the view that the risk of the Chir Chir Franchisor terminating the Chir Chir Franchise Agreements, or reinstating or enforcing those terms as a result of the above breaches is remote because the consents are validly signed under Korean laws and our Korean Legal Advisers are of the view that the amendments and clarifications are valid and legally binding under Korean laws, such that the breached terms relating to (i) the requirement to open minimum number of restaurants; and (ii) the requirement to expend on promotion and advertisement for more than five percent of sales either are no longer part of the existing franchising terms or such enforcement rights have been irrevocably waived. If we commit additional breaches in the future, the Chir Chir Franchisor is entitled to terminate the franchise arrangements with us. For related risk, please see “Risk Factors – Risks Relating to our Group’s Business – We are reliant on the master franchise rights in respect of the “Chir Chir” and the “Masizzim” brands and any discontinuation of such rights could materially and adversely impact our business, results of operations and financial condition”.

### *Business partnership terms*

In order to expand our presence into Malaysia and to comply with the applicable foreign investment restrictions which prohibit wholly foreign-owned restaurant operators in Malaysia, we set up K Food Master (which is recognised as our non-wholly owned subsidiary) with Jaesan Food Holdings, a company principally engaged in restaurant operation, management consulting and investment business. Please see “History, Reorganisation and Corporate Structure – Corporate History” for details. The salient terms of the Jaesan Agreement as at the Latest Practicable Date are set out as follows:

Term	:	five years from 10 September 2016 to 9 September 2021
Governing law	:	Singapore
Place of incorporation	:	Malaysia
Purpose	:	K Food Master (which is recognised as our non-wholly owned subsidiary) was established to set up, operate and sub-franchise the “Chir Chir” restaurants in Malaysia
Initial total working and paid up capital	:	60% of the total working and paid up capital were contributed by us, while the remaining 40% were contributed by Jaesan Food Holdings
Future capital injection	:	no fixed amount was agreed and in case of future capital injection required, it will be made in the proportion of 60% by us and 40% by Jaesan Food Holdings
Annual fee	:	payment of SGD80,000 annual fee to us by Jaesan Food Holdings



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Store open fee	:	SGD80,000 in aggregate for the first two restaurants opened in Malaysia and SGD40,000 each for the third or more restaurant(s) opened in Malaysia for operating more than 6 months
Profit distribution	:	60% to us and 40% to Jaesan Food Holdings
Our roles and responsibilities	:	provide training and support on restaurant opening and operations, which include (a) provision of operation and supervision manuals; (b) provision of training to trainers, store supervisors and other staff; (c) dispatch of personnel to assist in restaurant opening for at least 12 months but not exceeding 18 months; and (d) supply of sauces, powder and utensils
Renewal	:	either party may agree to renew upon the expiry of the Jaesan Agreement
Termination	:	terminable by mutual written consent anytime during the term

Our Singaporean Legal Advisers confirm that the above agreement is valid and legally binding under the laws of Singapore.

On 14 April 2018, we have entered into a supplemental agreement with Jaesan Food Holdings to supplement the Jaesan Agreement, which provides that Jaesan Food Holdings is prohibited from undertaking any business identical or similar to us in any country in which our Group operates during the term of the Jaesan Agreement and for five years from the expiration or the termination of the Jaesan Agreement without our permission. On 20 July 2018, we have entered into another supplemental agreement with Jaesan Food Holdings to revise the term of the Jaesan Agreement.

### *Sub-licensing terms*

With the sub-franchising rights in Indonesia granted pursuant to the Chir Chir Franchise Agreements, we have entered into a sub-franchise agreement with Nick Soetiono, an Indonesian individual and an Independent Third Party, to grant him exclusive rights to set up, operate and sub-franchise “Chir Chir” restaurants for the geographical region of Indonesia, in June 2015. Nick Soetiono is the son-in-law of Rudi Darmawan, who is one of the Investors. Please see “History, Reorganisation and Corporate Structure – Pre-IPO Investment” for details. The “Chir Chir” restaurants in Indonesia are instead operated by the Indonesia Licensee, which is a company owned as to 35% by Nick Soetiono. To rectify, we entered into the Indonesia Master License Agreement with the Indonesia Licensee on 28 December 2017 to supersede the original sub-franchise agreement with Nick Soetiono. The original sub-franchise agreement was subsequently terminated pursuant to the termination agreement entered into between K Food Holdings and Nick Soetiono on 9 January 2018. As at the Latest Practicable Date, the

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Indonesia Licensee set up and self-operated three restaurants, and sub-licensed to four sub-licensees who set up and self-operated a total of four restaurants in Indonesia. The salient terms of the Indonesia Master License Agreement (which are similar to those of the original sub-franchise agreement) as at the Latest Practicable Date are set out as follows:

Term	:	10 years from 5 June 2015 to 4 June 2025
Governing law	:	Singapore laws
Exclusivity	:	no exclusivity granted
Geographical region and scope	:	to set up, operate and sub-license “Chir Chir” restaurants in Indonesia on non-exclusive basis
Licence fees	:	US\$50,000 after six months of opening each restaurant in Indonesia, including any restaurants opened by a sub-licensee
Running royalty	:	3% of the gross sales of each restaurant, whether it is set up and operated by the Indonesia Licensee or its sub-licensees
Sub-licensing approval	:	the Indonesia Licensee shall seek prior written approval from us for any proposed sub-license arrangement and shall assist us in the review process
Sub-license period	:	no sub-license is allowed for a period of nine months prior to the expiration date of the agreement
Books and records	:	the Indonesia Licensee is required to provide financial results prepared in accordance with generally accepted accounting principles on a monthly, quarterly and yearly basis
Our obligations	:	to provide advice and recommendations to the Indonesia Licensee on matters relating to the operation and management of the restaurants and the brand, including without limitation, administrative activities, advertising, business development and preparation of food and cooking techniques
Promotion and advertisement	:	the Indonesia Licensee shall conduct advertising and promotional activities and operate an internet website to promote and market the restaurants and the brand

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- Minimum number of restaurants to open : nil
- Non-competition : the Indonesia Licensee and sub-licensees shall not compete with us by engaging in business venture involving poultry in Indonesia or in other countries or a related food service license or sub-license in Indonesia or in other countries during the term of the agreement and 5 years starting from the termination or expiry date of the agreement
- Termination : each party can terminate by giving written notice if certain events, such as non-performance, occur

Our Singaporean Legal Advisers confirm that the above agreement is valid and legally binding under the laws of Singapore.

Pursuant to the Indonesia Master License Agreement, we received royalty income in the amount of approximately SGD85,000, SGD321,000 and SGD94,000, which accounted for approximately 0.9%, 2.3% and 1.9% of our total revenue, for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively.

To ensure that the Indonesia Licensee set up, self-operate and sub-license the “Chir Chir” branded restaurants in Indonesia properly, we put in place certain control measures, which includes:

- *provision of operation manuals*: cover requirements on food ingredients, food processing and food serving; requirements on restaurant hygiene and cleaning; requirements on restaurant decoration, utensils and staff uniform, etc.
- *ad hoc and regular inspections*: we arrange staff to inspect the restaurants operated by the Indonesia Licensee and their back-end operations on a regular and an ad hoc basis
- *sub-licensing approval*: to ensure that the restaurants operated by the sub-licensees are operated properly, we require the Indonesia Licensee to submit information and details of the sub-licensees for our approval, before the Indonesia Licensee grants any candidate the right to operate the brand
- *financial performance*: we monitor the financial performance by requesting monthly, quarterly and annual financial statements from the Indonesia Licensee
- *non-competition*: we require the Indonesia Licensee and its sub-licensees not to compete with us

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We note that the Indonesia Licensee and certain of its sub-licensees have yet to obtain several licenses including without limitation TDUP (restaurant) permits, hygiene-worthy certificates, SIUP (business trade license) and TDP (company registration certificate) in Indonesia. Having identified the breaches, we required the Indonesia Licensee and its sub-licensees to commence rectification immediately, and also to grant a power of attorney to the Indonesian Legal Advisers in February 2018 to assist with the preliminary investment registration in connection with the relevant applications in Bali, Indonesia. As at the Latest Practicable Date, although the application processes in Bali, Jakarta, Surabaya, Makassar and Pekanbaru were still ongoing, the sub-licensees in Surabaya, Makassar and Pekanbaru have obtained the TDUP (restaurant) permits since April 2018. We are advised by the Indonesian Legal Advisers that subject to complete documentation and barring any unforeseen circumstances, issuance of the above licenses is a standard administrative process, and that there are no foreseeable legal impediments to the issuance of the above licenses. We were also advised by the Indonesian Legal Advisers that we (as a licensor) will not be subject to any legal liability as a result thereof. Subsequently, we obtained consent from the Chir Chir Franchisor to waive enforcement rights. According to the Korean Legal Advisers, the Chir Chir Franchisor has lawfully waived its right to terminate the Chir Chir Franchise Agreement as a result of the above breaches pursuant to the consent from the Chir Chir Franchisor dated 19 April 2018. Based on this, our Directors are of the view that the risk of the Chir Chir Franchisor terminating the Chir Chir Franchise Agreement as a result of the above breaches is remote.

In order to prevent the occurrence of the above incidents in the future, we have enhanced our internal control measures such that we would not grant any license and sub-license to any third party until we are satisfied that such third party has obtained all applicable licenses, permits and approvals for the operation of the business in material respects. Moreover, we have maintained a register recording the material licenses required and obtained by each of the licensee and sub-licensee and expiry date (where applicable) of each license. The register is kept by our assigned staff in finance department with a copy of each of the material licenses and he would regularly review the register to monitor the expiry date of the licenses and communicate with the Indonesia Licensee on the renewal of such licenses.

Having considered the above, our Directors are of the view, and the Sole Sponsor concurs, that the above measures are adequate and sufficient for our current operation in providing a reasonable basis to enable our Directors to ensure compliance with the applicable legal and regulatory requirements.

### *Menu and choices*

We selectively incorporate the choice of dishes from the home menu in Korea into our “Chir Chir” menu so as to cater the local customer’s tastes and preferences, and our “Chir Chir” restaurants offer signature fried chicken dishes made of fresh local chicken, Korean-imported bottled and mixed beer, fancy-garnished cocktails and mocktails, as well as seafood and salad selections. The following images show some of our popular and signature dishes and the dish names as they appear on our menu:



Crispy Fried Chicken



Honey Butter Chicken



Nest Snow

We generally review and make adjustments to our menu items every six months to keep in line with the “Chir Chir” menu in Korea. The retail price of our “Chir Chir” food ranges from SGD9.9 to SGD32.9 each for our restaurants in Singapore.

### *Restaurant design and ambience*

Our “Chir Chir” restaurants are designed with a modern, cosy and brightly-lit theme which we believe exudes a youthful and concurrently welcoming and homely atmosphere. The interior design and ambience of our “Chir Chir” restaurants are based on the counterparts in Korea. The following images show the dining environment of some of our “Chir Chir” restaurants:



Chir Chir (CP)



Chir Chir (JEM)

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### *Restaurant network*

The following table sets forth the details of our self-operated “Chir Chir” restaurants in Singapore and Malaysia during the Track Record Period and up to the Latest Practicable Date:

Restaurant	Date of commencement of operation	Location	Status as at the Latest Practicable Date	Approximate gross floor area (sq.ft.)	Seating capacity	Approximate breakeven period (month)	Approximate investment payback period (month)	Approximate period remaining to achieve investment payback as at the Latest Practicable Date (month)
<i>Singapore</i>								
Chir Chir (313)	2 February 2015	#B3-04/05/06 313@Somerset, 313 Orchard Road, Singapore 238895	Active	1,445	82	3	17	N/A
Chir Chir (BP) <i>(Note)</i>	27 March 2015	Bedok Point 799 New Upper Changi Rd, 02-05/06, Singapore 467351	Closed	1,332	75	1	16	N/A
Chir Chir (CP)	4 December 2015	Chinatown Point #01-43 Chinatown Point, 133 New Bridge Road, Singapore 059413	Active	1,442	72	2	14	N/A
Chir Chir (JEM)	22 July 2016	#04-13/14 JEM 50, Jurong Gateway Road, Singapore 608549	Active	1,515	70	1	9	N/A
Chir Chir (BJ)	1 October 2016	#02-50, Bugis Junction, 200 Victoria Street, Singapore 188021	Active	1,867	120	1	8	N/A
<i>Malaysia</i>								
Chir Chir (PV)	24 January 2017	Lot 1.108.00, Level 1 Pavilion Kuala Lumpur, 168 Jalan Bukit Bintang, Kuala Lumpur 55100	Active	1,433	75	1	41	24

*Note:* We did not renew the tenancy agreement of Chir Chir (BP) and ceased its operation on 20 January 2018 because of its decline in operating results which, we believe, was caused by the reopening of a recently renovated shopping mall next to the mall where the restaurant is situated.

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For a total of six “Chir Chir” restaurants we operated (including Chir Chir (BP) which ceased operation on 20 January 2018) during the Track Record Period, (i) all of them have achieved breakeven with the breakeven period ranging from approximately one to three months; and (ii) five of them have achieved investment payback with the investment payback period ranging from approximately eight to 17 months. Chir Chir (PV) has a relatively longer investment payback period because (i) we incurred relatively more significant capital expenditure and continued to incur relatively high operating costs as we placed this first Malaysian “Chir Chir” restaurant in a premium shopping mall in Kuala Lumpur to establish the brand image; (ii) the menu prices of Chir Chir (PV) were relatively cheaper as compared to other “Chir Chir” restaurants in Singapore; and (iii) our ingredients imported from Korea are not Halal-certified, which limits our target customers to non-Muslim population in Malaysia.

The following table sets forth changes in the number of the licensed and sub-licensed “Chir Chir” restaurants in Indonesia during the periods indicated:

	<b>Year ended 30 September</b>	<b>2017</b>	<b>Four months ended</b>
	<b>2016</b>		<b>31 January 2018</b>
Number of licensed and sub-licensed “Chir Chir” restaurants as at the beginning of the financial year	–	1	6
Number of new licensed and sub-licensed “Chir Chir” restaurants newly opened	1	5	1
Number of licensed and sub-licensed “Chir Chir” restaurants closed	–	–	–
Number of licensed and sub-licensed “Chir Chir” restaurants as at the end of the period	<u>1</u>	<u>6</u>	<u>7</u>

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### Operational performance

The following tables show the operational performance (in approximate figures) of our self-operated “Chir Chir” restaurants in Singapore and Malaysia during the Track Record Period:

Restaurant	Year ended 30 September 2016								
	Total revenue (SGD'000)	Revenue from dine-in customers (SGD'000)	Number of dine-in customer visit	Number of operation days	Average daily	Average	Average daily revenue (SGD) (Note 2)	Daily seat turnover rate (times) (Note 3)	Net operating margin
					number of dine-in customer visit	spending per dine-in customer per visit (SGD) (Note 1)			
<b>Singapore</b>									
Chir Chir (313)	3,460	3,216	145,984	364	401	22.0	9,505	3.3	21%
Chir Chir (BP)	1,272	1,172	53,643	364	147	21.9	3,495	2.0	23%
Chir Chir (CP)	1,295	1,194	56,659	300 <sup>(Note 4)</sup>	189	21.1	4,317	2.6	15%
Chir Chir (JEM)	525	502	22,733	71 <sup>(Note 5)</sup>	320	22.1	7,394	4.6	15%
Restaurant	Year ended 30 September 2017								
	Total revenue (SGD'000)	Revenue from dine-in customers (SGD'000)	Number of dine-in customer visit	Number of operation days	Average daily	Average	Average daily revenue (SGD) (Note 2)	Daily seat turnover rate (times) (Note 3)	Net operating margin
					number of dine-in customer visit	spending per dine-in customer per visit (SGD) (Note 1)			
<b>Singapore</b>									
Chir Chir (313)	2,366	2,284	91,436	363	252	24.6	6,518	2.1	21%
Chir Chir (BP)	1,003	941	35,602	363	98	26.4	2,763	1.3	19%
Chir Chir (CP)	1,122	980	42,214	362	117	23.2	3,099	1.6	8%
Chir Chir (JEM)	2,153	2,038	88,243	363	243	23.1	5,931	3.5	19%
Chir Chir (BJ)	2,062	1,980	83,520	361 <sup>(Note 6)</sup>	231	23.7	5,712	1.9	25%
<b>Malaysia</b>									
Chir Chir (PV)	481	444	36,775	250 <sup>(Note 7)</sup>	147	12.1	1,924	2.0	12%
Restaurant	Four months ended 31 January 2018								
	Total revenue (SGD'000)	Revenue from dine-in customers (SGD'000)	Number of dine-in customer visit	Number of operation days	Average daily	Average	Average daily revenue (SGD) (Note 2)	Daily seat turnover rate (times) (Note 3)	Net operating margin
					number of dine-in customer visit	spending per dine-in customer per visit (SGD) (Note 1)			
<b>Singapore</b>									
Chir Chir (313)	865	813	35,177	123	286	23.1	7,035	2.4	23%
Chir Chir (BP)	208	156	7,257	112 <sup>(Note 8)</sup>	65	21.5	1,861	0.9	5%
Chir Chir (CP)	337	312	15,413	123	125	20.2	2,741	1.7	8%
Chir Chir (JEM)	801	735	33,924	123	276	21.7	6,513	3.9	28%
Chir Chir (BJ)	659	592	27,751	123	226	21.3	5,360	1.9	23%
<b>Malaysia</b>									
Chir Chir (PV)	205	170	17,513	123	142	9.7	1,668	1.9	20%



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*Notes:*

- (1) Average spending per dine-in customer per visit is calculated by dividing revenue from dine-in customers by number of dine-in customer visit.
- (2) Average daily revenue is calculated by dividing total revenue by number of operation days.
- (3) Average daily seat turnover rate is calculated by dividing number of dine-in customer visit by seating capacity, and then divided by number of operation day.
- (4) Chir Chir (CP) commenced operation on 4 December 2015.
- (5) Chir Chir (JEM) commenced operation on 22 July 2017.
- (6) Chir Chir (BJ) commenced operation on 1 October 2016.
- (7) Chir Chir (PV) commenced operation on 24 January 2017.
- (8) In January 2018, we ceased operation of Chir Chir (BP) because of its decline in operating results which, we believe, was caused by the reopening a recently renovated shopping mall next to the mall where Chir Chir (BP) was situated.
- (9) Total revenue of each of the restaurants does not include revenue generated from (i) vouchers of approximately SGD122,000, SGD734,000 and SGD51,000; (ii) sales generated from catering to clubs of approximately SGD11,000, SGD358,000 and SGD176,000; and (iii) promotional coupons provided by the mall where our restaurants operate of approximately SGD9,000, nil and nil for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively.

Our “Chir Chir” restaurants in Singapore which were in operation for almost the full financial year ended 30 September 2016 (namely Chir Chir (313), Chir Chir (BP) and Chir Chir (CP)) recorded (i) an approximately 25.5% to 37.4% decrease in the number of customer visit, (ii) an approximately 13.4% to 31.6% decrease in the total revenue and (iii) an approximately 20.9% to 31.4% decrease in the average daily revenue for the year ended 30 September 2017 as compared with that of the prior year. We believe that such decrease was primarily due to (i) according to the CIC Report, the traditional commercial areas in the central districts in Singapore (e.g. the malls where Chir Chir (313) and Chir Chir (BJ) are located) are becoming less competitive due to suburbanisation and continuing development of non-traditional commercial areas, and (ii) two “Chir Chir” restaurants opened during 2017 which might have diverted some customers from our existing “Chir Chir” restaurants (see the next second paragraph for details regarding the potential cannabilisation). On the other hand, the average spending per dine-in customer per visit of our “Chir Chir” restaurants for the year ended 30 September 2017 and the four months ended 31 January 2018 increased as compared to the same period in the prior year, which we believe was primarily because we updated our menu and were able to offer items of a wider price range. The net operating margin of Chir Chir (CP) for the year ended 30 September 2017 decreased as compared to the year ended 30 September 2016 was mainly due to the decline in number of customer visits for the same reason abovementioned, while our operating expenses (i.e. rental and utilities) remained relatively stable. In addition, the net operating margin of Chir Chir (BP) for the year ended 30 September 2017 as compared to the year ended 30 September 2016 and for the four months ended 31 January 2018 as compared to the year ended 30 September 2017 decreased was mainly due to the decline in number of customer visits, which we believe, was caused by the re-opening of a recently renovated shopping mall next to the mall where Chir Chir (BP) restaurant was

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situated. On the other hand, we experienced substantial increase in net operating margin for Chir Chir (JEM) and Chir Chir (PV) for the four months ended 31 January 2018 as compared to the year ended 30 September 2017 because for Chir Chir (JEM), higher sales were generated during the later period of festive season and school holidays, which our Directors believe Chir Chir's dishes are appealing to customers who dine-in larger group during such period of time, while our operating expenses (i.e. rental and utilities) remained relatively stable; and, for Chir Chir (PV), our staff in Malaysia became more familiar with the entire work process which in turn reduced material wastage and improved our human resources planning, which contributed to lower operating expenses.

Our Directors believe that the potential competition among the "Chir Chir" restaurants can be minimised because (i) each of the "Chir Chir" restaurants in Singapore was located in different districts to avoid direct competition; and (ii) the overall demand for "Chir Chir" is expected to grow further given that the total number of dine-in customer visit of our "Chir Chir" restaurants in Singapore increased from approximately 279,000 to 341,000 and the revenue generated from "Chir Chir" restaurants in Singapore increased from approximately SGD6.7 million to SGD9.8 million for the year ended 30 September 2017 as compared to the prior year. We will continue to monitor the performance of each of the restaurants, and if opening of new restaurant affects the performance of the existing restaurants and our overall financial performance, we may close the non-performing restaurants as and when necessary.

"Chir Chir" is a restaurant chain of over 70 outlets in Korea as at the Latest Practicable Date. We believe we can replicate the Chir Chir Franchisor's success and establish a chain of "Chir Chir" restaurants in Singapore. Before we decide whether to open an additional restaurant in Singapore, we consider a number of factors, which include:

- *Potential cannibalisation:* Singapore is a small country. When one more restaurant of the same brand is opened, it is likely that certain customers of existing branded restaurants are diverted to the new restaurant, resulting in a general decrease in customer visit, store revenue and average daily revenue per store of existing branded restaurants. For example, same store revenue and number of dine-in customer visit of Chir Chir (313) restaurant have decreased by approximately 32% and 37% in the year ended 30 September 2017, respectively, when compared to the prior year. However, we believe that the above parameters are not decisive factors in our commercial decision. Our commercial decision in opening new restaurants are based on our estimation on:
  - (i) whether we are able to increase the overall revenue and profits for the Chir Chir restaurants: for example, with the new restaurant opened during the year ended 30 September 2017, the overall revenue of our Chir Chir restaurants in Singapore increased by approximately 53.5% for the year ended 30 September 2017 as compared with that of prior year;

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- (ii) whether we could continue to operate our existing restaurants profitably: for example, except for Chir Chir (BP) with reasons explained in (iv) below, the operating margin of our Chir Chir restaurants remained relatively stable for the year ended 30 September 2017 when compared to the prior year;
  - (iii) whether our existing restaurants have achieved breakeven and investment payback: all of our Chir Chir restaurants in Singapore opened in or prior to the year ended 30 September 2016 achieved breakeven and investment payback during the year ended 30 September 2017;
  - (iv) whether we should close down underperformed restaurants and utilise the resources to launch new brands or open new restaurants in areas with higher growth potential (which is consistent with the industry norm for operators of chain or multi-branded restaurants to optimise their portfolio in Singapore according to the CIC Report): for example, we did not renew the tenancy agreement of Chir Chir (BP) and ceased its operation on 20 January 2018 because of its decline in operating results, which we believe, was caused by the reopening of a recently renovated shopping mall next to the mall where the restaurant was situated; and
  - (v) whether we could operate new restaurants profitably with expected breakeven and investment payback period in acceptable range: all of our “Chir Chir” restaurants opened in Singapore have already achieved breakeven and investment payback as at the Latest Practicable Date.
- *Expected breakeven period:* We consider the expected time required for a restaurant to achieve breakeven is important because our restaurants have to be profitable in order to generate sufficient revenue to cover cost and to support our future growth. During the Track Record Period, save for Chir Chir (PV), our “Chir Chir” restaurants generally achieved breakeven in approximately one to three months. We expect our new “Chir Chir” restaurants, if any, will have similar breakeven period.
  - *Expected investment payback period:* This parameter is one of our major considerations because capital expenditure is required when we open a new restaurant. We incur expenses for renovation and purchases of furniture and equipment, etc. In order for our business to be sustainable in the long run and to grow our business at a steady pace, we need to ensure that our investment could be promptly recouped. During the Track Record Period, our “Chir Chir” restaurants in Singapore achieved investment payback in approximately eight to 17 months. As at the Latest Practicable Date, our Chir Chir (PV) in Malaysia had yet to achieve investment payback. We expect our new “Chir Chir” restaurants in Singapore, if any, will have similar investment payback period with those in Singapore.

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- *Optimal scale and locations:* Our Chir Chir restaurants are casual dining restaurants targeting middle income mass market with high-paced lifestyles. According to the CIC Report, in the casual-dining market segment in Singapore, the target customers tend to dine at chained restaurants in locations within walking distance of their places of residence or work to suit their high-paced lifestyles. Given that Singapore is subdivided into a number of residential or commercial districts and has been experiencing suburbanisation in recent years, we opened additional Chir Chir restaurants in order to capture demand in areas with no existing coverage, and to increase the overall revenue and profitability. Our Directors believe that our Chir Chir restaurants in Singapore have not been overly expanded by establishing five restaurants in five years' time because according to the CIC Report, it is a common industry practice for restaurants to continually expand the network of outlets by either opening new outlets or acquiring existing outlets, and the usual expansion rate for a single restaurant brand is around one to five new stores within a year.

### ***Expansion plan***

There was no specific immediate expansion plan for our “Chir Chir” restaurants network as at the Latest Practicable Date. Nevertheless, we may re-consider expansion plan should suitable opportunities arise.

### **Masizzim**

We obtained an exclusive franchise right from the Masizzim Franchisor, which owns a Korean stew dish brand, to set up, operate and sub-franchise its branded restaurants in Singapore and Malaysia. As at the Latest Practicable Date, we set up and self-operated two “Masizzim” restaurants in Singapore.

### ***Brand information***

Famous for its stew dishes, known as “Galbi Jjim” (i.e. fresh, soft and tender meat (primarily beef or pork) stewed and served with Korean-style spicy or non-spicy soy milk sauce and noodle) and targeting sophisticated young adults, “Masizzim” is a well-established casual dining restaurant brand originating from Seoul, Korea. Other than its stew dishes, the “Masizzim” brand is well-known for creating a different dining experience to their customers, such as “do-it-yourself” customisable rice balls. Established in 2014, the “Masizzim” brand has expanded to over 15 outlets in Korea as at the Latest Practicable Date.

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### *Franchise arrangement*

Our “Masizzim” restaurant first began operations through entering into an exclusive five-year term franchise agreement in May 2015 with the Masizzim Franchisor to set up, operate and sub-franchise “Masizzim” restaurants within the geographical region of Singapore. As our business had been growing steadily since the launch of our first “Masizzim” restaurant in Singapore, we entered into a supplemental agreement with the Masizzim Franchisor in September 2015 to extend the franchise terms to a 20-year term until 2035.

In September 2015, we entered into another franchise agreement with the Masizzim Franchisor to further extend our franchise rights to Indonesia. However, such franchise agreement was subsequently terminated in October 2016 with our franchise fees refunded because certain stew dishes offered by “Masizzim” were made of pork, which limit the number of our potential customers in Indonesia due to its large Muslim population.

In November 2016, we entered into another 20-year term franchise agreement with the Masizzim Franchisor to expand our franchise rights to Malaysia.

### *Franchising terms*

The salient terms of the franchise arrangements for Singapore and Malaysia as at the Latest Practicable Date are set out as follows:

Term	:	20 years from the respective date of opening of the first store in Singapore and Malaysia (i.e 24 September 2015 for Singapore and no store had been opened in Malaysia as at the Latest Practicable Date)
Governing law	:	Singapore laws
Geographical region and exclusivity	:	to set up, operate and sub-franchise “Masizzim” restaurants in Singapore and Malaysia on an exclusive basis
Sub-franchising	:	allowed
Initial royalty	:	KRW40 million and US\$20,000 for Singapore and Malaysia, respectively
Running royalties	:	KRW5,500,000 upon opening any franchise stores and sub-franchise stores; and monthly payment of 3% of gross sales (less any promotions, discounts, government taxes and service charges) of every franchise store and sub-franchise store before December 2017 <sup>(Note 1)</sup>

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Promotion and advertisement	:	requires us to promote and advertise the “Masizzim” brand at our own expense
Minimum number of restaurants to open	:	nil
Non-competition	:	not to compete with the Masizzim Franchisor by engaging in Korean casual dining restaurant business specialising in stew dishes similar to the Masizzim business in Singapore and Malaysia during the term of the Masizzim Franchise Agreement and for five years after the termination or expiration <sup>(Note 2)</sup>
Renewal	:	renews automatically under same terms and conditions unless either party serves a notice to the other party not later than one month prior to the expiration
Termination	:	each party has the right to terminate the agreement if the other party is in breach of the agreement terms

*Notes:*

- (1) In December 2017, we entered into supplemental agreements with the Masizzim Franchisor to amend the franchise agreement for Singapore and Malaysia. Pursuant to the supplemental agreements, the parties agreed that from December 2017 onwards, the relevant arrangements for the running royalties would be waived.
- (2) Prior to December 2017, it was set out in the agreement that we shall not compete with the Masizzim Franchisor by engaging in similar or identical business in Singapore or Malaysia during the term of the agreement and for five years from the termination or expiration date of the agreement without the prior permission of the Masizzim Franchisor. In December 2017, we obtained consents from the Masizzim Franchisor to clarify that our non-competition undertaking shall be limited to food services or food services franchises regarding Korean casual dining restaurants specialising in the stew dishes. For prudence sake, we also sought written consent from the Masizzim Franchisor that we could operate our “Chir Chir”, “Kogane Yama” restaurants and “Gangnam Kitchen” business in Singapore.

Our Singaporean Legal Advisers confirm that the above agreement is valid and legally binding under the laws of Singapore.

Our Directors confirm that we had not breached any material terms of the Masizzim Franchise Agreements during the Track Record Period and up to the Latest Practicable Date.

### *Menu and choices*

Our “Masizzim” menu follows the menu of the Masizzim Franchisor in Korea. This allows our customers to indulge in the original “Masizzim” experience as they would have in Korea. Our “Masizzim” restaurants offer (i) Korean stews made of fresh local meat with different levels of spiciness, noodle selections, and other add-ons at customers’ further choices, (ii) riceballs (i.e. traditional Korean dishes with an exciting twist, where customers are provided with gloves and ingredients to mould their own riceballs), and (iii) other side dishes and beverages (including beer and soju). The following images show some of our signature dishes and the dish names as they appear on our menu:



Grapefruit Yogurt



Spicy Seafood Beef Stew



Potato Pancake,  
Squid & Leek Pancake

We generally review and make adjustments to our menu items every six months to keep in line with the “Masizzim” menu in Korea. The retail price of our “Masizzim” menu items range from SGD9.8 to SGD38.8 each.

### *Restaurant design and ambience*

Our “Masizzim” restaurants are designed with a cosy-like setting. The interior design and ambience of our “Masizzim” restaurants are based on the “Masizzim” restaurants operated by the Masizzim Franchisor in Korea. As such, we are able to preserve the original theme of the “Masizzim” home brand, and our customers are able to enjoy dining at our “Masizzim” restaurants the same way the customers in Korea do. The following images depict our “Masizzim” restaurants:



Masizzim (313)



Masizzim (Westgate)

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***Restaurant network***

The following table sets forth the details of our “Masizzim” restaurants in Singapore during the Track Record Period and up to the Latest Practicable Date:

Restaurant	Date of commencement of operation	Location	Status as at the Latest Practicable Date	Approximate gross floor area (sq.ft.)	Seating capacity	Approximate breakeven period (month)	Approximate investment payback period (month)	Approximate period remaining to achieve investment payback as at the Latest Practicable Date
								Latest Practicable Date
Masizzim (313)	24 September 2015	#B3-02 313@Somerset, 313 Orchard Road, Singapore 238895	Active	1,567	74	1	13	N/A
Masizzim (Westgate)	10 May 2017	#01-07 Westgate, 3 Gateway Drive, Singapore 608352	Active	1,184	65	1	18	4

For the two “Masizzim” restaurants we operated during the Track Record Period, (i) all of the restaurants have achieved breakeven and the breakeven period was approximately one month; and (ii) Masizzim (313) has achieved investment payback and the investment payback period was approximately 13 months. Masizzim (Westgate) had yet to achieve investment payback as at the Latest Practicable Date as it only commenced operation in May 2017.



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### *Operational performance*

The following tables show the operational performance (in approximate figures) of our “Masizzim” restaurants in Singapore during the Track Record Period:

Restaurant	Year ended 30 September 2016								
	Total revenue	Revenue from dine-in customers	Number of dine-in customer visit	Number of operation days	Average daily number of dine-in customer visit	Average spending per dine-in customer per visit	Average daily revenue	Daily seat turnover rate	Net operating margin
	(SGD'000)	(SGD'000)				(SGD) (Note 1)	(SGD) (Note 2)	(times) (Note 3)	
Masizzim (313)	2,070	2,047	97,347	364	267	21.0	5,687	3.0	18%
Restaurant	Year ended 30 September 2017								
	Total revenue	Revenue from dine-in customers	Number of dine-in customer visit	Number of operation days	Average daily number of dine-in customer visit	Average spending per dine-in customer per visit	Average daily revenue	Daily seat turnover rate	Net operating margin
	(SGD'000)	(SGD'000)				(SGD) (Note 1)	(SGD) (Note 2)	(times) (Note 3)	
Masizzim (313)	1,721	1,703	70,720	363	195	24.1	4,741	2.2	16%
Masizzim (Westgate)	684	678	29,593	145 <sup>(Note 4)</sup>	204	22.9	4,717	3.1	28%
Restaurant	Four months ended 31 January 2018								
	Total revenue	Revenue from dine-in customers	Number of dine-in customer visit	Number of operation days	Average daily number of dine-in customer visit	Average spending per dine-in customer per visit	Average daily revenue	Daily seat turnover rate	Net operating margin
	(SGD'000)	(SGD'000)				(SGD) (Note 1)	(SGD) (Note 2)	(times) (Note 3)	
Masizzim (313)	595	545	24,804	123	202	22.0	4,836	2.2	25%
Masizzim (Westgate)	486	441	20,884	123	170	21.1	3,955	2.6	21%

*Notes:*

- (1) Average spending per dine-in customer per visit is calculated by dividing revenue from dine-in customers by number of dine-in customer visit.
- (2) Average daily revenue is calculated by dividing total revenue by number of operation days.
- (3) Average daily seat turnover rate is calculated by dividing number of dine-in customer visit by seating capacity, and then divided by number of operation days.
- (4) Masizzim (Westgate) commenced operation on 10 May 2017.
- (5) Total revenue of each of the restaurants does not include revenue generated from vouchers of approximately SGD19,000 for the four months ended 31 January 2018.

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Our Masizzim (313) recorded (i) approximately 27.4% decrease in number of customer visit; (ii) approximately 16.9% decrease in total revenue; and (iii) approximately 16.6% decrease in average daily revenue for the year ended 30 September 2017 as compared with that of last year, which our Directors believe was primarily due to suburbanisation in Singapore as discussed in “Restaurant and catering brands – “Chir Chir” in this section and the opening of Masizzim (Westgate) during the year ended 30 September 2017 which diverted some of our existing customers (see the next paragraph for details regarding potential cannabilisation). On the other hand, the average spending per dine-in customer per visit of Masizzim (313) increased in the year ended 30 September 2017 as compared with that of last year because we increased our menu prices as well as the number of menu items, where in particular, added on a new seafood stew dish to the menu. The net operating margin of Masizzim (313) for the four months ended 31 January 2018 increased as compared to the year ended 30 September 2017, while the net operating margin of Masizzim (Westgate) for the four months ended 31 January 2018 decreased as compared to the year ended 30 September 2017. Our Directors believe such difference was mainly attributable to dishes which were offered by Masizzim was targeting at customers who dine-in smaller group while customers tend to gather in larger group during the festive season and school holidays particularly in central districts. As such, our Masizzim (313) recorded higher revenue due to higher traffic in central district during the period, while the number of customer visit of our Masizzim (Westgate) decreased during such period as customers tend to choose restaurants accommodating larger group of people. Accordingly, with our operating expenses (i.e. rental and utilities) remained relatively stable, the net operating margin of Masizzim (313) increased while the net operating margin of Masizzim (Westgate) decreased during the four months ended 31 January 2018 as compared to that for the year ended 30 September 2017.

“Masizzim” is a restaurant chain of over 15 outlets in Korea as at the Latest Practicable Date. We believe that we can replicate this success by establishing a chain of “Masizzim” restaurants in Singapore. Before we decide to open an additional restaurant in Singapore, we consider a number of factors, which include the factors detailed in “ Restaurant and catering brands – Chir Chir – Operational performance” in this section. More specifically, we consider the following factors for potential cannabilisation:

- whether we are able to increase the overall revenue and profits for the Masizzim restaurants: with the opening of Masizzim (Westgate) in May 2017, the overall revenue of our Masizzim restaurants increased by approximately 16.2% for the year ended 30 September 2017 as compared with that of prior year;
- whether we could continue to operate our existing restaurants profitably: all of our Masizzim restaurants continued to record net operating profit for the year ended 30 September 2017 and the four months ended 31 January 2018;
- whether our existing restaurants have achieved breakeven and investment payback: before we opened Masizzim (Westgate), Masizzim (313) had already achieved breakeven and investment payback; and

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- whether we could operate new restaurants profitably with expected breakeven and investment payback period in acceptable range: our Masizzim (Westgate) achieved breakeven within one month, and is expected to achieve investment payback within 18 months, which is within the industry average according to the CIC Report.

### *Expansion plan*

We currently expect to open one more “Masizzim” restaurant in Singapore during the six months ending 30 September 2019. The total planned capital expenditure involved is expected to be approximately SGD0.2 million, which will be funded by the net proceeds from the Share Offer. See “Business – Strategies” and “Future Plans and Use of Proceeds” for details.

### **Kogane Yama**

Riding on our success in launching franchise restaurants, we developed our own restaurant brand “Kogane Yama” with Mr. Peh. Mr. Peh is a Singaporean individual, who has no prior food and beverage experience. He relied on our food and beverage experience and entered into the PKG Agreement with us on 3 January 2017 to operate the brand by incorporating Kogane Yama which is owned as to 60% and 40% by us and Mr. Peh, respectively. The salient terms of the PKG Agreement as at the Latest Practicable Date are set out as follows:

Term	:	Five years from 3 January 2017 to 2 January 2022
Governing law	:	Singapore laws
Place of incorporation	:	Singapore
Capital contribution	:	60% of the capital paid by us, while the remaining 40% paid by Mr. Peh
Annual fee	:	SGD120,000 paid by Mr. Peh to us
Store open fee	:	SGD60,000 in aggregate paid by Mr. Peh to us for the first two stores in Singapore and SGD30,000 each for the third or more restaurant(s) opened in Singapore
Future capital injection	:	No fixed amount was agreed and in case of future capital injection required, it will be made in the portion of 60% by us and 40% by Mr. Peh
Profit distribution	:	60% to us and 40% to Mr. Peh
Renewal	:	Either party may agree to renew upon the expiry of the PKG Agreement
Termination	:	By mutual written consent anytime during the term

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Our Singaporean Legal Advisers confirm that the above agreement is valid and legally binding under the laws of Singapore.

On 14 April 2018, we have entered into a supplemental agreement with Mr. Peh to supplement the PKG Agreement. Pursuant to the supplemental agreement, Mr Peh is prohibited from undertaking any business identical or similar to us in any country in which our Group operates during the term of the agreement and for five years from the expiration or the termination of the agreement. On 20 July 2018, we have entered into another supplemental agreement with Mr. Peh to revise the term of the PKG Agreement.

### ***Brand information***

“Kogane Yama” is a Japanese restaurant brand specialising in offering premium tendon bowls (i.e. crispy and succulent pieces of tempura laid on a bed of Japanese rice drizzled with our house-blend sauces) and Japanese rice bowls. “Kogane Yama”, which means “*Golden Mountain*” in Japanese, represents the way we stack our pieces of tempura in the tendon bowls to mimic a golden mountain in an aesthetic manner. The “Kogane Yama” brand targets young adults who like traditional and premium Japanese tempura and Japanese rice bowls.

### ***Menu and choices***

Our “Kogane Yama” menu is made up of a simple and no-frills menu that is customisable to individual preference. The 3-step ordering process involves the customers choosing from a tempura (either chicken, prawn, vegetable or mixed) and a staple (either spicy-sauced rice with different levels of spiciness or plain soup udon/soba). The retail price of our “Kogane Yama” products ranges from SGD11.8 to SGD18.8 each. The following is an image of one of our dishes and the dish name as it appear on our menu:



Mixed Bowl Rice Set

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### *Restaurant design and ambience*

The interior design of our “Kogane Yama” restaurants are simple and pleasant, which is inspired by traditional Japanese design. Our customers are able to enjoy the minimalistic style of Japanese dining. The following images show the dining environment of our “Kogane Yama” restaurant:



Kogane Yama (BJ)



Kogane Yama (JEM)

### *Restaurant network*

The following table sets forth the details of our “Kogane Yama” restaurants during the Track Record Period and up to the Latest Practicable Date:

Restaurant	Date of commencement of operation	Location	Status as at the Latest Practicable Date	Approximate gross floor area (sq.ft.)	Seating capacity	Approximate breakeven period (month)	Approximate investment payback period (month)	Approximate period remaining to achieve investment payback as at the Latest Practicable Date (month)
Kogane Yama (BJ)	4 June 2017	#02-50, Bugis Junction, 200 Victoria Street, Singapore 188021	Active	1,050	45	2	7	N/A
Kogane Yama (JEM)	20 February 2018	#01-16 JEM, 50 Jurong Gateway Road, Singapore 608549	Active	705	52	N/A	N/A	N/A

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Kogane Yama (BJ) has achieved breakeven and the breakeven period was approximately two months, and also achieved investment payback and the investment payback period was approximately seven months. On the other hand, Kogane Yama (JEM) was opened after the Track Record Period and hence its breakeven period and investment payback period were yet to be determined.

### *Operational performance*

The following tables show the operational performance (in approximate figures) of our “Kogane Yama” restaurants during the Track Record Period:

Restaurant	Year ended 30 September 2017								
	Total revenue (SGD'000)	Revenue from dine-in customers (SGD'000)	Number of dine-in customer visit	Number of operation days	Average daily number of dine-in customer visit	Average spending per dine-in customer per visit (SGD) (Note 1)	Average daily revenue (SGD) (Note 2)	Daily seat turnover rate (times) (Note 3)	Net operating margin
Kogane Yama (BJ)	292	292	14,830	119 <sup>(Note 4)</sup>	125	19.7	2,453	2.8	28%

Restaurant	Four months ended 31 January 2018								
	Total revenue (SGD'000)	Revenue from dine-in customers (SGD'000)	Number of dine-in customer visit	Number of operation days	Average daily number of dine-in customer visit	Average spending per dine-in customer per visit (SGD) (Note 1)	Average daily revenue (SGD) (Note 2)	Daily seat turnover rate (times) (Note 3)	Net operating margin
Kogane Yama (BJ)	240	217	11,642	123	95	18.7	1,954	2.1	33%

*Notes:*

- (1) Average spending per dine-in customer per visit is calculated by dividing revenue from dine-in customers by number of dine-in customer visit.
- (2) Average daily revenue is calculated by dividing total revenue by number of operation days.
- (3) Average daily seat turnover rate is calculated by dividing number of dine-in customer visit by seating capacity, and then divided by number of operation days.
- (4) Kogane Yama (BJ) commenced operation on 4 June 2017.

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- (5) Total revenue of the restaurant does not include revenue generated from vouchers of approximately SGD6,000 for the four months ended 31 January 2018.

The net operating margin of Kogane Yama (BJ) for the four months ended 31 January 2018 increased as compared to the year ended 30 September 2017 was mainly due to the revamp of our menu in December 2017 which attracted more customers and the new items on the menu were utilising ingredients of lower costs, all of which contributed to a higher net operating margin.

As at the Latest Practicable Date, we operated two “Kogane Yama” restaurants. Our Directors believe that this self-developed brand will gain popularity in Singapore because Japanese food is one of the popular food among Singaporeans according to the CIC Report.

### *Expansion plan*

Because we opened the second restaurant recently in February 2018, there were no specific immediate expansion plan for our “Kogane Yama” restaurant network as at the Latest Practicable Date.

### **Gangnam Kitchen**

In August 2017, to capture the opportunity of growing online food orders in Singapore, we self-developed our second own brand, “Gangnam Kitchen”, a Korean food catering and delivery business.

### *Brand information*

“Gangnam Kitchen” is a central kitchen located in Singapore that specialises in the provision of catering services of Korean food by using traditional and authentic Korean food recipes. It offers both non-buffet and buffet options to optimise the flexibility to our customers. Our customers could place orders through our online platform and we deliver the food products to the address requested. We primarily deliver the products through a third-party logistics company. The retail price of “Gangnam Kitchen” products ranges from SGD16.5 to SGD24.5 per person for the set menu.

Other than offering catering and delivery services, “Gangnam Kitchen” also serves as a central kitchen for pre-mixing cooking sauces and ingredients for our restaurants in Singapore in order to fully utilise the kitchen facilities and to save processing space and time at our restaurants.

Our kitchen facilities in “Gangnam Kitchen” include three stoves, one oven, four fridges, two deep fridges, one walk-in chiller as well as a warehouse.

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### *Operational performance*

The following table shows the operational performance (in approximate figures) of “Gangnam Kitchen” in Singapore during the Track Record Period:

		Year ended 30 September 2017				
Central kitchen	Location	Number of orders	Number of operation days	Total revenue (SGD'000)	Average spending per order (SGD) <i>(Note 1)</i>	Average daily revenue (SGD) <i>(Note 2)</i>
Gangnam Kitchen	442 Orchard Road, #02-29, Orchard Hotel, S238879	698	57	24	34.4	421

		Four months ended 31 January 2018				
Central kitchen	Location	Number of orders	Number of operation days	Total revenue (SGD'000)	Average spending per order (SGD) <i>(Note 1)</i>	Average daily revenue (SGD) <i>(Note 2)</i>
Gangnam Kitchen	442 Orchard Road, #02-29, Orchard Hotel, S238879	1,558	122	206	132.0	1,686

*Notes:*

- (1) Average spending per order is calculated by dividing total revenue by number of orders.
- (2) Average daily revenue is calculated by dividing total revenue by number of operation days.

### **NEW FRANCHISED BRANDS**

As part of our expansion strategies, we constantly strive to procure franchises of additional foreign food brands. In January 2018, we entered into franchise agreements for two new brands namely “Nipong Naepong” and “NY Night Market”, to set up, operate and sub-franchise their respective branded restaurants in Singapore on an exclusive basis. As at the Latest Practicable Date, we set up and self-operated a total of two “Nipong Naepong” restaurants which commenced operation in February 2018 and June 2018, respectively and one “NY Night Market” restaurant, which commenced operation in March 2018.



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### Nipong Naepong

#### *Brand information*

“Nipong Naepong” is a fusion noodle brand originated from Korea, which had over 70 outlets in Korea as at the Latest Practicable Date. The word “Pong” is from Jjamppong, which is Korean Chinese soup noodle with spicy sauce.

#### *Franchise arrangement*

The salient terms of the franchise arrangement as at the Latest Practicable Date are set out as follows:

Term	:	10 years from 5 January 2018 to 4 January 2028
Governing law	:	Korea laws
Geographical region and exclusivity	:	to set up, operate and sub-franchise “Nipong Naepong” restaurants in Singapore on an exclusive basis
Sub-franchising	:	allowed
Joint venture with other operator(s)	:	allowed
Initial royalty	:	US\$150,000
Running royalties	:	3.8% of all cash sales less value-added taxes received
Performance deposit	:	US\$20,000
Promotion and advertisement	:	to share franchisor’s costs in promotion and advertisement if conducted by the franchisor within Singapore with our consent
Minimum number of restaurants to open	:	three restaurants by 4 July 2019 <sup>(Note 1)</sup> and 10 restaurants during the term of agreement, and failure to fulfill such number within 2 years from 5 January 2018 may result in an increase of running royalty payable by up to 50%
Non-competition	:	we undertake not to compete with the franchisor in identical business (i.e. Korean noodle and pasta fusion restaurant) in Singapore during the term of the agreement and not to compete for three years after the termination of the agreement

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- Renewal : automatically renew for a period of five-year term upon expiry unless either parties expressly object by giving notice of not less than 90 days before the expiration of the term
- Termination : the franchisor has the right to terminate the agreement if we are in breach of the agreement terms

*Note:*

- (1) The start-up costs for one of the three restaurants will be funded by net proceeds from the Share Offer, while the other two will be funded by internal resources. For details, please see “Business – Key Strategies” and “Future Plans and Use of Proceeds”.

Our Korean Legal Advisers has advised us that the above agreement is valid and legally binding under Korean law.

### ***Menu and choices***

“Nipong Naepong” focuses on serving fusion Jjampong (Korean seafood noodles) and pizza. Our “Nipong Naepong” menu is considerably modelled after the home menu in Korea. Our products range from a variety of Jjampong, pizza and beverages, and there are set meals where customers are able to opt for different combinations of Jjampong and pizza with a variety of beverages, such as sodas.

The following images show some of our popular and signature dishes and the dish names as they appear on our menu:



Assorted seafood noodle



Cream cheese spinach pizza

We generally review and make adjustments to our menu items every six months to keep in line with the “Nipong Naepong” menu in Korea. The retail price of our “Nipong Naepong” menu items range from SGD15.8 to SGD18.8 each.

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### *Restaurant design and ambience*

Our “Nipong Naepong” restaurants are designed with a casual atmosphere. The interior design and ambience of our “Nipong Naepong” restaurant are based on the Nipong Naepong Franchisor’s in Korea. The following images show the dining environment of our “Nipong Naepong” restaurant:



Nipong Naepong  
(JEM)



Nipong Naepong  
(JEM)

### *Restaurant network*

The following table sets forth the details of our self-operated “Nipong Naepong” restaurant in Singapore:

Restaurant	Date of commencement of operation	Location	Status as at the Latest Practicable Date	Approximate gross floor area (sq.ft.)	Seating capacity
Nipong Naepong (JEM)	18 February 2018	#01-16 JEM, 50 Jurong Gateway Road, Singapore 608459	Active	1,060	64
Nipong Naepong (313)	22 June 2018	#B3-03 313@Somerset, 313 Orchard Road, Singapore 238895	Active	1,163	66

Nipong Naepong (JEM) and Nipong Naepong (313) only commenced operation in February 2018 and June 2018 respectively, after the Track Record Period, and hence their breakeven periods and investment payback periods were yet to be determined.

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### *Operational performance*

We commenced the business of “Nipong Naepong” in February 2018. Therefore, there were no operating data of “Nipong Naepong” for the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018.

### *Expansion plan*

We currently expect to open one additional “Nipong Naepong” restaurant in the six months ending 31 March 2019 with planned capital expenditure of approximately SGD0.2 million, which will be funded by the net proceeds of the Share Offer. See “Business – Key Strategies” and “Future Plans and Use of Proceeds” for details.

### **NY Night Market**

#### *Brand information*

“NY Night Market” is a casual dining restaurant brand originating from Korea mainly offering fusion western food, with over 100 outlets in Korea as at the Latest Practicable Date.

#### *Franchise arrangement*

The salient terms of the franchise arrangement as at the Latest Practicable Date are set out as follows:

Term	:	20 years from 8 January 2018 to 7 January 2038
Governing law	:	Korea laws
Geographical region and exclusivity	:	to set up, operate and sub-franchise “NY Night Market” restaurants in Singapore on an exclusive basis
Sub-franchising	:	allowed, subject to obtaining consent from the NY Night Market Franchisor
Initial royalty	:	US\$100,000
Running royalties	:	US\$3,000 for every new restaurant opened
Promotion and advertisement	:	promotional content requires approval from the franchisor
Minimum number of restaurants to open	:	one restaurant by 7 January 2019

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- Non-competition : not to compete with the NY Night Market Franchisor by setting up enterprise or invest into directly or indirectly or engaging in Korean style speciality steak restaurant business during the term of the franchise agreement
- Renewal : at either parties' option with prior written notice at least twelve months before the expiration of the term
- Termination : the franchisor has the right to terminate the agreement if we are in breach of the agreement terms or fail to obtain government licenses or approvals for the restaurants

Our Korean Legal Advisers has advised us that the above agreement is valid and legally binding under Korean law.

### *Menu and choices*

Our “NY Night Market” restaurant adopts the home menu in Korea and specialises in international street food favourites, as well as western fusion delights with a Korean touch. Its menu primarily consist of popular western food ranging from salads, steaks, fried chicken, pastas, pizzas, fries and nachos. It also offers certain fusion Asian street food such as Vietnamese pho noodles, Hong Kong fried noodles as well as Korean noodles, soups and rice dishes. Drinks selections include cocktails, smoothies as well as bottled beverages and beers.

The following images show some of our popular and signature dishes and the dish names as they appear on our menu:



Crispy corn nacho



Pan fried potato cake with beef

We generally review and make adjustments to our menu items every six months to keep in line with the “NY Night Market” menu in Korea. The retail price of our “NY Night Market” menu items range from SGD4.9 to SGD30.9 each.

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### *Restaurant design and ambience*

Our “NY Night Market” restaurant is designed with a casual atmosphere with features representative of New York City. The interior design and ambience of our “NY Night Market” restaurant is based on the NY Night Market Franchisor’s in Korea. The following images show the dining environment of our “NY Night Market” restaurant:



NY Night Market (Westgate)



NY Night Market (Westgate)

### *Restaurant network*

The following table sets forth the details of our self-operated “NY Night Market” restaurant in Singapore:

Restaurant	Date of commencement of operation	Location	Status as at the Latest Practicable Date	Approximate gross floor area (sq.ft.)	Seating capacity
NY Night Market (Westgate)	13 March 2018	#01-08 Westgate, 3 Gateway Drive, Singapore 608352	Active	797	44

Our “NY Night Market” restaurant only commenced operation after the Track Record Period and hence its breakeven period and investment payback period were yet to be determined.

### *Operational performance*

We commenced the business of “NY Night Market” in March 2018. Therefore, there were no operating data of “NY Night Market” for the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018.

### ***Expansion plan***

In June 2018, we entered into a letter of offer with the landlord for opening our second “NY Night Market” restaurant at 313 Orchard Road #01-29, 313@Somerset, Singapore 238895, which is expected to open in the fourth quarter of 2018. We also plan to open another “NY Night Market” restaurant in the six months ending 31 March 2020 with total planned capital expenditure of approximately SGD0.4 million, which will be funded by the net proceeds from the Share Offer. See “Business – Key Strategies” and “Future Plans and Use of Proceeds” for details.

### **NEW SELF-DEVELOPED BRAND**

We are in the course of developing another restaurant brand, namely “After School”. As at the Latest Practicable Date, we were yet to open any restaurant for this brand.

### **Brand information**

We currently envisage that this new brand will be offering Korean school meals which will appeal to the younger generations and other adults who are fond of a nostalgic experience. To enhance the back-to-school experience, we will be launching several character mascots to allow our customers to associate our brand through character engagements.

### **Menu and choices**

Our menu items is expected to cover kimbap (i.e. Korean-style sushi rolls) and topokki (i.e. Korean street food consisting of rice cake, vegetables, meat sautéed together with chili sauce).

### **Expansion plan**

We expect to launch the first restaurant in the six months ending 30 September 2019. We plan to place this restaurant in a convenient shopping mall located in residential or commercial areas in Singapore. The total planned capital expenditure involved is expected to be approximately SGD0.2 million, which will be funded by the net proceeds from the Share Offer. See “Future Plans and Use of Proceeds” for details.

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### OVERALL RESTAURANT NETWORK

The following table summarises the movement of the number of our self-operated restaurants during the Track Record Period and up to the Latest Practicable Date:

	Chir Chir	Masizzim	Kogane Yama	Nipong Naepong	NY Night Market	Total
As at 1 October 2015	2	1	–	–	–	3
Additions <sup>(Note 1)</sup>	2	–	–	–	–	2
Closures	–	–	–	–	–	–
As at 30 September 2016	4	1	–	–	–	5
Additions <sup>(Notes 2, 3 and 4)</sup>	2	1	1	–	–	4
Closures	–	–	–	–	–	–
As at 30 September 2017	6	2	1	–	–	9
Additions	–	–	–	–	–	–
Closures <sup>(Note 5)</sup>	(1)	–	–	–	–	(1)
As at 31 January 2018	5	2	1	–	–	8
Additions <sup>(Note 6)</sup>	–	–	1	2	1	4
Closures	–	–	–	–	–	–
As at the Latest Practicable Date	<u>5</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>12</u>

*Notes:*

- Chir Chir (CP) and Chir Chir (JEM) commenced operation on 4 December 2015 and 22 July 2016 in Singapore, respectively.
- Chir Chir (BJ) and Chir Chir (PV) commenced operation on 1 October 2016 in Singapore and 24 January 2017 in Malaysia, respectively.
- Masizzim (Westgate) commenced operation on 10 May 2017 in Singapore.
- Kogane Yama (BJ) commenced operation on 4 June 2017 in Singapore.
- Chir Chir (BP) ceased operation on 20 January 2018 in Singapore.
- Kogane Yama (JEM), Nipong Naepong (JEM), Nipong Naepong (313) and NY Night Market (Westgate) commenced operation in Singapore on 20 February 2018, 18 February 2018, 22 June 2018 and 13 March 2018, respectively.



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The map below shows the locations of our self-operated restaurants in Singapore as at the Latest Practicable Date:



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### BRAND DIVERSIFICATION

As a restaurant and catering group with multi-brand strategy, it is important for us to have distinctive positioning among each of the restaurant and catering brands that we operate. The following table shows information of our positioning among different brands (including existing franchise brands and self-developed brands, as well as new franchise brands and self-developed brand to be launched):

	Chir Chir	Masizzim	Kogane Yama	Gangnam Kitchen	Nipong Naepong	NY Night Market	After School
Main menu offerings	Korean fried chicken dishes	Korean stew dishes	Japanese tendon bowls	Korean catering food	Korean fusion noodle	Fusion western food	Korean school food
Pricing in Singapore	SGD9.9 to SGD32.9 per item (with an average spending per dine-in customer per visit ranged from approximately SGD20.2 to SGD26.4 during the Track Record Period)	SGD9.8 to SGD38.8 per item (with an average spending per dine-in customer per visit ranged from approximately SGD21.0 to SGD24.1 during the Track Record Period)	SGD11.8 to SGD18.8 per item (with an average spending per dine-in customer per visit of approximately SGD18.6 to SGD19.7 during the Track Record Period)	SGD16.5 to SGD24.5 per person for each set menu (with an average spending per order of approximately SGD29.1 to SGD34.0 during the Track Record Period)	SGD15.8 to SGD18.8 per item	SGD4.9 to SGD30.9 per item	Expected to be SGD12.0 to SGD25.0 per item
Target customers	Young working adults who enjoy the “chimaek” experience (i.e. consuming fried chicken together with beer) as influenced by the Korean pop culture	Sophisticated young adults who enjoy stew dishes	Young adults who like Japanese tempura and Japanese rice bowls	Customers for online food	Young to middle-aged group like fusion noodle and pizza dishes	Customers of diverse ages and races like grilled steak and western dishes with a Korean twist	Younger generations and adults who like a nostalgic experience

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Both of our existing brands, namely “Chir Chir”, “Masizzim”, “Nipong Naepong” and “NY Night Market”, and the new brand, namely “After School”, are offering Korean casual dining and therefore in the broad sense might compete with each other and all other Korean restaurants. However, our Directors believe that there is only limited competition among the restaurants under our different brands because (i) each brand is only one of the many operators in the Korean casual dining market and each has small market share in the vast market; (ii) each brand is offering different food menus and targeting at different group of customers; (iii) the brands are in different stages in the life cycle (see the next section for details regarding the life cycle of each brands) so as to diversify the risks; and (iv) there are only limited number of restaurants under each brand. In view of the above, our Directors are of the view that while the opening of new restaurants or establishment of new brands might have an impact on the existing restaurants, it will in general have insignificant adverse impact on our overall financial performance. Take our “Chir Chir” and “Masizzim” restaurants as an example, their flagship restaurants are located adjacent to each other in the same shopping mall and both of them are able to achieve breakeven in around three and one months, investment payback in around 17 and 13 months, and maintain operating margin of not less than 21% and 16% during the Track Record Period, respectively. In addition, save for Masizzim (Westgate) in Singapore and Chir Chir (PV) in Malaysia, all of our self-operated restaurants opened before and during the Track Record Period have achieved breakeven and investment payback, with breakeven period ranging from approximately one to three months and investment payback period ranging from approximately seven to 18 months. Based on the CIC Report, the disposable income per capita of Singapore, Malaysia and Indonesia is expected to sustain steady growth in the next five years, stimulating higher demand for restaurant dining.

### SUSTAINABILITY OF OUR BUSINESS

We have a short operating history as we only commenced our business since 2014. We believe that our business is sustainable and is able to withstand challenges presented in different stages of a restaurant lifecycle.

#### **Lifecycle of restaurants**

Based on the CIC Report, our Directors believe that a chained restaurant in Singapore normally undergoes the following stages of a brand lifecycle:

- *Ramp-up period*: the beginning stage normally ranging from one to five months where a new restaurant brand first launches into the market and struggles to achieve sufficient income to achieve breakeven. New restaurants generally experience lower results of operations during the first few months of operation due to initially lower sales and higher start-up operating costs and require a period of time from its opening to achieve target performance income. Promotion and publicity of this new restaurant brand is essential to success in this stage. During the Track Record Period, the breakeven periods of our “Chir Chir” restaurants and “Masizzim” restaurants in Singapore ranged from approximately one to three months, which are in line with the industry average of one to five months for typical Korean casual-dining restaurants in Singapore according to the CIC Report.

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- *Pre-mature stage*: a stage after the ramp-up period normally ranging from six to 24 months where the new restaurant brand starts to gain recognitions with a growing customer base. Given that Singaporeans (particularly the younger generations) tend to find new foods and brands more attractive with the feeling of freshness according to the CIC Report, our Directors believe that first few restaurants of a brand would usually be relatively more popular with long queues and customers from other areas. Successful restaurants usually experience fast growth in terms of sales revenue ranging from 15% to 30% in this stage according to the CIC Report. In addition, according to the research conducted by CIC, a majority of restaurants in Singapore are not able to pass through this pre-mature stage and approximately 28% of food and beverage service providers in Singapore are replaced yearly.
- *Mature stage*: a stage after the pre-mature stage normally ranging from 24 to 60 months where a restaurant brand becomes popular and reputable among local residents. Because the first few restaurants of a brand are partly supported with customers for freshness and customers travelling from other areas, it is likely that when a new restaurant of a brand is opened, certain customers of existing restaurants are diverted to the new restaurant, resulting in a general decrease in customer visit, store revenue and average daily revenue per store of existing restaurants. Notwithstanding the above, the restaurant owner normally continues to expand when (i) there is an overall increase in revenue and profit, and (ii) the new and existing restaurants can both be operated profitably on their own. According to the CIC Report, in this stage, sales revenue generally stabilise with an annual growth rate of 5% to 20%. To extend this mature stage, the restaurant owner has to be continuously introducing new and innovative menu offerings, upgrading decoration, maintaining consistent service level and placing restaurants at locations with high foot traffic.
- *Decline stage*: a restaurant brand may decline due to a number of reasons, which might result from fading of a food trend, over-expansion, or other failures, including financial mismanagement, negative media exposure, etc. According to the CIC Report, restaurants at this stage experience drops in overall sales of around 5% to 10% annually. To turnaround the situation, the restaurant owner is required to upgrade its business model to increase revenue and/or cut costs.

### **Sustainability analysis**

Based on the restaurant lifecycle mentioned above, our Directors believe as each of our brands have been experiencing revenue growth, none of our brands (either franchised or self-developed) were at the decline stage as at the Latest Practicable Date. Set out below are the lifecycle stages and basis of our belief for each of our existing brands.

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<b>Restaurant brands</b>	<b>Lifecycle stage</b>	<b>Basis</b>
“Chir Chir”	Early mature stage	<ul style="list-style-type: none"><li>• A mature-stage restaurant normally operates for more than 24 but less than 60 months. As at the Latest Practicable Date, our first “Chir Chir” restaurants has been in operation for approximately 42 months.</li><li>• We are able to grow revenue from our “Chir Chir” restaurants by approximately 53.5% for the year ended 30 September 2017 as compared with that of the prior year.</li><li>• As stated in “Restaurant catering brands – Chir Chir – Restaurants Network” in this section, all of our “Chir Chir” restaurants in Singapore have achieved breakeven and investment payback as at the Latest Practicable Date.</li><li>• Our “Chir Chir” brand reviews and makes adjustment to menu items every six months and is expected to sustain a healthy upward growth trend in the next few years.</li></ul>
“Masizzim”	Early mature stage	<ul style="list-style-type: none"><li>• A mature-stage restaurant normally operates for more than 24 but less than 60 months. As at the Latest Practicable Date, our first “Masizzim” restaurant has been in operation for approximately 35 months.</li><li>• As stated in the “Restaurant catering brands – Masizzim-Restaurants Network” in this section, Masizzim (313) in Singapore has achieved breakeven and investment payment while Masizzim (Westgate) has achieved breakeven but not investment payback as at the Latest Practicable Date.</li></ul>

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<b>Restaurant brands</b>	<b>Lifecycle stage</b>	<b>Basis</b>
“Kogane Yama”	Pre-mature stage	<ul style="list-style-type: none"> <li>• A pre-mature stage restaurant normally operates for more than six but less than 24 months. As at the Latest Practicable Date, our first “Kogane Yama” restaurants have been in operation for approximately 14 months.</li> <li>• Kogane Yama (BJ) has achieved breakeven and investment payback as at the Latest Practicable Date.</li> </ul>
“Nipong Naepong”	Ramp-up stage	<ul style="list-style-type: none"> <li>• A ramp-up stage restaurant normally operates for more than one but less than five months. As at the Latest Practicable Date, our first “Nipong Naepong” restaurant has been in operation for approximately five months.</li> </ul>
“NY Night Market”	Ramp-up stage	<ul style="list-style-type: none"> <li>• A ramp-up stage restaurant normally operates for more than one but less than five months. As at the Latest Practicable Date, our “NY Night Market” restaurant has been in operation for around five months.</li> </ul>

According to the CIC Report, it is a common industry practice for one restaurant brand in Singapore to open one to five new restaurants in a year. Similar to other restaurant chains, we have opened two, four and three new restaurants for one, three and three brands for the two years ended 30 September 2016 and 2017 and for the period from 1 October 2017 to the Latest Practicable Date, respectively.

As discussed in the paragraphs headed “Operational Performance” under each brand in this section, our existing restaurants generally recorded decrease in average daily revenue, number of dine-in customer visit and daily seat turnover rate for the year ended 30 September 2017 as compared to the prior year. Our Directors believe that such decrease was primarily attributable to the factors including: (i) according to the CIC Report, the traditional commercial area in the central business districts (for instances, the shopping malls where Chir Chir (313), Masizzim (313) and Chir Chir (BP) are located) in Singapore are becoming less competitive as compared to the past due to sub-urbanisation through continued development of non-traditional commercial areas in Singapore; and (ii) the opening of Chir Chir (JEM) shortly before the year ended 30 September 2017, and Chir Chir (BJ) and Masizzim (Westgate) during the year ended 30 September 2017 in Singapore may have diverted some customers from our then existing “Chir Chir” and “Masizzim” restaurants.

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Notwithstanding the foregoing, our Directors are of the view that there is no fundamental deterioration in the commercial and operational viability of our business and that our Group's business is sustainable because our Group adopts a multi-brand business model. As at the Latest Practicable Date, we operated restaurants under four franchised brands and one self-developed brand. Under such multi-brand business model, we continuously monitor and assess the business performance and prospects of each brand and restaurant, and explore the potentials of new brands and restaurants with an aim to optimise our brand/restaurant portfolio so as to achieve overall growth in our Group's business and operating results. Specifically, our business strategies and commercial decisions in optimising our brand/restaurant portfolio are based on our assessment on:

- (i) whether we could continue to operate our existing restaurants profitably, and all of our restaurants (save for the new restaurants opened subsequent to the Track Record Period whose breakeven period were yet to be determined) achieved breakeven as at the Latest Practicable Date;
- (ii) whether our existing restaurants have achieved investment payback, and all of our restaurants (except Chir Chir (PV) and Masizzim (Westgate) and the new restaurants opened subsequent to the Track Record Period whose investment payback period were yet to be determined) achieved investment payback as at the Latest Practicable Date;
- (iii) whether we should close down underperformed restaurants and utilise the resources to open new restaurants or launch new brands with higher growth potential (which is consistent with the industry norm for operators of chain or multi-branded restaurants to optimise their portfolio in Singapore according to the CIC Report and, we did not renew the tenancy agreement of Chir Chir (BP) and ceased its operation on 20 January 2018 because of its decline in operating results, which we believe, was caused by the reopening of a recently renovated shopping mall next to the mall where the restaurant is situated); and
- (iv) whether we could operate new restaurants profitably with expected breakeven and investment payback period in acceptable range.

With our restaurants being able to achieve breakeven and investment payback within our acceptable range, we are in a more flexible position to optimise our restaurant/brand portfolio by replacing underperformed restaurants with those of better prospects. During the Track Record Period, (i) our "Chir Chir" restaurants generally achieved breakeven in approximately one to three months and our "Chir Chir" restaurants in Singapore generally achieved investment payback in approximately eight to 17 months; and (ii) our "Masizzim" restaurants generally achieved breakeven in approximately one month and achieved or expected to achieve investment payback in approximately 13 to 18 months.

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### Measures for sustainability

To maintain substantiability and to extend the mature stage for some of our restaurants, we are implementing the following measures:

- (a) we continue to optimise our restaurant portfolio. For example, we did not renew the tenancy agreement of Chir Chir (BP) due to the decline in its operating results which we believe was caused by the reopening of a recently renovated shopping mall next to Bedok Point where Chir Chir (BP) was located. Chir Chir (BP) had achieved breakeven and investment payback in approximately one month and 16 months, respectively. As we ceased the operation of Chir Chir (BP), we could utilise the resources to launch new restaurants and/or new brands with better prospects;
- (b) we continue to place our restaurants in locations with high flow of potential customers. With an aim of both capturing the growth potentials and addressing the challenges of suburbanisation in Singapore in the recent years, we opened new restaurants in shopping malls located in non-traditional commercial areas during the Track Record Period, such as Chir Chir (JEM) and Masizzim (Westgate);
- (c) we continue to optimise our brand portfolio. Subsequent to the Track Record Period, we opened four new restaurants, including three restaurants under our newly procured franchised brands, namely two restaurants under “Nipong Naepong” and one restaurant under “NY Night Market”, and one restaurant under our self-developed brand “Kogane Yama”, which commenced operation in February, June, March and February 2018, respectively;
- (d) we continue to strengthen our operation procedures and marketing effort. To enhance customer loyalty, we update our menu items on a regular basis to cater for the preference of customers and provide regular trainings to our staff for consistent customer service. We intend to utilise net proceeds from the Share Offer to strengthen our information technology system to allow for more efficient operation management, and to increase our marketing effort by raising the brand image and publicity of our restaurants. See “Business – Key Strategies” and “Future Plans and Use of Proceeds” for details; and
- (e) we continue to drive the future growth. We intend to utilise the net proceeds from the Share Offer to procure additional franchised on brands, and to open new restaurants in Singapore, including one new “Masizzim” restaurant and one new restaurant under our self-developed brand “After School” to be launched, as disclosed in “Business – Key Strategies” and “Future Plans and Use of Proceeds”.

Our Directors believe that our business in Singapore still has potential to grow. According to CIC Report, the size of Korean and Japanese casual dining restaurant market in Singapore is expected to grow from approximately US\$339.6 million in 2016 to US\$458.4 million in 2021, representing a CAGR of approximately 7.8%. In addition, the proportion of middle-class



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and above represented approximately 78.6% of the adults in Singapore in 2017, which is our target customers. More importantly, during the Track Record Period, our Group achieved a growth in our revenue and profit while maintaining relatively stable overall operating profit margin, and also recorded overall growth in revenue from each of our brands through the expansion of our network of self-operated restaurants under our multi-brand business model.

### RESTAURANTS AND CATERING OPERATIONS

#### **Operation structure**

Our overall restaurants and catering operations are overseen by our executive Directors and our senior management, while the day to day operations of each of our restaurants in Singapore and Malaysia are supervised by the respective branch managers and assisted by their respective branch staff. For the licensed and sub-licensed restaurants in Indonesia, we provide various support and training for restaurant opening as well as daily operations. We provide various operation and training manuals, and provide training to their trainers, store supervisors and other staff. To ensure our sub-franchised restaurants are properly operated, we dispatch personnel to provide onsite support and guidance, and conduct ad hoc inspection from time to time.

#### **Food preparation**

As a chain restaurants operator, we understand the importance of maintaining consistent high standards for food safety, and hence we carry out stringent quality controls at all times and across all outlets. Set out below are brief description of our main food preparation processes, which include (i) purchasing process; (ii) storage and preservation; (iii) order taking; and (iv) cooking and processing.

#### ***Purchasing process***

Our purchase for non-perishable ingredients (i.e. sauces and powders) are mainly sourced from the Korean supplier designated by the franchisors and is conducted centrally by our local headquarter. The purchased goods are stored in a warehouse which are despatched to our individual restaurants for their daily operation. On the other hand, the majority of perishable items (including meat, vegetables, etc.) are sourced from local suppliers, which is conducted independently by each restaurant. Although the purchasing decisions for perishable items are made individually by each branch and the supplies are delivered to each branch directly, all payment to suppliers are made centrally by our local headquarter in order to better control and monitor the purchasing process. For the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our cost of inventories consumed amounted to approximately SGD2.3 million, SGD3.5 million and SGD1.1 million, representing approximately 24.9%, 25.3% and 21.7% of our revenue, respectively. We constantly review our menu prices and we may raise our prices when the cost of inventories increase.

### *Storage and preservation*

Our branch managers at each restaurant are responsible for maintaining sufficient inventory level of raw materials and food ingredients for our daily operations, and making decisions on the optimal timing and quantities of non-perishable items to be requested from our local headquarter and perishable items to be purchased from local suppliers. Our branch managers are required to ensure that for perishable items, minimum but sufficient levels of stocks are in place and are not kept longer than two days to ensure freshness; and for non-perishable items, optimal stock are maintained based on the operational needs and available storage space.

When the raw materials and food ingredients (whether perishable or not) arrive, our branch managers will conduct a check on both the quantities and qualities. Perishable food ingredients are usually delivered to our branches on a daily basis, and the branch managers are responsible for the proper storage of the food ingredients to ensure the freshness and safety for consumption. Fresh fruits and vegetables are required to be kept separately from meat, poultry or seafood in the refrigerators.

Our inventory policy is to maintain optimal levels of stocks to ensure that our warehouse and restaurants have sufficient product quantities to meet expected demand. For non-perishable items, we generally keep three months of stock at our warehouse, and for perishable items, we generally keep less than two days of stock for our restaurants. Our general approach is to clear stock on a first-in, first-out basis. During the Track Record Period, we did not write off any material obsolete inventory and did not encounter any obsolescence, excessive accumulation or shortage of stock in a material respect.

### *Order taking*

In our restaurants, our waiters are responsible for taking food orders from our customers before they are submitted to the kitchen for processing. Our waiter takes in orders through an electronic tablet, which is registered by our integrated point-of-sales system where our kitchen staff process the information and begin preparation of the appropriate dishes.

During the Track Record Period, apart from dine-in orders, we also take orders from (i) independent food delivery companies; and (ii) two clubs (including an independent club located near Clarke Quay, Singapore and a club operated by Arena Investment), both of which take orders from their customers and collect food products at our restaurants or central kitchen in Singapore.

### *Cooking and processing*

Our “Gangnam Kitchen” is our central kitchen facility for pre-mixing certain cooking ingredients and sauces. To ensure freshness, the majority of the food preparation and cooking procedures are conducted on site. For “Chir Chir”, “Masizzim”, “Nipong Naepong” and “NY Night Market”, our food preparation and cooking procedures are identical to the Korean

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counterparts, which are standardised and easy-to-follow. The food preparation and cooking procedures are not only implemented in our restaurants in Singapore, but also in the restaurant operated in Malaysia and the licensed and sub-licensed restaurants in Indonesia. On the other hand, the food preparation and cooking procedures for “Kogane Yama” and “Gangnam Kitchen” are developed in-house, which are also standardised and easy-to-follow. With the benefit of such standardised and easy-to-follow procedures, we believe we are able to maintain food safety and quality control at all times and across all restaurants.

### *Site selection*

We strategically place our restaurants in convenient shopping malls in Singapore, which we believe is one of the key factors to our success. In choosing a location, we generally consider (i) the rental terms; (ii) foot traffic; (iii) traffic accessibility; (iv) mall amenities; (v) competition; (vi) availability of existing decoration or equipment; (vii) spending power of customers; and (viii) renovation costs, etc. Our rental and related expenses for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 were approximately SGD1.7 million, SGD2.9 million and SGD1.1 million, representing approximately 19.0%, 20.6% and 21.2% of our revenue, respectively.

### *New restaurant opening*

After a site is selected and a tenancy arrangement is secured with the landlord, we engage contractors to conduct renovation works, and purchase furniture, utensils and other equipment from our suppliers. We also apply for the necessary licences and permits from the relevant government authorities. We hire restaurant manager and employees, and provide necessary training prior to the soft opening. We normally conduct approximately one week of soft opening before formal opening of our new restaurant.

## COMPETITION

The consumer food service industry in our countries of operation is competitive in terms of consistency of food quality, price-value relationships, dining environment, customer service and restaurant location. The entry barriers are (i) moderately low which increases competition; (ii) requiring sufficient capital investments to set up business; and (iii) providing high service standard to grow customer base.

According to the CIC Report, the restaurant and catering market in Singapore, Malaysia and Indonesia is intensely competitive, with approximately 351, 2,772 and 2,978 Korean and Japanese restaurants in 2017, respectively. The majority of the market participants are small to medium-sized enterprises. The leading operators often manage a large portfolio of chained and independent restaurants covering various price segments. The top five Korean restaurant operators in Singapore accounted for approximately 55.0% of the Korean casual dining restaurant market in terms of revenue in 2017. Please see “Industry Overview” for details.

**SALES AND MARKETING****Customers**

Due to the nature of our restaurant and catering business, our customers were mainly retail customers (being general public in our countries of operation), except for the Indonesia Licensee, Jaesan Food Holdings, Mr. Peh and Arena Investment.

***Indonesia Licensee***

We entered into a sub-franchise agreement with Nick Soetiono in June 2015 which was subsequently superseded by the Indonesia Master License Agreement entered into with the Indonesia Licensee in which Nick Soetiono owns 35% interest, in December 2017. For details, please see “Business – Restaurant and catering brands – Chir Chir – Sub-licensing terms”. The Indonesia Licensee, which paid us royalties for the sub-franchise and purchased food ingredients from us, was one of our major customers during the Track Record Period. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, revenue generated from the Indonesia Licensee amounted to approximately SGD456,000, SGD525,000 and SGD116,000, respectively, which accounted for approximately 4.9%, 3.8% and 2.3% of our total revenue for the corresponding period. Our business relationship with either Nick Soetiono or the Indonesia Licensee began in 2015 when the initial agreement was signed. We generally did not offer credit period to the Indonesia Licensee during the Track Record Period.

***Jaesan Food Holdings***

We entered into the Jaesan Agreement with Jaesan Food Holdings. For details, please see “Business – Restaurant and catering brands – Chir Chir – Business partnership terms”. Jaesan Food Holdings, who paid us annual fee and store open fee, was one of our major customers during the Track Record Period. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, revenue generated from Jaesan Food Holdings was nil, approximately SGD160,000 and SGD27,000, respectively, which accounted for nil, approximately 1.2% and 0.5% of our total revenue for the corresponding period. Our business relationship with Jaesan Food Holdings began in 2016 when the Jaesan Agreement was signed. We generally did not offer credit period to Jaesan Food Holdings during the Track Record Period. Jaesan Food Holdings is our connected person at the subsidiary level by virtue of it being a substantial shareholder of K Food Master.

***Mr. Peh***

We entered into the PKG Agreement with Mr. Peh. For details, please see “Business – Restaurant and catering brands – Kogane Yama”. Mr. Peh, who paid us annual fee and store open fee, was one of our major customers during the Track Record Period. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, revenue generated from Mr. Peh was nil, approximately SGD168,000 and SGD40,000, respectively, which accounted for nil, approximately 1.2% and 0.8% of our total revenue for the corresponding

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period. Our business relationship with Mr. Peh began in 2017 when the PKG Agreement was signed. We generally did not offer credit period to Mr. Peh during the Track Record Period. Mr. Peh is our connected person at the subsidiary level by virtue of being a substantial shareholder and a director of Kogane Yama. Mr. Peh is also one of the Investors, who will hold approximately 0.4% of the issued share capital of our Company upon Listing.

### ***Arena Investment***

During the Track Record Period, we sold vouchers of “Chir Chir” restaurants to a number of customers to promote the brand, among which Arena Investment purchased vouchers in the aggregate amount of nil, approximately SGD187,000 and nil from us during the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. For details of the vouchers, please see “Business – Sales and marketing – Sales of vouchers”. Revenue generated from Arena Investment amounted to nil, approximately SGD187,000 and nil for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively, which accounted for nil, approximately 1.4% and nil of our total revenue for the corresponding period. We generally did not offer credit period to Arena Investment during the Track Record Period.

Arena Investment was owned as to 30% by K Food Holdings prior to the transfer of the beneficial interest from K Food Holdings to an Independent Third Party on 11 August 2017. Following the disposal, Arena Investment became an Independent Third Party. Subsequently, Arena Investment began to engage in night club operation and made a one-time purchase of vouchers from us for its marketing and promotional purpose during the Track Record Period.

As at the Latest Practicable Date, to the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any Shareholder who owned more than 5% of our issued share capital had any interest in each of the above major customers.

### **Sales of vouchers**

We started our sales of vouchers for our self-operated “Chir Chir” restaurants in Singapore in 2015 to promote the brand and enhance customer loyalty. Since October 2017, we also sold vouchers for our self-operated “Masizzim” restaurants and “Kogane Yama” restaurants for the same reasons. As the vouchers are redeemed by the bearer, they could be used as gifts by our customers and therefore a useful tool for us to expand our customer base. During the Track Record Period, we sold our “Chir Chir” vouchers in the face value of either SGD50 or SGD100 (inclusive of 7% GST), “Masizzim” vouchers in the face value of SGD50 (inclusive of 7% GST) and “Kogane Yama” vouchers in the face value of SGD25 (inclusive of 7% GST). For vouchers to be used in “Chir Chir” restaurants, given that: (i) the price of our fried chicken dishes ranged from SGD26.9 to SGD32.9 before GST; and (ii) our SGD50 vouchers can redeem two chicken dishes and our SGD100 vouchers can redeem four chicken dishes, the value of our vouchers represent a discount of approximately 13.2% to 29.0%. Save for the vouchers, we generally do not offer other discount on our chicken dishes. Our “Chir

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Chir” vouchers can only be used in our designated “Chir Chir” restaurants in Singapore to redeem fried chicken dishes once, and are valid for 45 days or two months. The minimum purchase amount of any single voucher purchase for any customer is generally SGD1,000 (GST inclusive). For our “Masizzim” vouchers, the minimum purchase amount of any single voucher purchase for any customer is generally SGD1,000 (GST inclusive) and a SGD50 voucher can be used to redeem two double portion stew dishes. For our “Kogane Yama” vouchers, the minimum purchase amount of any single voucher purchase for any customer is generally SGD500 (GST inclusive) and a SGD25 voucher can be used to redeem two mixed bowl tendon dishes. Both of our “Masizzim” and “Kogane Yama” vouchers are valid for two months. With respect to our vouchers that have expired, we are not legally obliged to accept them, make any refund or extend the validity period.

Payments from our customers for vouchers are required under HKFRS to be treated as liabilities as receipt in advance from customers in our Group’s combined statement of financial position, until they are being redeemed or forfeited upon expiry of the validity period. Upon redemption of the vouchers, the corresponding amount of receipt in advance is recognised as revenue, with the corresponding cost in delivering the food consumed, in our profit and loss. Any vouchers which have not been redeemed before the expiry of their validity period are recognised as forfeited income in our profits and loss. Sales of vouchers amounted to approximately SGD122,000, SGD734,000 and SGD76,000, which accounted for approximately 1.3%, 5.3% and 1.5% of our revenue for the years end 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. The face value of the expired vouchers amounted to approximately SGD4,900, SGD9,300 and SGD3,800 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively.

During the Track Record Period, our vouchers were primarily sold to (i) Arena Investment; and (ii) 40, 101 and 61 retail customers for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018. These retail customers purchased vouchers in the aggregate face value (GST inclusive) of approximately SGD127,000 (average spending of approximately SGD3,200 per individual), SGD585,000 (average spending of approximately SGD5,800 per individual) and SGD92,000 (average spending of approximately SGD1,500 per individual) for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018.

To ensure the revenue from the sales of voucher is recognised properly, we have kept record of the information of the voucher when they were issued. Each voucher is given a serial number to enable us to track the usage of the vouchers. As confirmed by our Directors, there has been no legal claim against us, and we have not received complaints from our customers during the Track Record Period in relation to the vouchers.

According to CIC Report, it is a common practice that restaurants sell prepaid vouchers to the customers.

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### Pricing policy

We generally adopt a cost-plus pricing policy, which takes into account our operation costs including rental expenses, labour costs, raw material costs, franchise fees and marketing expenses, etc. Because we are operating casual dining restaurants, we set moderate pricing taking into account pricings of same-tier competitors. We adopt a uniform pricing policy across all restaurants in each country for each brand. We would normally consult and notify the relevant franchisors once the price for the products to be offered at our restaurants has been determined. Our Directors believe that our pricing strategy allows us to pass on part of the increase in operation costs to our customers.

### Marketing

We are committed to promoting our franchise brands as well as self-developed brands. We invest resources in conducting advertising and other promotional efforts to enhance brand image and awareness, attract new customers and promote customer loyalty. As at the Latest Practicable Date, our marketing department consisted of four staff members comprising Mr. Tan, who is an executive Director, and three other staffs. For details of Mr. Tan's biographies, please see "Directors, Senior Management and Employees". To grow our brands and improve our market positioning, we implement a number of marketing activities, which include: maintaining social media accounts and websites, placing advertisements in traditional media, appointing public relations professionals, approaching food bloggers, partnership with mall operators and e-vouchers etc. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our marketing and advertising expenses were approximately SGD188,000, SGD275,000 and SGD73,000, accounting for approximately 2.0%, 2.0% and 1.4% of our revenue for the corresponding period, respectively.

### SETTLEMENT AND CASH MANAGEMENT

Our restaurant customers mainly pay their bills by cash and credit cards. Credit card providers generally charge us a service charge. The following table sets out an analysis of the settlement method by our restaurant customers in Singapore and Malaysia during the Track Record Period:

Settlement method	Year ended 30 September		Four months ended	Four months ended
	2016	2017	31 January 2017	31 January 2018
	<i>Approximate</i> %	<i>Approximate</i> %	<i>Approximate</i> %	<i>Approximate</i> %
Credit cards and other electronic methods	67	67	67	63
Cash	26	25	24	31
Others	7	8	9	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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We have adopted a cash management policy to ensure the restricted access to cash proceeds and proper handling of cash. Under our policy, cash received at our restaurants are deposited in the cash boxes of the respective restaurants with restricted access. Cash is deposited with our bank on a daily basis, or as otherwise required. We have also set a limit with regard to the maximum amount of cash that can be kept in the cash box before a deposit must be made, as well as the maximum amount of petty cash to be maintained for general daily uses. In addition, relevant entries are made in the POS system when cash is received from customers and are reconciled to the bank records on a monthly basis by our accounting personnel. During the Track Record Period, we did not encounter any misappropriation or embezzlement of cash from our restaurants in Singapore or Malaysia in any material respect.

### SUPPLIERS

Our suppliers are mainly food ingredient suppliers, beverage suppliers, utensil suppliers and cooking equipment suppliers, etc.

We recognise that quality of the food ingredients is essential to our food quality. As at the Latest Practicable Date, we maintain a list of approximately 70 food and beverages suppliers for our restaurants in Singapore and Malaysia. Our food and beverages suppliers are carefully selected based on factors including food quality, food safety management, sources of ingredients, pricing and other terms, capacity and availability, track record and reputation, payment method and terms, delivery options and schedules, etc. We monitor the performance of suppliers from time to time to ensure that their food ingredients meet our stringent requirements on a consistent basis. For other suppliers, we select based on quality, pricing, payment terms and availability, etc.

We generally do not have any long term contracts with any of our suppliers, which we believe is in line with the industry practices. During the Track Record Period, we did not experience any interruption of supply, early termination of supply agreement, failure to secure sufficient quantities of irreplaceable food ingredients or defects in the quality of food ingredients or other products supplied that had any material adverse impact on our business or results of operation.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, purchases from our five largest suppliers accounted for approximately 76.4%, 64.6% and 58.2% of our total purchases, respectively; and purchases from our largest supplier accounted for approximately 30.1%, 19.4% and 18.4% of our total purchases, respectively.

Our largest supplier for the years ended 30 September 2016 and 2017, Nine International, acts as an export agent for the Chir Chir Franchisor and the Masizzim Franchisor, who supplies sauces and powders directly from Korea to us.

On the other hand, we source perishable raw materials directly from various local suppliers. In the event that there is any shortage or delay in the supply of such fresh and perishable raw materials from local suppliers, we are able to find substitute suppliers in a timely manner since such raw materials can be commonly found. For the market price trends and our sensitivity analysis of the cost of inventories consumed during the Track Record



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Period, please see “Industry Overview” and “Financial Information – Sensitivity and breakeven analysis”, respectively. Our five largest suppliers during the Track Record Period have been in a business relationship with us since 2015. Our major suppliers generally offer us a credit period of 15 to 30 days from the date of invoice. We generally settle the invoices with our major suppliers by cheque payment or way of bank transfer.

Our Directors confirm that there is no rebate or kick back arrangement with any of our suppliers. To the best knowledge of our Directors, we had not encountered any incident that any of our Directors or employees was involved in any bribery or kick back arrangement with our suppliers during the Track Record Period.

The following table illustrates the profile of our five largest suppliers based on our total purchases attributable to them during the Track Record Period:

### Year ended 30 September 2016

Ranking	Supplier	Principal business activities/ descriptions	Major ingredients supplied	Year of commencement of business relationship	Typical payment terms and payment method	Total purchases (SGD'000)	Approximate % to our total purchases (%)
1	Nine International	Export, import and wholesale of raw food <sup>(Note 1)</sup>	House mixes, sauces and powder for “Chir Chir” and “Masizzim” brands	2015	50% upfront and 50% upon delivery via telegraphic transfer	808	30.1
2	Hua Kun Food Industry Pte Ltd	General wholesale of meat and meat products	Chicken and beef	2015	30 days via cheque payment or bank transfer	498	18.6
3	Hup Heng Poultry Industries Pte Ltd	Processing, preserving and wholesale of meat and meat products	Chicken	2015	15-30 days via cheque payment or bank transfer	330	12.3
4	Oregano Trading Pte Ltd	General wholesale trade (including general importers and exporters)	Condiments and seasoning	2015	30 days via cheque payment or bank transfer	257	9.6
5	Lim Kian Seng Food Supplier Pte Ltd	Retail sale of fruits and vegetables; general wholesale trade	Fruits and vegetables	2015	15-30 days via cheque payment or bank transfer	155	5.8
<b>Total</b>						<b>2,048</b>	<b>76.4</b>

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### Year ended 30 September 2017

Ranking	Supplier	Principal business activities/ descriptions	Major ingredients supplied	Year of commencement of business relationship	Typical payment terms and payment method	Total purchases (SGD'000)	Approximate % to our total purchase (%)
1	Nine International	Export, import and wholesale of raw food <sup>(Note 1)</sup>	House mixes, sauces and powder for “Chir Chir” and “Masizzim” brands	2015	50% upfront and 50% upon delivery via telegraphic transfer	627	19.4
2	Hua Kun Food Industry Pte Ltd	General wholesale of meat and meat products	Chicken and beef	2015	30 days via cheque payment or bank transfer	539	16.7
3	Hup Heng Poultry Industries Pte Ltd	Processing, preserving and wholesale of meat and meat products	Chicken	2015	15-30 days via cheque payment or bank transfer	418	13.0
4	Oregano Trading Pte Ltd	General wholesale trade (including general importers and exporters)	Condiments and seasoning	2015	30 days via cheque payment or bank transfer	251	7.8
5	Lim Kian Seng Food Supplier Pte Ltd	Retail sale of fruits and vegetables; general wholesale trade	Fruits and vegetables	2015	15-30 days via cheque payment or bank transfer	249	7.7
<b>Total</b>						<u>2,084</u>	<u>64.6</u>

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### Four months ended 31 January 2018

Ranking	Supplier	Principal business activities/ descriptions	Major ingredients supplied	Year of commencement of business relationship	Typical payment terms and payment method	Total purchases (SGD'000)	Approximate % to our total purchase (%)
1	Hua Kun Food Industry Pte Ltd	General wholesale of meat and meat products	Chicken and beef	2015	30 days via cheque payment or bank transfer	200	18.4
2	Nine International	Export, import and wholesale of raw food <sup>(Note 1)</sup>	House mixes, sauces and powder for “Chir Chir” and “Masizzim” brands	2015	50% upfront and 50% upon delivery via telegraphic transfer	141	12.9
3	Hup Heng Poultry Industries Pte Ltd	Processing, preserving and wholesale of meat and meat products	Chicken	2015	15-30 days via cheque payment or bank transfer	106	9.7
4	Oregano Trading Pte Ltd	General wholesale trade (including general importers and exporters)	Condiments and seasoning	2015	30 days via cheque payment or bank transfer	101	9.3
5	Lim Kian Seng Food Supplier Pte Ltd	Retail sale of fruits and vegetables; general wholesale trade	Fruits and vegetables	2015	15-30 days via cheque payment or bank transfer	86	7.9
<b>Total</b>						634	58.2

*Note:*

- (1) This supplier serve as export agent of the Chir Chir Franchisor and the Masizzim Franchisor as detailed in “Business – Suppliers”.

As at the Latest Practicable Date, none of our Directors or any of their respective associates or any Shareholders holding 5% or more of our issued share capital had any interests in any of our five largest suppliers.

### **FOOD SAFETY AND QUALITY CONTROL**

Our Directors believe that effective quality control is of utmost importance in the operation of our restaurants. Our restaurants are operated under a set of standardised quality control procedures to ensure quality and safety of our food. We also inspect our licensed and sub-licensed restaurants in Indonesia periodically to ensure the quality of food provided by such stores has met our standards.

#### **Food ingredients supply**

Our concern on food safety and hygiene plays a significant part in our supplier selection process. For more information on our food suppliers, see “Business – Suppliers”. During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors’ knowledge, there have been no complaints or claims on our food which had a material adverse effect on our business or results of operations, nor were any of our restaurants subject to any investigation regarding food hygiene by any government authorities or relevant customer protection organisations arising from food safety incidents.

#### **Food preparation**

The preparation of our food is handled by our kitchen staff, who are supervised by the kitchen-in-charge. Our kitchens are always monitored by the kitchen-in-charge, and food dishes are always checked by both our kitchen staff and waiters for presentation and quality before it gets served to our customers. As our kitchens are where we process our food, we carry out a strict daily operation procedures for our staff to follow, in order to preserve food quality, prevent work accidents, and maintain kitchen hygiene. Our daily operation procedures require our kitchen staff to commence opening procedures (to prepare and check food ingredients), opening-hour procedures (to process the food in a controlled and hygienic manner); and closing procedures (to clean the kitchen environment and facilities and to prepare for opening in the following morning).

#### **Dining environment**

Before the daily opening of each restaurant, our waiters are required to go through a pre-opening routine which includes ensuring that the dining area is clean and hygienic, preparing the set-up of the point-of-sale system, replenishing of beverages and sauces, setting up of tables and making sure that cutleries are clean. As part of our daily closing routine, our waiters are required to abide by a closing routine which consists of cleaning and washing of dining floors and working areas thoroughly and closing of the point-of-sales system. From time to time, we appoint pest control companies and cleaning companies to sanitise our restaurants.

We value our customers’ feedback on the food and beverage products served by us and we have implemented measures to handle complaints effectively. Our marketing team handles customers’ complaints promptly upon receipt. For more serious complaints such as food quality issues, our marketing team escalates such complaints to our management for investigation and resolution. We believe the above measures can reinforce our quality control standards to our customers and instil our customers’ confidence in our food and beverage products.

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During the Track Record Period and up to the Latest Practicable Date, none of our restaurants had any food poisoning incidents reported nor had been asked to suspend operations because of any other food safety issues. For our sub-licensed restaurants, we require the sub-licensees to abide by their relevant local laws and regulations for their operations by way of contractual obligations. We are not aware of any incidents which may have any material adverse effect on our business and financial position.

### EMPLOYEES

We had a total of 69, 94 and 92 full-time employees, and 110, 64 and 44 part-time employees as at 30 September 2016 and 2017 and 31 January 2018, respectively, in our operations in Singapore and Malaysia, out of which 40, 53 and 54 employees are foreign workers for the corresponding periods. As at the Latest Practicable Date, the remaining foreign worker quota entitled by our Group was two. The following table shows a breakdown of our employees (including both full-time and part-time) by functions as at the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>
Directors and senior management	11
Finance and administration <sup>(Note 1)</sup>	24
Marketing <sup>(Note 2)</sup>	3
Restaurant staff <sup>(Note 3)</sup>	89
	<hr/>
Total full-time employees	127
Part-time employees <sup>(Note 4)</sup>	46
	<hr/>
<b>Total</b>	<b>173</b>
	<hr/> <hr/>
Non-foreign employees	92
Foreign employees <sup>(Note 5)</sup>	81
	<hr/>
<b>Total</b>	<b>173</b>
	<hr/> <hr/>

*Notes:*

1. Our finance and administration department comprised (i) our accounting team; (ii) our inventory control team; (iii) our human resources team; and (iv) our administration team.
2. This does not include Mr. Tan, an executive Director, who is also a marketing manager of the Company.
3. Our restaurant staff comprised (i) operation managers; (ii) general managers; (iii) restaurant managers; (iv) waiters and waitresses; and (v) kitchen staff.

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4. Our part-time employees include chefs, restaurant staffs and kitchen staff.
5. The number of our Group's foreign employees in each function is as follows: Directors and senior management: three; finance and administration: one; marketing: nil; and, restaurant staff: 77.

Because dining operations are service-oriented and labour intensive business, our staff costs represent a substantial portion of our expenses. Our staff costs represented approximately 25.7%, 23.1% and 23.2% of our total revenue for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively. We expect our staff costs to continue to rise as inflationary pressures would drive up wages and our continuous expansion would increase the number of our employees.

During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Company and we did not experience any material labour dispute nor any material insurance claim related to employees' injuries. We had provided a defined contribution to the CPF for our full-time employees in Singapore as required under the laws of Singapore and the EPF for our full-time employees in Malaysia as required under the laws of Malaysia, respectively.

We generally recruit our employees based on a number of factors such as their experience in the food and beverage industry. We value our employees and grow our staff by providing various trainings, including paid overseas visits to home brands in Korea, training on food processing procedures, training on customer service, etc. To allow us to retain and attract employees, we review our salary packages from time to time and adjust according to market situations.

### INSURANCE

To control our risks in our business operations, we maintain (i) public liability insurance for claims of illness, injuries or damages to personal property of customers; and (ii) property insurance for furniture, fixtures and fittings, detachable decoration and improvements, stock and signboard and loss and damage. We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors believe that our insurance coverage are customary for businesses of our size and type and are in line with the standard commercial practice. As at the Latest Practicable Date, we had not made application for nor been subject to any material insurance claims.

However, our business operation is susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. For details, see "Risk Factors – Our insurance policies may not provide adequate coverage for all claims associated with our business operations".

Our Directors believe that our insurance coverage is adequate for our business and in line with the standard industry practise in Singapore and Malaysia.

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### INFORMATION TECHNOLOGY

We increase the efficiency of the operations and management of our restaurants by using a point-of-sales system, which is able to report on the sales volume of each restaurant, and allow us to perform reconciliation between the receipts issued to the customers and cash at hand in the respective restaurants.

### INTELLECTUAL PROPERTIES

We have been granted the right to use the trademark of “Chir Chir” in Singapore, Malaysia and Indonesia; the trademark of “Masizzim” in Singapore and Malaysia; the trademark of “Nipong Naepong” in Singapore; and the trademark of “NY Night Market” in Singapore under our franchise agreements with the respective franchisors. We currently hold our trademarks for “Kogane Yama”, “Gangnam Kitchen” and “After School”. As at the Latest Practicable Date, (i) we were not aware of any infringements by our Company of any intellectual property rights owned by third parties; (ii) we were not aware of any dispute or pending or threatened claims against our Company in relation to infringement of any intellectual property rights of third parties; and (iii) we were not aware of any infringement of any intellectual property rights of our franchised brands and own brands by any third parties in Singapore and Malaysia. For more details on the intellectual property rights of our brands, own brands and domain names, please see “Statutory & General Information – Intellectual property rights of our Group” in Appendix IV to this prospectus.

### AWARDS AND ACCREDITATIONS

During the Track Record Period and up to the Latest Practicable Date, we have been awarded Grade A by the NEA for all of our restaurants in Singapore. Grade A is the highest grading out of four grades based on an annual scoring system adopted by NEA taking into account factors including food storage and processing as well as hygiene control.

### REAL PROPERTIES

#### Leased Properties

As at the Latest Practicable Date, we did not own any property. All of our self-operated restaurants, central kitchen and office premises are leased. We leased a total of ten properties in Singapore and one property in Malaysia, respectively, from Independent Third Parties, among which one is used as our office premises in Singapore, seven are used as our restaurants in Singapore, one is used as our central kitchen, and one is used as our restaurant in Malaysia.

Our current leases will expire between 2018 and 2021. Our rentals and related expenses amounted to approximately SGD1.7 million, SGD2.9 million and SGD1.1 million for the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively, representing approximately 19.0%, 20.6% and 21.2% of our revenue for the same period, respectively.

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During the Track Record Period, we breached certain terms of the leases, including: (i) obligation to assign and sublet; (ii) obligation to maintain confidentiality; (iii) obligation to maintain sufficient insurance coverage; and (iv) prohibition of sale of liquor in Malaysia. For further details regarding the prohibition of the sale of liquor in Malaysia, please see “Business – Legal Proceeding and Compliance”. For the breach of confidentiality obligations, we failed to obtain consents from the landlords to include certain material terms in the application proof of this prospectus promptly. The reasons for such other breaches were primarily due to that when our Group entered into the tenancy agreements, we did not seek legal advice on the tenancy agreements which were lengthy and were prepared based on standard terms, and hence our administrative officer inadvertently and unintentionally oversights such terms under the tenancy agreements. Pursuant to the relevant tenancy agreements, in the event of a breach, the landlord is entitled to exercise their rights including, among others, recourse or deduct the security deposits, requiring our Group to indemnify the landlord’s legal and other costs and expenses, suspend the utility to the premises, possess the rights to re-entry, take possession of the premises and/or terminate such leases.

As we became aware of such breaches, we had subsequently sought consents from each of the landlords regarding the relevant breaches applicable to the respective tenancy agreements. As at the Latest Practicable Date, we have obtained all relevant consents in connection with the relevant breaches from each of the landlord under the tenancy agreements.

As advised by the Singaporean Legal Advisers and other than in respect of the breach of the obligation to maintain confidentiality, (i) there has been no change in the matter of operations of the restaurants throughout the period of the leases; (ii) the relevant landlords are aware of the manner in which our Group carried out the operations and have not taken any steps to notify us of any breach or notice of termination under such leases; and (iii) our Group are of the view that based on our relationship with the relevant landlords, we do not anticipate that the relevant landlords would terminate the relevant leases based on the existing breaches. On the basis of (i) to (iii), the Singaporean Legal Advisers believe that the risk that the relevant landlords would terminate such leases based on the breaches is low.

In the event that the relevant landlords initiate any legal actions against our Group pursuant to such leases as a result of the breaches, our Controlling Shareholders would, pursuant to the Deed of Indemnity, indemnify our Group from any liabilities arising from these breaches.

To prevent the recurrence of the breaches, Mr. Yeap, our executive Director and compliance officer, will review any new lease agreements and ensure proper observance and performance of their terms and conditions by our Group. We will also seek the advice of relevant legal advisers in Singapore or Malaysia from time to time to review the terms and conditions of any new lease agreements.



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The following table sets out details of the properties leased and occupied by our Group in Singapore and Malaysia as at the Latest Practicable Date:

No.	Name of Restaurant/usage	Address	Approximate floor area (sq.ft.)	Rental calculation	Rent-free period	Rental term	Optional renewal term	Aggregate rental and related expenses incurred for the year ended 30 September 2016	Aggregate rental and related expenses incurred for the year ended 30 September 2017	Aggregate rental and related expenses incurred for the four months ended 31 January 2018
								(SGD'000)	(SGD'000)	(SGD'000)
1.	Chir Chir (313) <sup>(Note 1)</sup>	#B3-04/05/06	1,445	Basic rent with an additional turnover rent component	Not disclosable (Note 6)	Not disclosable <sup>(Note 6)</sup>	N/A	Not disclosable (Note 6)	Not disclosable (Note 6)	Not disclosable (Note 6)
		313@Somerset								
		313 Orchard Road Singapore 238895								
	Masizzim (313) <sup>(Note 1)</sup>	#B3-02	1,567	Basic rent with an additional turnover rent component						
		313@Somerset								
		313 Orchard Road Singapore 238895								
	Nipong Naepong (313) <sup>(Note 1)</sup>	#B3-03	1,163	Basic rent with an additional turnover rent component						
		313@Somerset								
		313 Orchard Road Singapore 238895								
2.	Chir Chir (CP)	#01-43 Chinatown Point 133 New Bridge Road Singapore 059413	1,442	Basic rent with an additional turnover rent component	1 month	2 December 2015 to 1 December 2018	Three years	242	288	95
3.	Chir Chir (JEM)	#04-13/14 JEM 50 Jurong Gateway Road Singapore 608549	1,515	Basic rent with an additional turnover rent component	Not disclosable (Note 6)	Not disclosable <sup>(Note 6)</sup>	Three years	Not disclosable (Note 6)	Not disclosable (Note 6)	Not disclosable (Note 6)
4.	Chir Chir (BJ) <sup>(Note 2)</sup>  Kogane Yama (BJ) <sup>(Note 2)</sup>	#02-50, Bugis Junction, 200 Victoria Street, Singapore 188021	2,917	Basic rent with an additional turnover rent component	6 weeks	1 October 2016 to 30 September 2019	N/A	51	546	176

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No.	Name of Restaurant/usage	Address	Approximate floor area (sq.ft.)	Rental calculation	Rent-free period	Rental term	Optional renewal term	Aggregate rental and related expenses incurred for the year ended 30 September 2016 (SGD'000)	Aggregate rental and related expenses incurred for the year ended 30 September 2017 (SGD'000)	Aggregate rental and related expenses incurred for the four months ended 31 January 2018 (SGD'000)
5.	Masizzim (Westgate)	#01-07 Westgate 3 Gateway Drive Singapore 608352	1,184	Basic rent with an additional turnover rent component	4 weeks	15 May 2017 to 14 May 2020	Three years	N/A	119	119
6.	Chir Chir (PV)	Lot 1.108.00, Level 1 Pavilion Kuala Lumpur, 168 Jalan Bukit Bintang Kuala Lumpur 55100	1,433	Basic rent or a percentage of monthly gross sales, whichever is higher	45 days	24 January 2017 to 23 January 2020	Three years	N/A	124	72
7.	Gangnam Kitchen <sup>(Note 3)</sup>	442 Orchard Road, #02-29, Orchard Hotel, S238879	N/A	A percentage of the gross sales	N/A	N/A	N/A	N/A	2	20
8.	Kogane Yama (JEM) <sup>(Note 4)</sup> Nipong Naepong (JEM) <sup>(Note 4)</sup>	#01-16 JEM 50 Jurong Gateway Road Singapore 608549	1,765	Basic rent with an additional turnover rent component	Not disclosable <sup>(Note 6)</sup>	Not disclosable <sup>(Note 6)</sup>	Three years	Not disclosable <sup>(Note 6)</sup>	Not disclosable <sup>(Note 6)</sup>	Not disclosable <sup>(Note 6)</sup>
9.	NY Night Market (Westgate)	#01-08 Westgate 3 Gateway Drive Singapore 608352	797	Basic rent with an additional turnover rent component	4 weeks	12 February 2018 to 11 February 2021	Three years	N/A	N/A	N/A
10.	Head office <sup>(Note 5)</sup>	#12-01 Orchard Building 1 Grange Road Singapore 239693	498	Basic rent and service charge	N/A	14 April 2016 to 13 April 2019	Term has to be mutually agreed to between landlord and the Company	137	295	98

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### Notes:

- (1) The lease agreement for Masizzim (313) at #B3-02 313@Somerset 313 Orchard Road, Singapore 238895 was surrendered on 31 January 2018 and on 13 April 2018, we entered into a new lease agreement with the landlord under the address of #B3-02/03/04/05/06 313@Somerset 313 Orchard Road, Singapore 238895, where the premise under the new lease for a term of three years commencing from 1 February 2018 to 31 January 2021 will be used by Chir Chir (313), Masizzim (313) and Nipong Naepong (313). As of the Latest Practicable Date, the floor areas of Chir Chir (313), Masizzim (313) and Nipong Naepong (313) have been adjusted due to recent renovation at the premises which was approved by the landlord. We have opened Nipong Naepong (313) at 313@Somerset on Orchard Road, which commenced operation in June 2018. As of the Latest Practicable Date, Masizzim (313), Nipong Naepong (313) and Chir Chir (313) was utilising the #B3-02, #B3-03 and #B3-04/05/06 units, respectively.
- (2) Chir Chir (BJ) and Kogane Yama (BJ) share the same leased premise.
- (3) We entered into a cooperation agreement with Arena Investment on 13 August 2017, pursuant to which our Group has the right to use level 3 of the premises at 442 Orchard Road, #01-29, #02-29, #03-29, Orchard Hotel, Singapore 238879 to operate “Gangnam Kitchen”. Under the cooperation agreement, we shall make a refundable security deposit in the amount of US\$100,000 and make monthly payment in the amount of 10% of gross sales generated from the business of Gangnam Kitchen to Arena Investment.
- (4) Kogane Yama (JEM) and Nipong Naepong (JEM) share the same leased premise.
- (5) On 15 March 2016, the landlord of our office premises, an Independent Third Party, and K Food Holdings (as the tenant) entered into a tenancy agreement (the “**Tenancy Agreement**”) for the lease of the office premises with gross floor area of approximately 3,283 sq.ft. situated at #12-01 Orchard Building, 1 Grange Road, Singapore 239693 (the “**Premises**”) for a term of three years commencing from 14 April 2016 to 13 April 2019. On 14 April 2016, we have entered into a sublease agreement (the “**Sublease Agreement**”) with Mr. Terence Lai for his insurance agency business pursuant to which our Group subleases part of the Premises with a gross floor area of approximately 2,785 sq.ft. to Mr. Terence Lai.  
  
The Sublease Agreement was terminated on 31 May 2018 following K Food Holdings entered into a supplemental agreement with the landlord on 31 May 2018 to downsize the Premises such that the Premises shall solely be occupied by our Group and will no longer be shared or subleased to Mr. Terence Lai. Please see “Relationship with our Controlling Shareholder(s)” for details.
- (6) Pursuant to the terms of the relevant lease agreements, we are not allowed to disclose certain details of the rental arrangements.
- (7) On 7 November 2017, we entered into a letter of offer with the landlords for the operation of our second “Chir Chir” restaurant Lot LG-054, Lower Ground Floor of The Megamall Southkey, Malaysia, which is expected to open in the fourth quarter in 2018.
- (8) In June 2018, we entered into a letter of offer with the landlord for the operation of our second “NY Night Market” restaurant at 313 Orchard Road #01-29, 313@Somerset, Singapore 238895, which is expected to open in the fourth quarter of 2018.

## LICENCES AND APPROVALS

As advised by our Singaporean Legal Advisers and Malaysian Legal Advisers, save as disclosed in “Business – Legal proceedings and compliance”, our Group (i) had been in compliance with all applicable laws and regulations in Singapore and Malaysia in all material respects; and (ii) had obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations in Singapore and Malaysia, during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences and permits. Further, our Directors are not aware of any circumstances that would

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significantly hinder or delay the renewal of such licences and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such licencing requirements that would cause material impacts on our Group's operations and business.

We have set out in the table below a summary of the licences and certificates material to our operations that we held as at the Latest Practicable Date:

Type of licence	Restaurants/shop involved	Licence number	Expiry date	Licensee
<b>Singapore Operations</b>				
Food shop (Restaurant) licence	Chir Chir (313)	CE10059P000	27 January 2019	K Food Holdings
	Chir Chir (CP)	CE15187N000	1 December 2018	K Food Holdings
	Chir Chir (JEM)	SW13T68V00	21 July 2019	K Food Holdings
	Masizzim (313) <sup>(Note 1)</sup>	CE09M76X000	17 September 2018	K Food Holdings
	Masizzim (Westgate)	SW13218C000	9 May 2019	K Food Holdings
	Chir Chir (BJ)	W95214C000	31 May 2019	Kogane Yama
	Kogane Yama (BJ)	W95214C000	31 May 2019	Kogane Yama
	Nipong Naepong (JEM)	SW13S56L000	11 February 2019	Nipong Naepong
	Kogane Yama (JEM)	SW18032B000	14 February 2019	Kogane Yama
	NY Night Market (Westgate)	SW14051E000	4 March 2019	NY Night Market
	Nipong Naepong (313) <sup>(Note 1)</sup>	CE09M76X000	17 September 2018	K Food Holdings
Food shop (Food Caterer)	Gangnam Kitchen	CE17820J000	13 August 2018	Gangnam Kitchen

*Note:*

- The same Food shop (Restaurant) licence would apply to both Masizzim (313) and Nipong Naepong (313), as they share the same kitchen for business operation.

	Restaurants involved	Licence number	Commencement date	Expiry date	Licensee
Liquor licence	Chir Chir (313)	L/LL/006256/2018/P	13 May 2018	12 May 2019	K Food Holdings
	Chir Chir (CP)	L/LL/017157/2017/P	5 December 2017	4 December 2018	K Food Holdings
	Chir Chir (JEM)	L/LL/004438/2018/P	18 July 2018	17 July 2019	K Food Holdings
	Chir Chir (BJ)	L/LL/012925/2017/P	26 September 2017	25 September 2018	K Food Holdings
	Kogane Yama (BJ)	L/LL/012925/2017/P	26 September 2017	25 September 2018	K Food Holdings
	Kogane Yama (JEM)	L/LL/001675/2018/P	1 February 2018	31 January 2019	Kogane Yama
	Masizzim (313)	L/LL/005350/2017/P	14 September 2017	13 September 2018	K Food Holdings
	Masizzim (Westgate)	L/LL/005305/2018/P	8 May 2018	7 May 2019	K Food Holdings
	Nipong Naepong (JEM)	L/LL/002067/2018/P	12 February 2018	11 February 2019	Nipong Naepong
	NY Night Market (Westgate)	L/LL/002294/2018/P	15 February 2018	14 February 2019	NY Night Market
	Nipong Naepong (313)	L/LL/008877/2018/P	20 June 2018	19 June 2019	Nipong Naepong

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	<b>Restaurants involved</b>	<b>Approval plan number</b>	<b>Approval date</b>
Fire safety certificate	Chir Chir (313)	CBP/A11925/14 CFP/A11925/14	29 January 2015
	Chir Chir (CP)	CMV/A10218/15	18 November 2015
	Chir Chir (JEM)	CMV/A05763/16	20 July 2016
		CBP/A05763/16	
		CFP/A05763/1601	
		CFP/A05763/16	
	Chir Chir (BJ)	CMV/A08056/16	3 October 2016
		CFP/A08056/16	
		CBP/A08056/16	
	Kogane Yama (BJ)	CMV/A08056/16	3 October 2016
		CFP/A08056/16	
		CBP/A08056/16	
	Kogane Yama (JEM)	CBP/A00488/18	9 February 2018
		CFP/A00488/18	
		CFP/A00488/1801	
		CMV/A00488/18	
	Masizzim (313)	CFP/A08013/1501	23 September 2015
		CFP/A08013/15	
		CMV/A08013/15	
	Masizzim (Westgate)	CBP/A01611/18	9 March 2018
CMV/A01611/18			
CFP/A01611/18			
Nipong Naepong (JEM)	CFP/A00487/1801	9 February 2018	
	CBP/A00487/18		
	CMV/A00487/18		
	CFP/A00487/18		
NY Night Market (Westgate)	CMV/A01854/18	9 March 2018	
	CBP/A01854/18		
	CFP/A01854/18		
Nipong Naepong (313)	CMV/A05210/18	21 June 2018	
	CBP/A05210/18		
	CFP/A05210/18		

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	Restaurants involved	Licence number	Commencement date	Expiry date	Licensee
<b>Malaysia</b>					
<b>Operations</b>					
Premises Licence (Restaurant)	Chir Chir (PV)	1000539652	24 January 2018	23 January 2019	K Food Restaurants
Advertisement Licence (Signboard/illuminate)	Chir Chir (PV)	1000549499	9 May 2018	8 May 2019	K Food Restaurants
Registration for Food Premises	Chir Chir (PV)	W05P3180111-007719	11 January 2018	10 January 2021	K Food Restaurants
Music Licence	Chir Chir (PV)	IN18000531	25 December 2017	24 December 2018	K Food Restaurants

*Note:*

(1) All specified licenses are identical for Chir Chir (BJ) and Kogane Yama (BJ) as they share the same premises.

## ENVIRONMENTAL, HEALTH AND SAFETY

### Environmental protection

As advised by our Singaporean Legal Advisers, our dining operations in Singapore are not subject to any environmental protection law and regulation in Singapore.

As advised by our Malaysian Legal Advisers, our operations of our restaurant in Malaysia are not subject to any environmental protection law and regulation in Malaysia.

### Health and safety

Our restaurants and central kitchen are subject to certain health and safety regulations issued by the relevant health and safety authorities in Singapore and Malaysia. We have set up and implemented safety procedures and guidelines which set out health and work safety policies and procedures in our offices, restaurants and central kitchen. We provide training to all of our new recruits and existing employees. For further information on the health and safety regulations applicable to our business operation, please see “Regulatory Overview”.

Our Group has adopted a workplace safety and health policy which includes activity-based risk assessment for different departments and work safety procedures such as emergency response and use of protective gears. All accidents are reported to and are handled and recorded by the human resources team and Mr. Ang Chip Teng or Mr. Khor Meng Kian. Our Directors confirm that no significant workplace accidents had occurred at our restaurants during the Track Record Period and up to the Latest Practicable Date.

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### LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition. Save as disclosed below, our Directors confirm that, we have complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. Set out below is a summary of the non-compliance incidents of our Group during the Track Record Period:

#### – Malaysia

Particulars of non-compliance	Reasons for non-compliance	Maximum potential liabilities (where applicable) and legal consequences and financial effect (if any)	Rectification actions taken and status, measures to prevent recurrence of the non-compliance
<p>1. K Food Holdings has not registered itself as a foreign franchisor for the restaurant franchise brand “ChirChir Fusion Chicken Factory” pursuant to Section 54 of the Franchise Act 1998 in Malaysia.</p> <p>At the same time, K Food Holdings uses the word “franchise” in contravention of Section 37A of the Franchise Act 1998 when the franchise business for the brand “ChirChir Fusion Chicken Factory” is not registered and approved.</p>	<p>Chir Chir (PV) is our first restaurant opened in Malaysia under the Jaesan Agreement. As our Company entered into the Jaesan Agreement, our Directors and Mr. Lawrence Tan, who is responsible for restaurant operations in Malaysia, believe that we have only licensed the usage of the “Chir Chir” brand from K Food Holdings to K Food Restaurants and as such, K Food Holdings would not need to be registered as a foreign franchisor under the laws of Malaysia. At the relevant time, we also had no intention to sub-franchise the business as we intended only to operate the “Chir Chir” restaurant in Malaysia under the Jaesan Agreement, and as such K Food Restaurants is not required to be registered under the Franchise Act. The incident was unintentional and inadvertent and was due to insufficient knowledge of Mr. Lawrence Tan on the relevant laws and regulations regarding registration of franchising arrangement under the laws of Malaysia.</p>	<p>Section 39 of the Franchise Act 1998 in Malaysia provides that a company who commits an offence for which no penalty is expressly provided shall, on conviction, be liable to a fine of not less than RM10,000 and not more than RM50,000.</p> <p>For a second and subsequent offence, the company shall be liable to a fine of not less than RM20,000 and not more than RM100,000.</p> <p>In the event, the company is convicted, any person who at the time of the commission of the offence was a director, manager, secretary or other similar office of the company or was purporting to act in any such capacity, or was in any manner or to any extent responsible for the management of any of the affairs of the company, or was assisting in such management, shall be deemed to have committed that offence unless, having regard to the nature of his functions in that capacity and all circumstances, he proves that the offence was committed without his knowledge, consent or connivance and that he had taken all reasonable precautions and has exercised due diligence to prevent the commission of the offence.</p>	<p>K Food Holdings has submitted an application to register itself as a foreign franchisor for the restaurant “ChirChir Fusion Chicken Factory” on 7 February 2018. Up to the Latest Practicable Date, the company has from time to time responded to enquiries and provided supplemental documents to the Registrar of Franchises and is pending for their feedback.</p> <p>As confirmed by our Malaysian Legal Advisers, they are not aware of any material legal impediment for K Food Holdings to obtain approval. Once the Registrar of Franchises is satisfied with the information and documents provided are complete, the time period for process of the application and to determine whether approval may be granted may take 2-3 weeks.</p> <p>Mr. Terence Lai, our executive Director, will ensure in the future that our subsidiary in Malaysia will make the proper registration regarding any franchising arrangement. We will also seek the advice of relevant legal advisers in Malaysia from time to time in order to adhere to the relevant laws and regulations in Malaysia.</p>

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Particulars of non-compliance	Reasons for non-compliance	Maximum potential liabilities (where applicable) and legal consequences and financial effect (if any)	Rectification actions taken and status, measures to prevent recurrence of the non-compliance
		<p>Section 37A of the Franchise Act 1998 provides that a person who assumes or uses in relation to its business, a term “franchise” or any of its derivatives or any other words indicating the carrying on of a franchise business, including the use of the word “franchise” or any abbreviation thereof as part of the name of title in documents, agreements, books, advertisements or publications, without approval of registration by the Registrar under section 8 commits an offence and shall, on conviction, be liable to a fine not exceeding RM250,000 and for a second or subsequent offence, to a fine not exceeding RM500,000.</p> <p>As confirmed by our Malaysian Legal Advisers:</p> <p>(a) the criminal liability for the said non-compliance involves monetary terms only;</p> <p>(b) in the absence of any complaints being lodged by third parties or an unsolicited investigation by the Registrar of Franchises, the likelihood of prosecuting the offence or imposing penalties that carry retrospective effect in respect of the non-compliances committed by our Group is low; and</p> <p>(c) even if prosecution is laid and/or in the event of conviction, taking into account that the registration application has been submitted to the Registrar of Franchises, it is customary to request for a lower penalty on account of the first time offence being committed. As such, there is a possibility that the fine to be imposed may be lower than the maximum level of fine stipulated under the Franchise Act 1998.</p>	



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Particulars of non-compliance	Reasons for non-compliance	Maximum potential liabilities (where applicable) and legal consequences and financial effect (if any)	Rectification actions taken and status, measures to prevent recurrence of the non-compliance
		<p>Rectification action is to be taken by K Food Holdings as the party to the Chir Chir Franchise Agreements. However as K Food Holdings does not have a physical presence in Malaysia, enforcement action or investigation may be directed at K Food Restaurants as the franchise business is being operated by K Food Restaurants.</p> <p>Based on the above, our Directors are of the view that in the event that we will be penalised, as the maximum penalty would be RM500,000, it would not have a material adverse effect on our operations.</p>	
<p>2. K Food Restaurants has been selling intoxicating liquor during the period from 24 January 2017 to 31 January 2018 at the premises bearing postal address Lot No. 1.108.00, Level 1, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia without obtaining a public house licence from Kuala Lumpur City Hall, Excise Unit in contravention Sections 32 and 35 of the Excise Act 1976.</p> <p>The revenue attributable to the sales of liquor in Chir Chir (PV) amounted to approximately RM4,600 (equivalent to approximately SGD1,600) and RM1,500 (equivalent to approximately SGD500) for the year ended 30 September 2017 and the four months ended 31 January 2018, respectively.</p>	<p>Chir Chir (PV) is our first restaurant opened in Malaysia. During the initial setup of the restaurant operations in Malaysia, Mr. Lawrence Tan, who is responsible for restaurant operations in Malaysia, believed that selling soju in a bottle form does not require the obtaining of a licence in Malaysia as retailers do not need to obtain liquor licence in Malaysia to sell beers in a bottle or can form.</p> <p>Accordingly, Mr. Lawrence Tan genuinely believed that restaurant is not required to obtain liquor licence. The incident was unintentional and inadvertent and was due to insufficient knowledge of Mr. Lawrence Tan on the relevant laws and regulations regarding liquor licence requirements of food premises under the laws of Malaysia.</p>	<p>Section 76 of the Excise Act 1976 provides that any person who shall sell intoxicating liquors otherwise than in accordance with a licence issued under subsection 35(1) shall, on conviction, be liable to a fine not exceeding RM5,000.</p> <p>Where an offence has been committed by a company, any person who at the time of the commission of the offence was a director, manager, secretary or other similar officer or a partner of the company or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of such an offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.</p> <p>Based on the above, our Directors are of the view that in the event that the maximum monetary penalty of RM5,000 be imposed, it would not have a material adverse effect on our operations.</p>	<p>The non-compliance has ceased from 31 January 2018 onwards as our Group has confirmed that it has stopped the sale of soju at the premises.</p> <p>As confirmed by our Malaysian Legal Advisers:</p> <p>(a) the likelihood of being penalised is low because the non-compliance has ceased as our Group has stopped the sale of intoxicating liquor at the premises; and</p> <p>(b) taking into account that the non-compliance is historical in nature and cannot be rectified and in the absence of any complaints being lodged by third parties and no investigations have been commenced by the regulators as at the Latest Practicable Date, the likelihood of being imposing penalties that carry retrospective effect is low.</p> <p>Mr. Ho, our executive Director, will ensure in the future that our operations in Malaysia will make the proper registration and licensing matter regarding any new food premises. We will also seek the advice of relevant legal advisers in Malaysia from time to time in order to adhere to the relevant laws and regulations in Malaysia.</p>

## BUSINESS

Particulars of non-compliance	Reasons for non-compliance	Maximum potential liabilities (where applicable) and legal consequences and financial effect (if any)	Rectification actions taken and status, measures to prevent recurrence of the non-compliance
<p>3. K Food Restaurants has employed 3 foreign students as part-time employees, who have not obtained the approvals from the Department of Immigration Malaysia.</p>	<p>Mr. Lawrence Tan, who is responsible for restaurant operations in Malaysia, believed that foreign students working on a part-time basis, instead of full-time, do not require any approval from the Department of Immigration Malaysia. The incident was unintentional and inadvertent and was due to insufficient knowledge of Mr. Lawrence Tan on the relevant laws and regulations regarding on employing foreign students under the laws of Malaysia.</p>	<p>Pursuant to Section 55B of the Immigration Act 1959/63, any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a terms not exceeding twelve (12) months or to both for each such employee.</p> <p>Where the offence has been committed by a body corporate, any person who at the time of the commission of the offence was a member of the board of directors, a manager, a secretary or a person holding an office or a position similar to that of a manager or secretary of the body corporate shall be guilty of that offence and shall be liable to the same punishment to which the body corporate is liable.</p> <p>Based on the above, our Directors are of the view that in the event that the maximum monetary penalty of RM50,000 for each such employee be imposed (instead of imprisonment), it would not have a material adverse effect on our operations.</p>	<p>The non-compliance has ceased from 31 January 2018 onwards as K Food Restaurants has terminated the employment with the foreign students.</p> <p>As confirmed by our Malaysian Legal Advisers:</p> <p>(a) the likelihood of being penalised is low because the non-compliance has ceased as our Group has terminated the employment with the foreign students; and</p> <p>(b) taking into account that the non-compliance is historical in nature and cannot be rectified and in the absence of any complaints being lodged by third parties and no investigations have been commenced by the regulators as at the Latest Practicable Date, the likelihood of being imposing penalties that carry retrospective effect is low.</p> <p>Mr. Ho, our executive Director, will ensure in the future that our operations in Malaysia will comply with relevant employment laws and regulations when hiring new employees. We will also seek the advice of relevant legal advisers in Malaysia from time to time in order to adhere to the relevant laws and regulations in Malaysia.</p>

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## BUSINESS

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Save for the registration of K Food Holdings as foreign franchisor under the Franchise Act in Malaysia is still in progress, all the above non-compliance incidents are capable of being rectified and had been rectified. In order to prevent future non-compliance of our Group, we had engaged an internal control consultant to review the internal control effectiveness of our Group covering major business process. The findings of the review recommended certain areas of improvement for the business of our Group and we have enhanced, or expect to enhance before the Listing, a series of internal control policies and procedures in accordance with such recommendation designed to provide reasonable assurance for achieving objectives including, compliance with applicable laws and regulations, effective and efficient operations and reliable financial reporting. Highlights of our internal control enhancement includes the following:

- *Compliance with GEM Listing Rules and relevant laws and regulations* – We will establish a regulatory compliance manual and checklist and we will continue to monitor our compliance with relevant laws and regulations. Our senior management team will also work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations.
- *Internal audit* – We will establish internal audit function to regularly monitor key controls and procedures in order to assure our management and our Board that the internal control system is functioning as intended. The audit committee of our Board is responsible for supervising our internal audit function.

Our Directors are of the view, and the Sponsor concurs, that our internal control system enhanced or to be enhanced before the Listing would be sufficient and adequate.

In addition, our Group will engage legal advisers to render advice and provide training to our Directors where necessary to ensure that we are in compliance with applicable law and regulations and their updates from time to time. Our Group will engage legal advisers to provide training to our Directors on the relevant laws and regulations pertaining to the aforementioned non-compliances. During the Track Record Period and up to the Latest Practicable Date, our Group has not been charged or penalised for the above non-compliance incidents, and accordingly our Directors are of the view that no provision for the non-compliance incidents was required to be made after taking into account (i) our Controlling Shareholders shall indemnify our Group for any liabilities arising from non-compliance incidents in accordance with the Deed of Indemnity; (ii) the maximum amount of fine involved in the above non-compliances is not material; and (iii) our Directors are of the view that the likelihood of our Group being penalised as a result of the above non-compliances is low taking into account the advice from our Malaysian Legal Advisers. Our Directors expect that the non-compliance incidents will not have any material adverse operational and financial impact on our Group.

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## BUSINESS

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Given that (i) the nature and the circumstances giving rise to the above non-compliance incidents were principally due to lack of relevant legal knowledge and professional advice; (ii) where applicable, the non-compliance incidents have been rectified; (iii) the maximum penalty is not material and the likelihood of prosecution is low; and (iv) we have improved our internal control system to comply with the relevant laws and regulations, our Directors are of the view and the Sole Sponsor concurs, that none of these incidents have any material adverse impact on our business and operations and none of these incidents impugn the competence of our Directors or their suitability to act as a director of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules.

### INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for formulating and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

We have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal control:

- our Directors have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- we have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the GEM Listing Rules;
- our Directors and senior management keep track of day-to-day operations and monitor any associated operational risks of our Group. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details of the qualification and experience of our Directors and senior management, please see “Directors, Senior Management and Employees”;
- our Company has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations;

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## BUSINESS

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- our Company has appointed Mr. Yeap as our compliance officer. The role of the compliance officer includes advising on and assisting our Board in implementing procedures to ensure that our Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Company, and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange;
- our Company has appointed Mr. Kwok Siu Man as our company secretary to oversee the company secretarial matters of our Company; and
- our Company will, from time to time, appoint external legal advisers, where applicable, to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable laws, rules and regulations from time to time to see if any change is required to be made with our operation and internal control system.

With a view to strengthen the internal control procedures of our Group, we have engaged an independent internal control consultant to perform a review over selected areas of our internal controls over financial reporting. With the assistance of the compliance adviser, company secretary and the external legal advisers to be appointed from time to time, it is our aim to maintain on-going and effective internal control system, risk management and corporate governance measures upon and after Listing, as well as to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations.

Our Directors confirm that no material failure occurred and we believe that our internal control and risk management system were sufficient and effective during the Track Record Period. There are various other risks relating to our business and operations and market risks in the ordinary course of our business. For further details, please see "Risk Factors".

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. Lai Weijie, Terence (賴偉傑)	37	Chairman, and executive Director	18 October 2014	24 January 2018	Overseeing our entire Group	Elder brother of Mr. Derek Lai
Mr. Ho Zhi Yi, Levi (何智毅)	35	Chief Executive Officer and executive Director	17 November 2014	24 January 2018	Overseeing the operations and management of our Group	N/A
Mr. Yeap Wei Han, Melvyn (葉偉漢)	34	Chief Financial Officer and executive Director	17 November 2014	24 January 2018	Overseeing our Group's financial matters	N/A
Mr. Tan Chien Fong (陳千楓)	32	Marketing manager and executive Director	17 November 2014	24 January 2018	Overseeing our Group's marketing matters	N/A
<b>Non-executive Director</b>						
Mr. Ng Yook Tim (吳煜添)	38	Non-executive Director	17 November 2014	24 January 2018	Advising on the management and strategic development of our Group and serving on the audit committee, the remuneration committee, and the nomination committee.	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<b>Independent non-executive Directors</b>						
Mr. Chow Wai San (招偉樂)	46	Independent non-executive Director	23 July 2018	23 July 2018	Serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group	N/A
Mr. Law Chung Lam Nelson (羅頌霖)	56	Independent non-executive Director	23 July 2018	23 July 2018	Serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group	N/A
Mr. Choo Zheng Xi (朱正熙)	32	Independent non-executive Director	23 July 2018	23 July 2018	Serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### EXECUTIVE DIRECTORS

**Mr. Lai Weijie, Terence (賴偉傑)**, aged 37, is the co-founder of our Group, executive Director and Chairman. Mr. Terence Lai is responsible for overseeing our entire Group. He was appointed as our Director on 24 January 2018 and re-designated as our executive Director on 10 February 2018. Mr. Terence Lai is currently a director of other subsidiaries of our Group namely After School, Gangnam Kitchen, K Food Holdings, K Food Restaurants, K Food Master, Kogane Yama, NY Night Market, NY Night Market 2, and Nipong Naepong.

Mr. Terence Lai obtained a Diploma in Business Studies (Marketing) from Ngee Ann Polytechnic in August 2001. He further obtained a Master of Business Administration from Murdoch University in October 2008.

Prior to joining our Group, Mr. Terence Lai worked as an unit manager in AIA Group Limited from February 2002 to August 2008. He then worked as a business development manager in The Hongkong and Shanghai Banking Corporation in Singapore from September 2008 to October 2009. He started working as a field representative in Prudential Assurance Company Singapore (Pte) Limited in July 2010, and he was promoted to group financial services director in January 2012 and has been working as such up to the Latest Practicable Date.

**Mr. Ho Zhi Yi, Levi (何智毅)**, aged 35, is the co-founder of our Group, executive Director and Chief Executive Officer. Mr. Ho is responsible for overseeing the operations and management of our Group. Mr. Ho was appointed as our Director on 24 January 2018 and re-designated as our executive Director on 10 February 2018. Mr. Ho is currently a director of other subsidiaries of our Group, namely, After School, Gangnam Kitchen, K Food Holdings, K Food Restaurants, NY Night Market, NY Night Market 2, K Food Master, Kogane Yama, and Nipong Naepong.

Mr. Ho obtained a Diploma with Merit in Mechanical Engineering from Ngee Ann Polytechnic in June 2006.

Prior to joining our Group, Mr. Ho worked as financial consultant in AIA Group Limited from March 2006 to October 2008. Mr. Ho then worked as a manager in HSBC Insurance (Singapore) Pte. Limited from November 2008 to April 2011. He later worked as a senior executive manager in Great Eastern Financial Advisers Private Limited in Singapore from May 2011 to April 2015.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Ho was a director of the following entity which was registered in Singapore with details as follows:

Name of entity	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
3Dot Consultancy and Network Services <sup>(Note)</sup>	Computer programming, consultancy and related activities	3 October 2007	Cancellation

*Note:*

Mr. Ho confirmed that 3Dot Consultancy and Network Services was cancelled in Singapore pursuant to section 14 of the Business Names Registration Act 2014. The application for cancellation can only be made if: (1) if the registration of a person and the person's business name expires, the Registrar is to give written notice to the person that the Registrar may cancel the registration unless the registration is renewed within the period stated in the notice; (2) the period stated in the notice under subsection (1) must be at least 30 days after the date of the notice; and (3) the Registrar may cancel the registration of a person and the person's business name if the registration is not renewed within the period stated in the written notice given under subsection (1).

To the best knowledge, information and belief of Mr. Ho, he confirmed that (i) the above entity was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above entity; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above entity.

**Mr. Yeap Wei Han, Melvyn (葉偉漢)**, aged 34, is the co-founder of our Group, Chief Financial Officer and executive Director. Mr. Yeap is responsible for overseeing the financial matters of our Group. He was appointed as our Director on 24 January 2018 and re-designated as our executive Director on 10 February 2018. Mr. Yeap is currently a director of K Food Holdings.

Mr. Yeap obtained a Diploma in Information Technology (Computer Studies) from Ngee Ann Polytechnic in August 2003. He then obtained a Bachelor of Technology in Mechanical Engineering from National University of Singapore in June 2009. He further obtained a Master of Science in Financial Economics from Singapore Management University in May 2017.

Prior to joining our Group, Mr. Yeap worked as an associate manager in AIA Group Limited in Singapore from September 2006 to November 2008. From November 2008 to July 2012, he worked as an unit manager in HSBC Insurance (Singapore) Pte. Limited. Mr. Yeap started working as a field representative in Prudential Assurance Company Singapore (Pte) Limited in July 2012, and he was promoted to group financial services director in March 2017 and has been working as such up to the Latest Practicable Date.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yeap was a director of the following entities which were incorporated or registered and dissolved in Singapore with details as follows:

Name of entity	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Venture General Pte. Ltd. <sup>(Note 1)</sup>	General insurance	19 February 2014	Struck off
3Dot Consultancy and Network Services <sup>(Note 2)</sup>	Computer programming, consultancy and related activities	3 October 2007	Cancellation

*Notes:*

1. Venture General Pte. Ltd. was struck off pursuant to Section 344A of the Companies Act of Singapore. Under Section 344A(1) of the Companies Act of Singapore, the Registrar may, on application by a company, strike the company's name off the register on such grounds and subject to such conditions as may be prescribed. The Companies (Striking Off) Regulations 2015 of Singapore provide that for the purpose of Section 344A(1) of the Companies Act of Singapore, the Registrar may strike the name of a company off the register on the ground that the company (a) has not started to carry on business or begin operation or has ceased to carry on business or operation. In addition, pursuant to Regulation 2(3) of the Companies (Striking Off) Regulations 2015 of Singapore, the conditions on which the Registrar may strike the name of a company off the register on the application of the company are (a) the company is not a party to any ongoing or pending proceedings (whether civil or criminal) before a court, whether in Singapore or elsewhere, (b) the company has no assets or contingent assets and no liability or contingent liability, and (c) the company is not subject to any ongoing or pending regulatory action or disciplinary proceeding.
2. Mr. Yeap confirmed that 3Dot Consultancy and Network Services was cancelled in Singapore pursuant to section 14 of the Business Names Registration Act 2014. An application for cancellation can only be made if: (1) if the registration of a person and the person's business name expires, the Registrar is to give written notice to the person that the Registrar may cancel the registration unless the registration is renewed within the period stated in the notice; (2) the period stated in the notice under subsection (1) must be at least 30 days after the date of the notice; and (3) the Registrar may cancel the registration of a person and the person's business name if the registration is not renewed within the period stated in the written notice given under subsection (1).

To the best knowledge, information and belief of Mr. Yeap, he confirmed that (i) the above entities were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolution of the above entities; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above entities.

**Mr. Tan Chien Fong (陳千楓)**, aged 32, is the co-founder of our Group, executive Director and marketing manager of our Company. Mr. Tan is responsible for overseeing our Group's marketing matters. Mr. Tan was appointed as our Director on 24 January 2018 and re-designated as our executive Director on 10 February 2018. Mr. Tan is currently a director of K Food Holdings.

Mr. Tan obtained a Diploma in Business Studies from Ngee Ann Polytechnic in June 2006.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Prior to joining our Group, Mr. Tan started working as a field representative in Prudential Assurance Company Singapore (Pte) Limited in December 2009, where he was promoted to financial service director in January 2014 and has been working as such up to the Latest Practicable Date.

### NON-EXECUTIVE DIRECTOR

**Mr. Ng Yook Tim** (吳煜添), aged 38, is the co-founder of our Group and non-executive Director. Mr. Ng is responsible for advising on the management and strategic development of our Group. Mr. Ng was appointed as a Director on 24 January 2018 and re-designated as our non-executive Director on 10 February 2018. Mr. Ng is currently a director of K Food Holdings. Mr. Ng is also a member of the audit committee, remuneration committee and nomination committee.

Mr. Ng obtained a Diploma in Business Studies (Marketing) from Ngee Ann Polytechnic in August 2001. He further obtained a Bachelor of Commerce in Management and Human Resource Management from Murdoch University in June 2008.

Prior to joining our Group, Mr. Ng worked as a field engineer specialist for the Singapore Armed Forces from November 2001 to July 2009. He then worked as a consultant in AIA Group Limited in Singapore from May 2008 to October 2008. He also worked as an unit manager in HSBC Insurance (Singapore) Pte. Limited from November 2008 to November 2009. He started working as a field representative in Prudential Assurance Company Singapore (Pte) Limited in December 2009, and he was promoted to group financial services director in March 2017 and has been working as such up to the Latest Practicable Date.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chow Wai San** (招偉榮), aged 46, was appointed as our independent non-executive Director on 23 July 2018. Mr. Chow is responsible for serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of our Group.

Mr. Chow obtained a Degree of Bachelor of Accountancy from the Nanyang Technological University in June 1995.

Mr. Chow is a chartered accountant of the Institute of Singapore Chartered Accountants and a member of the CPA Australia. He is also a chartered financial analyst of Institute of Chartered Financial Analysts. He has also been an associate member of the Singapore Institute of Directors from February 2015 and up to the Latest Practicable Date.

Mr. Chow worked in Price Waterhouse Singapore (and the merged entity PricewaterhouseCoopers Singapore) from 1995 to 1999 with his last position held as an assistant manager. He then worked in Arthur Andersen Associates (S) Pte Ltd in Singapore from January 2000 to June 2000 as a senior associate of the global corporate finance division.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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He rejoined the Arthur Andersen Associates (S) Pte Ltd as a senior associate in March 2001 with his last position held as an associate director when he left the company in November 2001. Mr. Chow joined nTan Corporate Advisory Pte Ltd as an associate director in November 2001 and left as a director in November 2007. He rejoined nTan Corporate Advisory Pte Ltd in September 2008 as a director and held that position until he left in September 2014. Mr. Chow has also been the managing director of Aquifer Consulting Pte. Ltd. from October 2014 and up to the Latest Practicable Date.

Mr. Chow is also currently an independent non-executive director of Universal Resource and Services Limited, a company listed on the Singapore Exchange (stock code: BGO), Nippcraft Limited, a company listed on the Singapore Exchange (stock code: N32), Resources Prima Group Limited, a company listed on the Singapore Exchange (stock code: 5MM).

Mr. Chow was a director of the following companies which were struck off in Singapore with details as follows:

Name of Company	Nature of business immediately prior to being struck off	Date of being struck off
Cormorant Pte. Ltd. <i>(Note)</i>	General wholesale trading mining consultants and investment holding	8 May 2017
Jcurves Pte Ltd <i>(Note)</i>	Development of E-commerce applications	1 November 2003
Mavericks Financial Group Pte. Ltd. <i>(Note)</i>	Investment holding	4 July 2017
Presidio Equator Pte. Ltd. <i>(Note)</i>	Professional, scientific and technical activities N.E.C.	5 June 2017
U.S. Flow Control Group Pte. Ltd. <i>(Note)</i>	Manufacture and repair of process control equipment and related products	6 April 2017
Asia Five Star Quality Investment Pte. Ltd. <i>(Note)</i>	Investment holding	8 March 2018
Flamingo Corporation Pte. Ltd. <i>(Note)</i>	Wholesale of metals and metal ores except general hardware	8 March 2018
Skybeau Investments Pte Ltd <i>(Note)</i>	General wholesale trade and investment holding	8 March 2018

*Note:* Cormorant Pte. Ltd., Jcurves Pte Ltd, Mavericks Financial Group Pte. Ltd., Presidio Equator Pte. Ltd. and U.S. Flow Control Group Pte. Ltd., Asia Five Star Quality Investment Pte. Ltd., Flamingo Corporation Pte. Ltd. and Skybeau Investments Pte Ltd were struck off pursuant to Section 344A of the Companies Act of Singapore. Under Section 344A(1) of the Companies Act of Singapore, the Registrar may, on application by a company, strike the company's name off the register on such grounds and subject to such conditions as may be prescribed. The Companies (Striking Off) Regulations 2015 of Singapore provide that for the purpose of Section 344A(1) of the Companies Act of Singapore, the Registrar may strike the name of a company off the register on the ground that the

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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company (a) has not started to carry on business or begin operation or has ceased to carry on business or operation. In addition, pursuant to Regulation 2(3) of the Companies (Striking Off) Regulations 2015 of Singapore, the conditions on which the Registrar may strike the name of a company off the register on the application of the company are (a) the company is not a party to any ongoing or pending proceedings (whether civil or criminal) before a court, whether in Singapore or elsewhere, (b) the company has no assets or contingent assets and no liability or contingent liability, and (c) the company is not subject to any ongoing or pending regulatory action or disciplinary proceeding.

To the best knowledge, information and belief of Mr. Chow, he confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

**Mr. Law Chung Lam Nelson (羅頌霖)**, aged 56, was appointed as our independent non-executive Director on 23 July 2018. Mr. Law is responsible for serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of our Group.

Mr. Law worked in Manufacturers Hanover Trust Company (currently known as J. P. Morgan Chase & Co.) from April 1982 to April 1989 with his last position held as a credit account officer. He then worked in First Interstate Bank of California as an account officer from June 1989 to December 1989. He subsequently worked in Transcontinental Trade & Engineering Limited from 1990 to 1993 with his last position held as a general manager. From November 1991 to August 1998, Mr. Law worked in Fillpark Limited with his last position held as a general manager. Mr. Law joined Rank Charm Development Limited as a general manager from 1994 to 1996. He also worked as a general manager in Wholewin Group, a company specialises in digital marketing, from 2005 to 2008. Since 2008, Mr. Law has been an associate director of JP Advisory Limited, a company specialises in corporate finance.

Mr. Law has been a non-executive director of Wealth Glory Holdings Limited, a company listed on the GEM (stock code: 8269) and an independent non-executive director of Man Shun Group (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1746), since September 2013 and June 2018, respectively, and up to the Latest Practicable Date. He has also been the chairman of Angel Fund Company Limited, a company specialises in property finance since November 2013. Mr. Law has also been the executive chairman and chief financial officer of Sealand Capital Galaxy Limited, a company listed on the London Stock Exchange (stock code: SGCL) from July 2015 and up to the Latest Practicable Date.

Mr. Law completed secondary education in Hong Kong in 1979.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Law was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Deligent Construction Limited (天成基業有限公司) <sup>(Note 1)</sup>	construction work	18 October 2002
Super Power Development Limited (豐裕發展有限公司) ("Super Power") <sup>(Note 2)</sup>	trading	29 April 2003
Brightluxe Investments Limited (輝隆投資有限公司) <sup>(Note 3)</sup>	trading	15 February 2002
China Luxe International Limited (中南國際有限公司) <sup>(Note 3)</sup>	trading	7 October 2005
Genta Limited (鍵誠有限公司) <sup>(Note 3)</sup>	trading	27 August 2004
Pan Merit Pacific Limited (美毅太平洋有限公司) <sup>(Note 3)</sup>	trading	6 September 2013
Poline Limited (保航有限公司) <sup>(Note 3)</sup>	trading	28 May 2004
Liu Nik International Trading Limited (廖力國際貿易有限公司) <sup>(Note 4)</sup>	trading	14 October 2016

*Notes:*

- Deligent Construction Limited (天成基業有限公司) was deregistered under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
- Super Power was incorporated in Hong Kong on 17 October 1997 with limited liability and was principally engaged in logistics business. Super Power was indebted to an independent third party in a sum of HK\$38,200.00, being arrears of wages, wages in lieu of notice of dismissal, statutory holiday pay, annual leave pay, and pro-rate double pay. Since Super Power ceased operation on 15 November 1998, was insolvent and unable to pay such debts because of financial difficulty, compulsory winding up proceedings were initiated against Super Power upon a petition filed by an independent third party to the court on March 1999 seeking a court order to wind up Super Power. Based on the documents filed with the court available for inspection, to the best of our Directors' knowledge, information and belief having made reasonable enquiry, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Law's involvement in the dissolution of Super Power.
- Brightluxe Investments Limited (輝隆投資有限公司), China Luxe International Limited (中南國際有限公司), Genta Limited (鍵誠有限公司), Pan Merit Pacific Limited (美毅太平洋有限公司) and Poline Limited (保航有限公司) were dissolved by striking off pursuant to s.291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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4. Liu Nik International Trading Limited (廖力國際貿易有限公司) was deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if, *inter alia*, (a) all the members of such company agree to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

To the best knowledge, belief and information of Mr. Law, he further confirmed that there was no wrongful act on his part leading to the dissolution of Super Power and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in Super Power was part and parcel of his services as a director of Super Power and that no misconduct or misfeasance had been involved in the dissolution of Super Power.

Save for Super Power Development Limited, Mr. Law confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

**Mr. Choo Zheng Xi (朱正熙)**, aged 32, was appointed as an independent non-executive Director on 23 July 2018. Mr. Choo is responsible for serving on the audit committee, remuneration committee and nomination committee of our Board, and providing independent judgment on the issues of strategy, performance, resources and standard of our Group.

Mr. Choo obtained a Bachelor of Laws from the National University of Singapore in June 2010. Mr. Choo then obtained a Master of Laws from New York University in December 2010.

Mr. Choo worked in Rodyk & Davidson LLP (currently known as Dentons Rodyk & Davidson LLP) as an associate from September 2011 to September 2012. Mr. Choo subsequently joined Peter Low LLC (currently known as Peter Low & Choo LLC) in October 2012 and he has been a named director since February 2017.

Mr. Choo is practising as an advocate and a solicitor in Singapore. Mr. Choo is currently the co-chairman of the Singapore Law Society Young Lawyers' Committee and the liaison officer in the International Bar Association Young Lawyers' Committee in Singapore.

### DIRECTORS' INTERESTS

Save as disclosed in "C. Further information about substantial shareholders, directors and experts" in Appendix IV to this prospectus, each of our Directors (i) had no interest in our Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, controlling shareholder(s) (as defined under the GEM Listing Rules), or senior management of our Company; and (iii) had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Saved as disclosed in “C. Further information about substantial shareholders, directors and experts – 2. Particulars of service contracts” in Appendix IV to this prospectus, each Director has no existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation).

Save as discussed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Derek Lai Weikang (賴偉康)	33	General Operations Manager	1 November 2014	1 November 2014	Oversee and assist our Group’s operational matters alongside with the Chief Executive Officer	Younger brother of Mr. Terence Lai
Mr. Ang Chip Teng (翁集登)	34	Senior Service Operation Manager	20 January 2015	1 January 2016	Assist in the daily operations of all restaurants of our Group	N/A
Mr. Chow Wai Loon	29	Area Service Manager	1 April 2015	1 August 2017	Oversee and manage operation of all restaurants of our Group	N/A
Ms. Cindy Wang Peifen (王佩芬)	28	Human Resource Manager	1 November 2014	1 January 2015	Oversee and manage all human resources matters of our Group	N/A
Mr. Khor Meng Kian (許明建)	25	Kitchen Operation Manager	17 February 2015	1 August 2017	Oversee and manage all kitchen operation matters	N/A
Mr. Zhou Ming (周明)	42	Kitchen Operation Manager	14 February 2015	1 August 2017	Oversee and manage all kitchen operation matters	N/A



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Derek Lai Weikang** (賴偉康), aged 33, has been the general operations manager of our Group since November 2014. Mr. Derek Lai is responsible for overseeing and assisting our Group's operational matters alongside the Chief Executive Officer.

Mr. Derek Lai obtained a Diploma in Interior Design from the Nanyang Academy of Fine Arts in Singapore in 2006.

Prior to joining our Group, Mr. Derek Lai worked as an assistant manager in OKH Holdings Pte. Ltd, a subsidiary of OKH Global Ltd, a company listed on the Singapore Exchange (stock code: S3NC) from 2006 to 2008. He then worked as a manager in I-Unity Business Pte. Ltd. from 2008 to 2011. He subsequently worked as a financial advisor in Prudential Assurance Company Singapore (Pte) Limited from 2014 to 2015.

**Mr. Ang Chip Teng** (翁集登), aged 34, is the senior service operation manager of our Group. Mr. Ang is primarily responsible for assisting in the daily operations of all restaurants of our Group. He first joined our Group as restaurant manager in January 2015 and was appointed as our senior service manager in January 2016.

Mr. Ang completed secondary education in Singapore in 1999. He was then awarded a Statement of Attainment of WSQ Follow Food & Beverage Safety and Hygiene Policies and Procedures by Xprienz Pte. Ltd in August 2011.

Mr. Ang has over 13 years of experience in food and beverage industry. Prior to joining our Group, Mr. Ang worked as a waiter in Michelangelo's Restaurant from March 2004 to December 2006. He then worked as a restaurant supervisor in Oosters Belgian Brasserie from January 2007 to September 2009. He later worked as an assistant manager in Shiraz F & B Pte. Ltd. from November 2009 to February 2010 and Oosters Belgian Brasserie from March 2010 to December 2011. Mr. Ang also worked as a senior supervisor in JC Tapas Bar Pte Ltd from December 2011 to December 2012, and subsequently worked as a manager at the Violet Oon's Kitchen by Violet Oon from January 2013 and December 2013. He joined JC Tapas Bar Pte Ltd as an assistant manager from February 2014 to December 2014.

**Mr. Chow Wai Loon** ("Mr. Aaron Chow"), aged 29, is the area service manager of our Group. Mr. Aaron Chow is primarily responsible for overseeing and managing operations of all restaurants of our Group. Mr. Aaron Chow first joined our Group as a floor supervisor in April 2015 and was appointed as our area service manager in August 2017.

Prior to joining our Group, Mr. Aaron Chow worked as a sales executive in Xes Studio in Malaysia from May 2008 to December 2009. He then worked as restaurant assistant manager in Paradise Group from March 2010 to February 2015.

Mr. Aaron Chow completed secondary education from Skudai National Secondary School in November 2007.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Ms. Cindy Wang Peifen (王佩芬)**, aged 28, is the human resource manager of our Group. Ms. Wang is primarily responsible for overseeing and managing all human resources matters of our Group. Ms. Wang first joined our Group as an administrative executive in November 2014 and was appointed as our human resource manager in January 2015.

Ms. Wang obtained a Diploma in Financial Informatics from Ngee Ann Polytechnic in May 2013.

Prior to joining our Group, Ms. Wang worked as an administrative officer in TLG agency group representing Prudential Assurance Company Singapore (Pte) Limited from April 2013 to January 2015.

**Mr. Khor Meng Kian**, aged 25, is the kitchen operation manager of our Group. Mr. Khor is primarily responsible for overseeing and managing all kitchen matters of our Group. Mr. Khor first joined our Group as a kitchen supervisor in February 2015 and was appointed as our kitchen manager in August 2017.

Prior to joining our Group, Mr. Khor worked as an assistant supervisor in Mr Bean Pte. Ltd from March 2011 to February 2012. From April 2012 to April 2014, he worked as a sushi chef in Musturi Japanese Restaurant. He then worked as supervisor in Bonchon Singapore Pte. Ltd from May 2014 to January 2015.

Mr. Khor completed secondary education in Malaysia in December 2010.

**Mr. Zhou Ming (周明)**, aged 42, is the kitchen operation manager of our Group. Mr. Zhou is also responsible for overseeing and managing all kitchen matters of our Group. Mr. Zhou first joined our Group as a kitchen crew in February 2015 and was appointed as our kitchen manager in August 2017.

Prior to joining our Group, Mr. Zhou worked as a kitchen supervisor in Gongxiao Restaurant\* (供銷飯莊) in China from July 1999 to April 2002. He subsequently worked in Liaozhongsanyuan clothes store\* (遼中三元商城服裝店) in China as a sales assistant from May 2002 to November 2004. He then worked as kitchen supervisor at Ziuga Fungmei Restaurant\* (趙家風味館) in China from January 2005 to December 2006, and as a kitchen manager in Fish & Co. in Singapore from February 2007 to April 2012. From April 2014 to January 2015, Mr. Zhou worked in Beauty, Body and Health Hall\* (美容美體養生會館).

Mr. Zhou completed secondary education in the PRC in July 1995.

To the best knowledge of our Directors, each of the members of our senior management had not held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding to the Latest Practicable Date.

\* For identification purpose only

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPANY SECRETARY

**Mr. Kwok Siu Man** (郭兆文) was appointed as our Company Secretary on 10 February 2018.

Mr. Kwok has over 30 years of extensive legal, corporate secretarial and management experience. He served as the company secretary of various listed companies in Hong Kong including Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), Lai Fung Holdings Limited (stock code: 1125), S E A Holdings Limited (stock code: 251), K. Wah International Holdings Limited (stock code: 173) and Great Eagle Holdings Limited (stock code: 41).

Mr. Kwok is a fellow member of each of the Institute of Chartered Secretaries and Administrators and the Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries (“HKICS”), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute.

Mr. Kwok is currently an executive director and head, corporate secretarial of Boardroom Corporate Services (HK) Limited, a director of Boardroom Share Registrars (HK) Limited, our Hong Kong branch share registrar and a member of the executive committee of Federation of Share Registrars Limited.

Mr. Kwok obtained a Professional Diploma in Company Secretaryship and Administration and a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University). He also completed a Post-Graduate Diploma in Laws from the Manchester Metropolitan University in England and passed the Common Professional Examination in England and Wales. Mr. Kwok was a council member of the HKICS and a chief examiner of its international qualifying scheme.

Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (stock code: 65), a company listed on the Main Board of the Stock Exchange, from February 2015 to February 2016. He is currently an independent non-executive director of Tak Lee Machinery Holdings Limited, a company listed on GEM (stock code: 8142), since June 2017 and up to the Latest Practicable Date.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Kwok was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Month and year of approval of present membership grade
The Institute of Chartered Secretaries and Administrators	Associate member	November 1984
The Institute of Chartered Secretaries and Administrators	Fellow member	October 1990
The Taxation Institute of Hong Kong	Associate member	May 1993
Hong Kong Institute of Human Resource Management	Associate member	October 1993
HKICS	Fellow member	August 1994
The Institute of Financial Accountants	Fellow member	August 1996
The Chartered Institute of Arbitrators	Associate member	October 1996
Hong Kong Institute of Arbitrators	Associate member	January 1998
Hong Kong Securities and Investment Institute	Member	April 1999
The Chartered Institute of Arbitrators	Member	February 2000
Society of Registered Financial Planners of Hong Kong	Member	December 2003
Hong Kong Securities and Investment Institute	Ordinary Member	November 2012
The Association of Hong Kong Accountants	Fellow member	June 2014
The Hong Kong Institute of Directors	Fellow member	July 2014
Institute of Public Accountants	Fellow member	April 2015

Save as disclosed above, Mr. Kwok is not and has not been a director of any listed company in Hong Kong or overseas in the past three years.

### COMPLIANCE OFFICER

Mr. Yeap is the compliance officer of our Company. For his biographical details, please see “Executive Directors” in this section.

### COMPLIANCE ADVISER

Our Company has appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The compliance adviser will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### **BOARD COMMITTEES**

Our Board has established the audit committee, remuneration committee and nomination committee.

#### **Audit committee**

Our Company has established the audit committee on 23 July 2018 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The audit committee comprises four members, namely Mr. Chow Wai San, Mr. Law Chung Lam Nelson, Mr. Choo Zheng Xi and Mr. Ng Yook Tim. Mr. Chow Wai San is the chairman of the audit committee. The principal duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group, review of our Group's financial information, review of the relationship with the external auditor of our Company and performance of the corporate governance functions delegated by our Board.

#### **Remuneration committee**

Our Company has established the remuneration committee on 23 July 2018 with written terms of reference in compliance with paragraph B.1.2 of the Code. The remuneration committee comprises four members, namely Mr. Choo Zheng Xi, Mr. Law Chung Lam Nelson, Mr. Chow Wan San and Mr. Ng Yook Tim. Mr. Choo Zheng Xi is the chairman of the remuneration committee. The principal duties of the remuneration committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Nomination committee

Our Company has established the nomination committee on 23 July 2018 with written terms of reference in compliance with paragraph A.5.2 of the Code. The nomination committee comprises four members, namely Mr. Lam Chung Lam Nelson, Mr. Chow Wai San, Mr. Choo Zheng Xi and Mr. Ng Yook Tim. Mr. Law Chung Lam Nelson is the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors. The nomination committee will also monitor the implementation of our Board diversity policy. According to the policy, we select candidates for our Board based on a range of diversity perspectives, which would include but not limited to age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Code and the associated GEM Listing Rules. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee and nomination committee on 23 July 2018 with respective written terms of reference in accordance with the code provisions contained in the Code. Further information is set out in “Audit committee”, “Remuneration committee” and “Nomination committee” in this section;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provision of the Code;
- (iii) we will arrange appropriate insurance cover on our Directors’ liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of our Board and at least one of them has accounting expertise;
- (v) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be counted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested;
- (vi) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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- (vii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Code;
- (viii) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (ix) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Board will review our Company's policies and practises on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

### **DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION**

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 was approximately SGD256,000, SGD264,000 and SGD94,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 was approximately SGD34,000, SGD38,000 and SGD13,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in "Statutory and General Information – C. Further information about substantial shareholders, Directors and experts – 3. Remuneration of Directors" in Appendix IV to this prospectus.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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The emoluments paid to our Group's five highest paid individuals (excluding Directors) in aggregate for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 was approximately SGD218,000, SGD238,000 and SGD88,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see note 13 in the Accountants' Report set out in Appendix I to this prospectus.

### **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 23 July 2018. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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### OVERVIEW

Immediately following completion of the Capitalisation Issue and Share Offer, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Canola will hold approximately 54.25% of the issued share capital of our Company. Canola was an investment holding company as at the Latest Practicable Date. As Canola is entitled to directly exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, Canola is regarded as our Controlling Shareholder under the GEM Listing Rules. Canola is owned as to approximately 33.69% by Mr. Terence Lai, 23.17% by Mr. Yeap, 16.85% by Mr. Ho, 12.64% by Mr. Tan, 12.64% by Mr. Ng and 1.01% by Mr. Derek Lai. As each of Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai have decided to restrict their ability to exercise direct control over our Company by holding their interests through Canola, and by virtue of the Acting-in-concert Confirmation, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai will be a group of Controlling Shareholder(s) under the GEM Listing Rules. Therefore, Canola, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai will all be regarded as our Controlling Shareholder(s) under the GEM Listing Rules.

As at the Latest Practicable Date, Canola is an investment holding company. For the details of our Controlling Shareholder(s), please see "Directors, Senior Management and Employees".

### ACTING-IN-CONCERT CONFIRMATION

On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai (the "**Parties**") entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 1 October 2015, (i) they have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another as a single business venture in respect of all material management matters, voting decisions and/or business decisions relating to our Group required to be approved by shareholders (including but not limited to financial and operation policy, declaration of dividends, annual budget, execution of material contracts and investment and appointment of directors and senior management relating to our Group); (ii) when exercising their respective voting rights at the shareholders' meetings of our Company, they shall vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, as the case may be, unanimously in accordance with the consensus achieved among the Parties; (iii) prior to voting on any resolutions in shareholders' meeting and board meeting of our Company, each of the Parties will discuss the relevant matters with one another with a view to reaching consensus and a unanimous vote; and (iv) the Parties manage and control our Group on a collective basis and make collective decisions in respect of the financial and operating policies of our Group.

Each of our Controlling Shareholder(s) confirms that he/it do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER(S)

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, our Controlling Shareholder(s), their respective close associates or any other parties, taking into account the following factors:

**(i) Financial independence**

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholder(s) from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholder(s).

During the Track Record Period, we financed our operations principally through a combination of cash generated from our operations and bank borrowings. Please see “Financial Information – Indebtedness – Borrowings” and note 25 of the Accountants’ Report in Appendix I to this prospectus for details.

During the Track Record Period and up to the Latest Practicable Date, Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan and/or Mr. Ng had provided personal guarantees along with a charge on the fixed deposit of Mr. Terence Lai in the amount of SGD125,000 to secure our Group’s bank borrowings obtained from certain banks to fund our Group’s business operations. As at the Latest Practicable Date, we had total banking facilities of approximately SGD2.2 million, among which (i) approximately SGD1.0 million were secured by personal guarantees that our Group was not able to obtain written consents from the relevant banks to release them upon Listing due to (a) the bank providing facility in the amount of SGD0.3 million declined as it was the bank’s practice that no written consents would be provided prior to the Listing as the bank will only evaluate the replacement after our Company is listed; (b) the bank providing facility in the amount of approximately SGD0.2 million were unable to release the personal guarantees as the loan was a small and medium enterprises loan which the provision of personal guarantees of our Directors is the bank’s mandatory requirement therein; and (c) the banking facility in the amount of SGD0.5 million was a bridge loan for partial payment of Listing expenses and it was agreed with the bank that such facility will be repaid after the Listing and hence replacement of corporate guarantees would not be applicable; and (ii) approximately SGD1.2 million with consents having been obtained from the relevant bank that the personal guarantees would be released and replaced by corporate guarantee of our Company upon Listing. Such SGD1.2 million banking facility with consents having been obtained as at the Latest Practicable Date were the replacement of a banking facility from the same bank with facility amount of approximately SGD0.3 million before the replacement became effective in June 2018.

As at 31 May 2018, total outstanding bank borrowings of our Group amounted to approximately SGD1.0 million, among which approximately SGD0.8 million were derived from the aforementioned banking facilities of approximately SGD1.0 million that were secured by personal guarantees that cannot be released upon the Listing. Taking into account that (i)

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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our Group's bank balances and cash of approximately SGD0.8 million as at 31 May 2018; and (ii) total banking facilities of approximately SGD1.2 million that were made available to our Group in June 2018 with personal guarantees of our Controlling Shareholders to be released upon Listing, our Directors consider that our Group shall have sufficient financial resources to operate independently in the event that there is a pressing need to terminate all banking facilities secured by the personal guarantees of our Controlling Shareholders.

Nevertheless, such borrowings with personal guarantees not being able to be released upon the Listing shall be settled with part of the net proceeds from the Share Offer shortly after Listing, details of which please refer to "Future Plans and Use of Proceeds" and such personal guarantee and charge on fixed deposit will be released upon repayment. Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan and Mr. Ng will be providing financial assistance to our Group upon Listing, but they will be fully exempted from the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Rule 20.88 of the GEM Listing Rules. For details, please see "Connected Transactions".

Mr. Terence Lai, Mr. Ho, Mr. Lawrence Tan and Mr. Shenton Yap had provided personal guarantees to the landlord of Chir Chir (PV) under the tenancy agreement for Chir Chir (PV). Such personal guarantees are expected to continue during the remaining term of the tenancy agreement and will be released upon the expiration of the relevant lease in January 2020. For further details, please see "Connected Transactions". Our Directors believe that we are not overly reliant on our Controlling Shareholders because we were able to obtain tenancy proposals with comparable size for operation of restaurants from a number of top-tier shopping malls in Kuala Lumpur without personal guarantee by our Controlling Shareholders. Such top-tier shopping malls are comparable to Pavilion in Kuala Lumpur because they are also (i) shopping malls with over 140 stores ranging from various restaurants of different offerings to fashion appeal and accessories; (ii) targeting middle to upper class consumers including white collars, professionals, families with children, etc.; (iii) situated at convenient locations with diversified brands and services combination; and (iv) able to benefit from high customer flow. We decided to place our restaurants in Pavilion because it is prestigious and popular among other top-tier shopping malls in Kuala Lumpur. In the event that there is a pressing need to terminate the personal guarantee by our Controlling Shareholders, we believe we are able to secure tenancy in other top-tier malls to relocate our Chir Chir (PV), and save for the relocation cost, there would be no material adverse impact on us.

As at the Latest Practicable Date, it is expected that Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan and Mr. Ng shall provide personal guarantees to the landlord of Chir Chir (313), Masizzim (313), Nipong Naepong (313), Chir Chir (JEM), Kogane Yama (JEM) and Nipong Naepong (JEM) as a condition to obtain its consents. Such personal guarantees are expected to be released and replaced by additional supplemental security deposit after the Listing. For further details, please see "Connected Transactions".

As at 31 May 2018, our Group had amount due to a Director of approximately SGD0.3 million and amounts due from Directors of approximately SGD0.3 million, which were non-trade in nature, unsecured, interest-free and repayable on demand. Our Directors confirm that all outstanding balances due from/to our Controlling Shareholder(s) and/or related parties will be fully settled before Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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Our Directors confirm that, during the Track Record Period, our Group did not default on any payment of the bank borrowings, rent or any other money payable under the loan agreements and lease agreements.

Save for the above, we are financially independent of our Controlling Shareholder(s) and their respective close associates. Our Directors confirm that our Group will not rely on our Controlling Shareholder(s) for financing after Listing. With the settlement of advance from the Directors, repayment of bank borrowings from net proceeds of the Share Offer, release of personal guarantees of the bank borrowings, as well as the enhanced borrowing power derived from listing status, our Directors believe that our Group has sufficient capital to operate our business independently upon Listing, and have adequate internal resources to support our daily operations.

### (ii) Operational independence

Although our Controlling Shareholder(s) will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries) holds all relevant licenses necessary to carry on the business, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholder(s).

During the Track Record Period, our Group purchased group hospital and surgical policy (the “**Insurance Policy**”) through Mr. Yeap, who is an insurance agent of Prudential Assurance Company Singapore (Pte) Ltd (“**Prudential**”). Mr. Yeap obtained commission in a total sum of approximately SGD1,000, SGD800 and nil during the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively from Prudential as commission to the Insurance Policy. Our Group ceased to purchase any insurance policy with Mr. Yeap and changed the insurance servicing agent to an Independent Third Party since January 2018.

On 1 October 2015, K Food Holdings entered into an employee services sharing agreement with Mr. Terence Lai for the sharing of services of a number of employees employed or to be employed by K Food Holdings for administrative and business support functions commencing from 1 October 2015. The said agreement shall automatically be renewed in each subsequent year unless terminated. In exchange for the employees providing services to Mr. Terence Lai’s insurance agency business, payment were made by Mr. Terence Lai to K Food Holdings of a pro rata portion of these employees’ salaries and overhead with reference to their working hours assigned to K Food Holdings and the insurance agency business of Mr. Terence Lai. During the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, approximately SGD85,000, SGD109,000 and SGD46,000 had been paid by Mr. Terence Lai to our Group under such arrangement, respectively. Such arrangement had been terminated since 5 February 2018.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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On 15 March 2016, the landlord of our office premises, an Independent Third Party, and K Food Holdings (as the tenant) entered into a tenancy agreement (the “**Tenancy Agreement**”) for the lease of the office premises with gross floor area of approximately 3,283 sq.ft. situated at #12-01 Orchard Building, 1 Grange Road, Singapore 239693 (the “**Premises**”) for a term of three years commencing from 14 April 2016 to 13 April 2019. As we do not need to use the entire area of the Premises for our operations, we have entered into a sublease agreement (the “**Sublease Agreement**”) with Mr. Terence Lai for his insurance agency business on 14 April 2016, pursuant to which our Group subleases part of the Premises with a gross floor area of approximately 2,785 sq.ft. to Mr. Terence Lai for a period commencing from 14 April 2016 and expiring on 13 April 2019 or the date of termination of the Tenancy Agreement, whichever is earlier, at a monthly rental of SGD21,000 and utilities and other charges. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, the aggregate rental and utilities and other charges paid or payable by Mr. Terence Lai to our Group amounted to approximately SGD126,000, SGD262,000 and SGD87,000, respectively. The monthly rental of SGD21,000 was determined with reference to (i) the monthly rental and service charge payable by K Food Holdings as tenant under the Tenancy Agreement; (ii) the gross floor area of the Premises subleased to Mr. Terence Lai; and (iii) the market rent of the Premises in accordance with the valuation report as prepared by an independent property valuer. The utilities and other charges for the Premises shall be borne by our Group and Mr. Terence Lai with reference to the area occupied.

To delineate our business from the insurance agency business of Mr. Terence Lai and in anticipation of our business expansion, on 31 May 2018, K Food Holdings (as tenant) entered into a supplemental agreement (“**Supplemental Agreement**”) with the landlord, pursuant to which the landlord agreed to, amongst others, downsize the Premises to a gross floor area of approximately 1,798 sq.ft. for a term of three years commencing from 22 June 2018 to 21 June 2021. Following the entering into the Supplemental Agreement, the entire Premises shall solely be occupied by our Group and will no longer be shared or subleased to Mr. Terence Lai. Accordingly, we terminated the Sublease Agreement on 31 May 2018.

Save as disclosed, having considered that (i) we have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities; and (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administrative resources with our Controlling Shareholder(s) and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholder(s) from the operational perspective.

### **(iii) Management independence**

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group’s policies and strategies.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)**

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As at the Latest Practicable Date, no executive Director has any business which competes or is likely to compete, either directly or indirectly, with our business.

We consider that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholder(s) because:

- each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist;
- our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum present at the particular Board meeting;
- connected transactions between our Group and our Controlling Shareholder(s) or our respective close associates are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- in addition, save as Mr. Derek Lai, the senior management team of our Group are independent from our Controlling Shareholder(s).

### **RULE 11.04 OF THE GEM LISTING RULES**

Our Controlling Shareholder(s), our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

### **NON-COMPETITION UNDERTAKING**

In order to avoid any possible future competition between our Group and our Controlling Shareholder(s) (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 23 July 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has, among other things, irrevocably and unconditionally undertaken to our Company (for itself and on behalf of its subsidiaries) that, during the period that the Deed of

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)**

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Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing and post-listing business activity of any member of our Group from time to time at present or after the Listing.

Each of the Covenantors further undertakes that if any of he/it or his/its associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within six months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Department granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or ceases to be presumed by the Stock Exchange as a Controlling Shareholder; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

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### CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) we have appointed Lego Corporate Finance Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules;
- (iv) our Controlling Shareholder(s) undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after Listing.



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## CONNECTED TRANSACTIONS

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### INTRODUCTION

Prior to the Listing, we entered into certain transactions with certain persons who will, upon Listing, become our connected persons within the meaning under Chapter 20 of the GEM Listing Rules. After the Listing, we will continue to carry out the following transactions with these parties and such transactions will therefore constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules.

### CONNECTED PERSONS INVOLVED

Each of Mr. Terence Lai, Mr. Ho, Mr. Yeap and Mr. Tan is an executive Director and a Controlling Shareholder, and Mr. Ng is a non-executive Director and a Controlling Shareholder.

Jaesan Food Holdings is a substantial shareholder of K Food Master, an indirect non-wholly owned subsidiary of our Company.

Each of Mr. Lawrence Tan and Mr. Shenton Yap is a director and shareholder of Jaesan Food Holdings and the directors of K Food Master and K Food Restaurants.

Mr. Peh is a substantial shareholder and a director of Kogane Yama, an indirect non-wholly owned subsidiaries of our Company.

Following the Listing, each of Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, Mr. Ng, Mr. Peh, Mr. Lawrence Tan, Mr. Shenton Yap, and Jaesan Food Holdings will become a connected person of our Company under Chapter 20 of the GEM Listing Rules. Accordingly, the transactions between our Group and the connected persons will constitute connected transactions of our Company under Chapter 20 of the GEM Listing Rules.

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## CONNECTED TRANSACTIONS

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 20.74(1) OF THE GEM LISTING RULES

The following table sets forth an overview of the fully-exempt continuing connected transactions under Rule 20.74(1) of the GEM Listing Rules of our Company upon Listing:

No.	Agreement	Nature	Term	Parties	Historical transaction amount	Annual caps
1	Jaesan Agreement	Business partnership arrangement	Five years commencing from 10 September 2016 to 9 September 2021	K Food Holdings and Jaesan Food Holdings	Nil, approximately SGD160,000 and SGD27,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively	SGD200,000 for the years ending 30 September 2018, 2019 and 2020
2	PKG Agreement	Business partnership arrangement	Five years commencing from 3 January 2017 up to 2 January 2022	K Food Holdings and Mr. Peh	Nil, approximately SGD168,000 and SGD40,000 for the year ended 30 September 2016 and 2017 and the four months ended 31 January 2018, respectively	SGD180,000 for the years ending 30 September 2018, 2019 and 2020

#### 1. Jaesan Agreement

On 10 September 2016, K Food Holdings entered into the Jaesan Agreement with Jaesan Food Holdings for the operation and development of “Chir Chir” restaurant network in Malaysia for an initial term of five years commencing from 10 September 2016 up to 9 September 2021. On 20 July 2018, K Food Holdings entered into a second amendment agreement with Jaesan Food Holdings whereby it was agreed that the Jaesan Agreement shall not be automatically renewed upon the expiry of the initial term of five years.

Pursuant to the Jaesan Agreement, K Food Master was formed with 60% and 40% of the working and paid up capital attributable to K Food Holdings and Jaesan Food Holdings, respectively, and any net profits accruing to K Food Master shall be held and distributed to K Food Holdings and Jaesan Food Holdings as to 60% and 40%, respectively in accordance with their respective shareholdings in K Food Master.

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## CONNECTED TRANSACTIONS

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In consideration of our Group providing the franchise rights to operate “Chir Chir” restaurants in Malaysia as well as operation supports, trainings, initial setup assistance, new menu supports and management supports for the operation of “Chir Chir” restaurants in Malaysia, Jaesan Food Holdings shall pay K Food Holdings (i) an annual fee of SGD80,000; (ii) initial payment of SGD80,000 for the first two stores open in Malaysia; and (iii) store open fee of SGD40,000 whenever a new store is opened for more than six months.

The aforementioned annual fee and store open fee were determined after arm’s length negotiations between the parties with reference to (i) the franchise fee paid by our Group to the Chir Chir Franchisor for the master franchise rights in Malaysia under the Chir Chir Franchise Agreements; and (ii) the business performance of our Group for the operation of “Chir Chir” restaurants in Singapore.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, the aggregate annual fee and store open fee paid by Jaesan Food Holdings to our Group amounted to nil, approximately SGD160,000 and SGD27,000, respectively. Our Directors estimate that the aggregate annual fee and store open fee payable by Jaesan Food Holdings under the Jaesan Agreement will not exceed SGD200,000 for each financial year on the basis that no more than three new “Chir Chir” restaurants will be opened in Malaysia in each financial year with reference to the historical expansion rate of our “Chir Chir” restaurant network in Singapore.

Prior to the entering into of the Jaesan Agreement, our Group had no prior experience in conducting business in Malaysia despite the obtaining of the master franchise rights of “Chir Chir” from the Chir Chir Franchisor. To expand our business to the Malaysian market and to utilise the master franchise rights in Malaysia under the Chir Chir Franchise Agreements, our Group entered into the Jaesan Agreement to commence business operation of Chir Chir (PV) in Malaysia.

Our Directors (including our independent non-executive Directors) consider that the Jaesan Agreement has been entered into in the ordinary and usual course of business of our Group, and that the transactions contemplated under the Jaesan Agreement are on normal commercial terms, fair and reasonable and in the interest of our Company and our Shareholders as a whole.

As each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under the Jaesan Agreement is expected to be less than 5% and the aggregate annual fee and store open fee is expected to be less than HK\$3,000,000 on an annual basis, the transactions contemplated under the Jaesan Agreement fall within the de minimis threshold under Rule 20.74(1) of the GEM Listing Rules and will be exempt from the reporting, announcement, circular, annual review and independent Shareholders’ approval requirements.

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## CONNECTED TRANSACTIONS

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Before the end of the financial year ending 30 September 2020, our Company will re-comply with the reporting, announcement and independent Shareholders' approval under Chapter 20 of the GEM Listing Rules and, if applicable, the requirement for setting new annual caps for the maximum aggregate annual fee and store open fee payable under the Jaesan Agreement for an additional three year period.

### **2. PKG Agreement**

On 3 January 2017, K Food Holdings entered into the PKG Agreement with Mr. Peh for the operation and development of "Kogane Yama" restaurant network in Singapore for an initial term of five years commencing from 3 January 2017 up to 2 January 2022. On 20 July 2018, K Food Holdings entered into a second amendment agreement with Mr. Peh whereby it was agreed that the PKG agreement shall not be automatically renewed upon the expiry of the initial term of five years.

Pursuant to the PKG Agreement, Kogane Yama was set up with 60% and 40% of the working and paid up capital attributable to K Food Holdings and Mr. Peh, respectively, and any net profits accruing to Kogane Yama shall be held and distributed to K Food Holdings and Mr. Peh as to 60% and 40%, respectively in accordance with their respective shareholdings in Kogane Yama.

In consideration of our Group providing the system which contains all elements required for operation of store in Singapore for the rights to use "Kogane Yama" as well as operation supports, trainings, initial setup assistance, new menu supports and management supports for the operation of "Kogane Yama" restaurants, Mr. Peh shall pay to K Food Holdings (i) an annual fee of SGD120,000; (ii) initial payment of SGD60,000 for the first two stores open in Singapore; and (iii) store open fee of SGD30,000 whenever a new store is opened for more than six months.

The aforementioned annual fee and store open fee were determined after arm's length negotiations between the parties with reference to (i) the franchise fee paid by our Group under the Chir Chir Franchise Agreements and the Masizzim Franchise Agreements; and (ii) the business performance of our Group for the operation of restaurants in Singapore.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, the aggregate annual fee and store open fee paid by Mr. Peh to our Group amounted to nil, approximately SGD168,000 and SGD40,000, respectively. Our Directors estimate that the aggregate annual fee and store open fee payable by Mr. Peh under the PKG Agreement will not exceed SGD180,000 for each financial year on the basis that no more than two new "Kogane Yama" restaurants will be opened in Singapore in each financial year with reference to the business plan of our Group on Kogane Yama and the historical expansion rate of "Chir Chir" restaurants and "Masizzim" restaurants in Singapore.

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## CONNECTED TRANSACTIONS

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“Kogane Yama” is the first self-developed brand of our Group. To secure a stable source of income and to expand our business in a prudent manner, our Group entered into the PKG Agreement to commence the operation and development of “Kogane Yama” restaurant network in Singapore through Kogane Yama.

Our Directors (including our independent non-executive Directors) consider that the PKG Agreement has been entered into in the ordinary and usual course of business of our Group, and that the transactions contemplated under the PKG Agreement are on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

As each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under the PKG Agreement is expected to be less than 5% and the aggregate annual fee and store open fee is expected to be less than HK\$3,000,000 on an annual basis, the transactions contemplated under the PKG Agreement fall within the de minimis threshold under Rule 20.74(1) of the GEM Listing Rules and will be exempt from the reporting, announcement, circular, annual review and independent Shareholders’ approval requirements.

Before the end of the financial year ending 30 September 2020, our Company will re-comply with the reporting, announcement and independent Shareholders’ approval under Chapter 20 of the GEM Listing Rules and, if applicable, the requirement for setting new annual caps for the maximum aggregate annual fee and store open fee payable under the PKG Agreement for an additional three year period.

### **Duration of the Jaesan Agreement and the PKG Agreement**

The term of each of the Jaesan Agreement and PKG Agreement exceeds three years. Under the requirements of the GEM Listing Rules, each of the Jaesan Agreement and PKG Agreement shall have a fixed term and should be for a duration of no longer than three years unless in special circumstances where the nature of the transaction requires them of a longer period. Our Directors consider that Jaesan Agreement and PKG Agreement are crucial for governing the stable operation of “Chir Chir” restaurants in Malaysia and “Kogane Yama” restaurants in Singapore under K Food Master and Kogane Yama, respectively. The Jaesan Agreement and PKG Agreement shall also provide our Group with a stable stream of income generated from the annual fee payable by Jaesan Food Holdings and Mr. Peh, respectively. Accordingly, our Directors (including our independent non-executive Directors) consider that the term of the Jaesan Agreement and PKG Agreement exceeding three years is in the interests of our Company and our Shareholders as a whole as it will enable our Group to (i) secure a stable source of income; and (ii) maintain stable cooperation relationship with our business partner for the continuous development of our “Chir Chir” restaurants in Malaysia and our “Kogane Yama” restaurants. As such, our Directors are of the view, and the Sole Sponsor concurs, that the term exceeding three years is appropriate for the Jaesan Agreement and the PKG Agreement, and it is normal business practice for contracts of this type to be of such duration so far as our Directors and the Sole Sponsor are aware.

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## CONNECTED TRANSACTIONS

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 20.88 OF THE GEM LISTING RULES

#### 1. Personal guarantees on tenancy agreements

K Food Restaurants (as tenant) entered into a tenancy agreement dated 15 February 2017 with an Independent Third Party for the leasing of the premises situated at Lot 1.108.00 Level 1, Pavillon Kuala Lumpur Mall, 168, Jalan Raja Chulan, Bukit Bintang, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia for a period of three years commencing from 15 January 2017 to 14 January 2020 for the operation of Chir Chir (PV). Please see “Business – Real Properties – Leased properties” for further information.

When the relevant tenancy agreement was entered into, to secure the due performance of the obligations of K Food Restaurants under the tenancy agreement, Mr. Terence Lai and Mr. Ho, together with Mr. Lawrence Tan and Mr. Shenton Yap, shareholders and directors of Jaesan Food Holdings, had provided personal guarantees to the landlord of Chir Chir (PV). The amount secured by the personal guarantee shall be equivalent to our Group’s outstanding rent under the tenancy agreement of Chir Chir (PV) for the remaining term of lease from August 2018 to January 2020. Pursuant to the tenancy agreement of Chir Chir (PV), monthly rental shall either be the higher of fixed basic rent or turnover rent based on gross sales. Based on the fixed basic rent, the estimated amount secured by personal guarantees amounted to approximately RM0.8 million. We have requested the landlord of Chir Chir (PV) to replace the personal guarantees provided by Mr. Terence Lai, Mr. Ho, Mr. Lawrence Tan and Mr. Shenton Yap by a corporate guarantee to be provided by our Company but our request had not been granted by the landlord as at the Latest Practicable Date.

K Food Holdings (as tenant) entered into tenancy agreements with an Independent Third Party for the leasing of the premises for operating our Kogane Yama (JEM), Nipong Naepong (JEM), Chir Chir (JEM), Chir Chir (313), Masizzim (313) and Nipong Naepong (313). Please see “Business – Real Properties – Leased properties” for further information. As at the Latest Practicable Date, we obtained consents from the landlord of Chir Chir (313), Masizzim (313), Nipong Naepong (313), Chir Chir (JEM), Kogane Yama (JEM) and Nipong Naepong (JEM) on, among others, the Reorganisation and the proposed Listing, on the condition that (i) prior to the Listing, Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan and Mr. Ng shall provide personal guarantees to the landlord for a period up to three months after the date of Listing or after the landlord having received additional supplemental security deposit; and (ii) following the Listing, the personal guarantees will be released and replaced by the additional supplemental security deposit. Since such personal guarantees shall be replaced by the additional supplemental security deposit, the amount secured by personal guarantees shall be equivalent to the amount of the additional supplemental security deposit, being approximately SGD0.5 million in aggregate.

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## CONNECTED TRANSACTIONS

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No consideration has been paid by us to Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, Mr. Ng, Mr. Lawrence Tan and Mr. Shenton Yap for their provision of the personal guarantees under the said tenancy agreements for the benefit of our Group and no counter guarantee, indemnity or security over the assets of our Group has been given by our Group to Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, Mr. Ng, Mr. Lawrence Tan and Mr. Shenton Yap in this connection.

Our Directors confirm that, save for exceptional circumstances where personal guarantees by natural persons must be provided, we will not allow any connected person of our Company to provide any personal guarantee when renewing any tenancy agreement or entering into any new tenancy agreement after the Listing and we will not enter into any tenancy agreement which require guarantee from Mr. Terence Lai, Mr. Ho, who are our Controlling Shareholders, Mr. Lawrence Tan and/or Mr. Shenton Yap after the expiry of the above tenancy agreement in January 2020.

As the personal guarantees are provided by our connected persons for the benefit of our Group on normal commercial terms and no counter guarantee, indemnity or security over the assets of our Group is granted in respect of the personal guarantees, the above transactions will be regarded as exempt continuing connected transactions of our Group under Rule 20.88 of the GEM Listing Rules, which would be exempt from the reporting, announcement, circular, annual review and independent Shareholders' approval requirements.

### **2. Personal guarantees on bank borrowings**

As at the Latest Practicable Date, Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, and/or Mr. Ng had provided personal guarantees and a charge was given by Mr. Terence Lai over his fixed deposits maintained in the bank to secure our Group's bank borrowings with an aggregate loan amount of approximately SGD2.2 million. We have requested the relevant banks to release the personal guarantees and/or the charge on the fixed deposits under these borrowings, but were unable to obtain such written consents from the relevant banks on certain borrowings with aggregate loan amount of approximately SGD1.0 million. For details, please see "Relationship with our Controlling Shareholder(s)".

No consideration has been paid by us to Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, and/or Mr. Ng for their provision of the personal guarantees and/or the charge on fixed deposits on the said bank borrowings for the benefit of our Group and no counter guarantee, indemnity or security over the assets of our Group has been given by our Group to Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan and/or Mr. Ng in this connection.

Our Directors believe that the aforementioned personal guarantees and the charge on fixed deposits are unlikely to be released before or upon Listing. However, such borrowings will be settled with part of the net proceeds from the Share Offer shortly after Listing, and the personal guarantees and the charge on fixed deposits will be released upon repayment. For further details, please see "Future Plans and Use of Proceeds".

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## CONNECTED TRANSACTIONS

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As the personal guarantees and fixed deposits are provided by our connected persons for the benefit of our Group on normal commercial terms and no counter guarantee, indemnity or security over the assets of our Group is granted in respect of the personal guarantees and fixed deposits, the above transactions will be regarded as exempted continuing connected transactions of our Group under Rule 20.88 of the GEM Listing Rules, which would be exempt from the reporting, announcement, circular, annual review and independent Shareholders' approval requirements.

Our Directors confirm that, after the Listing, we will not renew such bank borrowings which require personal guarantees from our Controlling Shareholder(s) and/or charge on fixed deposits of Directors after the repayment of the relevant borrowings.

Despite the aforementioned personal guarantees and charge on fixed deposits on tenancy agreements and/or bank borrowings not being released before Listing, our Directors are of the view that our Group will not have undue reliance on our Controlling Shareholder(s) upon Listing. For details, please see "Relationship with our Controlling Shareholder(s) – Independence from our Controlling Shareholder(s) – (i) Financial independence".

Save as disclosed in this section, our Directors do not expect that immediately following the Listing, there will be any transaction which will constitute a continuing connected transaction to our Group under the GEM Listing Rules.



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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group or any other members of our Group:

#### Long position in our Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Canola	Beneficial owner	216,990,000(L)	54.25%
Mr. Terence Lai <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%
Mr. Yeap <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%
Mr. Ho <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%
Ms. Ong <i>(Note 3)</i>	Interest of Spouse	216,990,000(L)	54.25%
Mr. Tan <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%

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## SUBSTANTIAL SHAREHOLDERS

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Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Mr. Ng <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%
Mr. Derek Lai <i>(Note 2)</i>	Interest of controlled corporation/interest held jointly with another person	216,990,000(L)	54.25%
Mr. Tan Yit Hoe	Beneficial owner	20,001,791(L)	5.00%

*Notes:*

1. The Letter “L” denotes the person’s long position in our Shares.
2. On 10 February 2018, Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, Mr. Ng and Mr. Derek Lai entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 1 October 2015, they have been actively cooperating with one another and acting in concert, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to each member company within our Group. For details of the acting in concert arrangement, please see “Relationship with our Controlling Shareholder(s) – Acting-in-concert Confirmation”. As such, each of Mr. Terence Lai, Mr. Ho, Mr. Yeap, Mr. Tan, Mr. Ng and Mr. Derek Lai is deemed to be interested in 54.25% of the issued share capital of our Company.
3. Ms. Ong is the spouse of Mr. Ho. She is deemed or taken to be interested in all our Shares which are beneficially owned by Mr. Ho under the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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### Interests in issued voting shares of other members of our Group

Name of shareholder	Name of members of our Group	Capacity/Nature of interest	Number of ordinary share(s) <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Peh	Kogane Yama	Beneficial owner	400	40%
Jaesan Food Holdings <i>(Note 2)</i>	K Food Master	Beneficial owner	200,000	40%

*Notes:*

- (1) All interests stated are long positions.
- (2) Jaesan Food Holdings is owned as to 31% by Mr. Lawrence Tan, 24% by Mr. Rodney Tay Peng-Liang, 24% by Mr. Shenton Yap, 16% by Ms. Alisa Khoo and 5% by Mr. Kenneth Kok Tsing Kuan.

Save as disclosed herein, our Directors are not aware of any person (who are not Directors or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be granted under the Share Option Scheme), have an interest or short position in our Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company.

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below.

<i>Authorised share capital</i>	<i>HK\$</i>
4,000,000,000 Shares of HK\$0.01 each	40,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
10,000 Shares in issue as at the date of this prospectus	100
299,990,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,900
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
<u>400,000,000</u> Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Share Offer	<u>4,000,000</u>

### ASSUMPTIONS

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 100,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and, in particular, will be entitled to all dividends or other distributions hereafter declared, made or paid on our Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 July 2018. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or its subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of our Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in “Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (ii) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 23 July 2018” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of Shares not more than 10% of the total number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in “Statutory and General Information – A. Further information about our Company – 7. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please see “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 23 July 2018” and “Statutory and General Information – A. Further information about our Company – 7. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our results of operation and financial condition together with our audited combined financial statements for the Track Record Period and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with the HKFRS. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Risk Factors".*

*Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.*

### OVERVIEW

We are a multi-brand restaurant group headquartered in Singapore, of which our restaurants are mainly operated under a franchise model. We offer Korean and Japanese cuisines with casual dining concepts that target the middle-income mass market in Singapore, Malaysia and Indonesia. As at the Latest Practicable Date, we had 12 self-operated restaurants under the brands "Chir Chir", "Masizzim", "Kogane Yama", "Nipong Naepong" and "NY Night Market", and one central kitchen under the brand "Gangnam Kitchen".

We have also licensed the brand "Chir Chir" to the Indonesia Licensee which has (i) set up and operated three restaurants under the same brand in Indonesia; and (ii) further sub-licensed the brand to four sub-licensees to set up and operate a total of four restaurants under the same brand in Indonesia as at the Latest Practicable Date.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our revenue amounted to approximately SGD9.2 million, SGD13.9 million, SGD4.5 million and SGD5.0 million, respectively. Our net profit attributable to our Shareholders for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 amounted to approximately SGD1.1 million, SGD1.6 million and SGD0.5 million, respectively. For the four months ended 31 January 2018, our net loss attributable to our Shareholders amounted to approximately SGD1.2 million. Excluding the Listing expenses, our net profit attributable to our Shareholders amounted to approximately SGD0.5 million for the four months ended 31 January 2018.

### BASIS OF PRESENTATION

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group on 24 July 2018. Please see "History, Reorganisation and Corporate Structure" for more information about the Reorganisation. Our Group now comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity as our Group is under the control of our Controlling Shareholder(s) throughout the Track Record Period and prior to and after the Reorganisation.

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## FINANCIAL INFORMATION

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K Food Master was incorporated on 6 September 2016 and was owned by the shareholders of Jaesan Food Holdings from its incorporation up to 16 October 2016 when its shares were equally transferred to K Food Holdings and Jaesan Food Holdings. On 10 September 2016, the Jaesan Agreement was entered into between K Food Holdings and Jaesan Food Holdings pursuant to which it was agreed that, among others, profit distribution and paid-up capital of K Food Master would be owned as to 60% by K Food Holdings and 40% by Jaesan Food Holdings. Accordingly, we consider that we had control over K Food Master since 16 October 2016 as the power over K Food Master was based on the agreed capital contribution by simple majority, despite the capital contribution were only subsequently completed in September 2017. As K Food Master did not carry out any material transaction prior to 16 October 2016, we consider that the inclusion of K Food Master in our financial statements during the period from 6 September 2016 to 16 October 2016 is immaterial.

Our combined financial information for the Track Record Period has been prepared in accordance with the HKFRS and applicable disclosures requirements of the GEM Listing Rules and the Companies Ordinance. Our combined financial information for the Track Record Period is presented in SGD. Details regarding the basis of presentation and preparation of our combined financial information for the Track Record Period are set out in note 2 to the Accountants' Report.

### **PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those factors set out in "Risk Factors" and those set out below.

#### **Macro-economic conditions of Singapore and Malaysia**

Our operations are largely based in Singapore and Malaysia. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our revenue derived from Singapore and Malaysia accounted for approximately 95.1%, 96.2%, 96.3% and 97.7% of our total revenue, respectively.

During the Track Record Period, we generally targeted customers with middle spending power. Our Directors anticipate that our revenue will continue to be primarily derived from this market segment in the foreseeable future. In the event of an economic downturn, customers tend to become more price-conscious and sensitive to the amount and proportion of their incomes that they are willing to spend on food. There is no assurance that there will not be any unfavourable economic, political and social conditions in Singapore and Malaysia which may adversely affect the spending power of our target customers, and thus, our results of operation and financial condition.



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## FINANCIAL INFORMATION

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### **Market competition**

According to the CIC Report, the restaurant and catering markets in Singapore, Malaysia and Indonesia are intensely competitive, with approximately 351, 2,772 and 2,978 Korean and Japanese restaurants in 2017, respectively. The majority of the market participants are small to medium-sized enterprises. The leading operators often manage a large portfolio of chained and independent restaurants cutting across various price segments.

In Singapore, the top five Korean restaurant operators accounted for approximately 55.0% of the Korean casual dining restaurant market, among which our Group ranked fifth in terms of revenue in 2017 and with a market share in terms of revenue of approximately 8.7% in the Korean restaurant market. Our Group has a market share in terms of revenue of (i) approximately 2.8% in the Korean and Japanese casual dining restaurant market; and (ii) approximately 0.4% in the overall restaurant market in Singapore in 2017. We compete by offering, among other things, quality food, competitive pricing, good customer service and accessible locations for our restaurants. While we attempt to differentiate our restaurants with those of our competitors, we are aware that there are other competing restaurants that operate on similar concepts to our restaurants. The entry of new competitors into our markets or into the immediate areas surrounding our existing restaurants could affect the business and turnover of our restaurants. In the event we are unable to compete effectively in our industry, our business, results of operations and financial condition will be materially and adversely affected.

### **Availability of commercially attractive locations, ability to renew existing leases of our leased properties and market conditions of the retail rental market**

As at the Latest Practicable Date, all of our self-operated restaurants are leased properties located in shopping malls in Singapore and Malaysia, with high foot traffic and easy access to public transport, such as the Orchard Road shopping district in Singapore and the Kuala Lumpur Pavilion. Our rental and related expenses represented approximately 19.0%, 20.6%, 18.8% and 21.2% of our Group's total revenue for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively.

Our existing leases in respect of our restaurant premises will expire between 2018 and 2021. It is uncertain whether leases can be renewed when they expire or, if renewed, whether on terms acceptable to us. Due to our stringent criteria on the selection of our restaurant locations, commercially viable choices are usually limited and costly. In the event that there is a need for relocation or if we intend to open new restaurants, we are unable to ensure that we will be able to find suitable premises for our restaurants with reasonable commercial terms, which will affect our plans for such relocation or expansion. This may adversely affect the operations and financial position of our Group.

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## FINANCIAL INFORMATION

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### **Price and supply of food ingredients**

Our cost of inventories consumed, which primarily consists of the cost of the food ingredients and beverages used in the operations of our self-operated restaurants and central kitchen in Singapore and Malaysia, represented approximately 24.9%, 25.3%, 30.0% and 21.7% of our Group's revenue for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively. For the respective years/periods, total purchases from our five largest suppliers in aggregate amounted to approximately 76.4%, 64.6%, 71.4% and 58.2% of our total purchases. We do not have any long term contracts with any of our suppliers.

Our restaurant operations are dependent on the reliable supply of food ingredients at competitive prices and stable quality, with delivery in a timely manner. Any significant changes to the offerings in our restaurants or failure of our Group to provide quality food and services to customers as a result of food supply shortages for a prolonged period of time, significant or unexpected fluctuations in the price of our major food ingredients or material food quality issues, thereby affecting our Group's business and damaging our Group's reputation, could materially and adversely affect our Group's results of operation.

### **Level of staff costs in Singapore and Malaysia**

Restaurant operations are generally highly service-oriented and labour intensive. Our Group incurred staff costs of approximately SGD2.4 million, SGD3.2 million, SGD1.0 million and SGD1.2 million for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively, representing approximately 25.7%, 23.1%, 22.7% and 23.2% of our Group's total revenue for the corresponding years/periods.

According to the CIC Report, cost of labour in Singapore is increasing at a steady pace, with its annual compensation rate of employee in the accommodation and food service industry increasing from approximately SGD30,000 per person in 2012 to SGD35,900 per person in 2017. Our results of operation may be adversely affected by the continuous increase in costs of labour in the countries of operation if we are not able to accommodate the increased cost by adjusting our product prices in a timely manner.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of our combined financial information in conformity with the HKFRS requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approaches that we use in determining these items are based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our combined financial statements included elsewhere in this prospectus. Below is a summary of the accounting policies in accordance with the HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountants' Reports.

#### Revenue recognition

During the Track Record Period, we derived our revenue mainly from restaurant operations, sales of food and food ingredients and royalty income. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our total revenue amounted to approximately SGD9.2 million, SGD13.9 million, SGD4.5 million and SGD5.0 million, respectively, of which approximately 95.1%, 93.7%, 92.3% and 92.3% was derived from our restaurant operations.

For further details regarding our accounting policy relating to revenue recognition, please refer to "Revenue recognition" in note 4 to the Accountants' Report.

#### Leasing

As at the Latest Practicable Date, we did not own any property. All of our self-operated restaurants, central kitchen and office premises are leased and we incurred rental and related expenses in respect of such leases. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our rental and related expenses amounted to approximately SGD1.7 million, SGD2.9 million, SGD0.8 million and SGD1.1 million, respectively.

For further details regarding our accounting policy relating to leasing, please refer to "Leasing" in note 4 to the Accountants' Report.

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## FINANCIAL INFORMATION

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### **Plant and equipment**

Plant and equipment of our Group during the Track Record Period consisted of leasehold improvements, kitchen equipment, computer and office equipment, furniture and fittings and a motor vehicle for our business operations. We recognise depreciation on our plant and equipment on a straight-line basis based on the estimated useful lives of the respective category of our plant and equipment. As at 30 September 2016, 30 September 2017 and 31 January 2018, the carrying values of our plant and equipment amounted to approximately SGD1.5 million, SGD1.8 million and SGD1.7 million, respectively.

For further details regarding our accounting policy relating to plant and equipment, please refer to “Plant and equipment” in note 4 to the Accountants’ Report.

### **Intangible assets**

Our intangible assets during the Track Record Period represented the franchise rights acquired from Independent Third Parties. They are amortised on a straight-line basis over the estimated useful lives, based on contract terms, of 10 to 20 years. As at 30 September 2016, 30 September 2017 and 31 January 2018, the carrying values of our intangible assets amounted to approximately SGD0.6 million, SGD0.6 million and SGD0.8 million, respectively.

For further details regarding our accounting policy relating to intangible assets, please refer to “Intangible assets” in note 4 to the Accountants’ Report.

### **Financial instruments**

During the Track Record Period, our Group’s financial assets were classified as loans and receivables which mainly included trade and other receivables, amounts due from Directors and ultimate holding company, pledged bank deposit and bank balances and cash. Our Group’s financial liabilities mainly included trade and other payables, amounts due to related parties and borrowings.

Please refer to the “Financial instruments” in note 4 to the Accountants’ Report for our details of accounting policies relating to, among others, the classification, recognition, measurement, impairment and derecognition of our financial instruments.

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## FINANCIAL INFORMATION

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### SUMMARY RESULTS OF OPERATIONS

The following table sets out the summary of our Group's combined results for the Track Record Period, which are derived from, and should be read in conjunction with the combined financial information contained in the Accountants' Report set out in Appendix I to this prospectus.

	<b>Year ended</b>		<b>Four months ended</b>	
	<b>30 September</b>		<b>31 January</b>	
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
			(unaudited)	
<b>Revenue</b>	9,219	13,851	4,455	5,038
Other income	229	359	89	88
Other gains and loss	(19)	22	1	(7)
Cost of inventories consumed	(2,296)	(3,506)	(1,337)	(1,091)
Staff costs	(2,366)	(3,203)	(1,011)	(1,170)
Depreciation and amortisation	(391)	(628)	(193)	(220)
Rental and related expenses	(1,748)	(2,858)	(838)	(1,066)
Utility expenses	(188)	(271)	(74)	(111)
Marketing and advertising expenses	(188)	(275)	(120)	(73)
Franchise and licensing fees	(88)	(182)	(29)	(51)
Listing expenses	–	–	–	(1,760)
Other expenses	(839)	(1,326)	(394)	(701)
Finance costs	(16)	(59)	(23)	(36)
Share of result of an associate	–	(120)	–	–
Gain on disposal of an associate	–	120	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Profit (loss) before tax</b>	1,309	1,924	526	(1,160)
Income tax expense	(180)	(356)	(79)	(101)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Profit (loss) for the year/period</b>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>
Profit (loss) for the year/period attributable to:				
– Owners of our Company	1,129	1,610	480	(1,231)
– Non-controlling interests	–	(42)	(33)	(30)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

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## FINANCIAL INFORMATION

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### DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, our Group's revenue was mainly generated from (i) restaurant operations; (ii) sales of food and food ingredients; and (iii) royalty income.

The table below sets forth our revenue breakdown by nature for the Track Record Period:

	Year ended 30 September				Four months ended 31 January			
	2016		2017		2017		2018	
	<i>SGD'000</i>	%	<i>SGD'000</i>	%	<i>SGD'000</i>	%	<i>SGD'000</i>	%
Restaurant operations	8,763	95.1	12,974	93.7	4,110	92.3	4,650	92.3
Sale of food and food ingredients	371	4.0	228	1.6	158	3.5	227	4.5
Royalty income	85	0.9	649	4.7	187	4.2	161	3.2
<b>Total</b>	<u>9,219</u>	<u>100.0</u>	<u>13,851</u>	<u>100.0</u>	<u>4,455</u>	<u>100.0</u>	<u>5,038</u>	<u>100.0</u>

#### *Restaurant operations*

During the Track Record Period, we derived the majority of our revenue from the operations of our self-operated restaurants in Singapore and Malaysia. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our revenue generated from restaurant operations amounted to approximately SGD8.8 million, SGD13.0 million, SGD4.1 million and SGD4.7 million, respectively, which represented approximately 95.1%, 93.7%, 92.3% and 92.3% of our total revenue for the corresponding years/periods.

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The following table sets forth a breakdown of our revenue from restaurant operations by brand for the Track Record Period:

	Year ended 30 September				Four months ended			
	2016		2017		31 January 2017		2018	
	SGD'000	%	SGD'000	%	SGD'000 (unaudited)	%	SGD'000	%
Chir Chir	6,693	76.4	10,277	79.2	3,431	83.5	3,303	71.0
Masizzim	2,070	23.6	2,405	18.5	679	16.5	1,101	23.7
Kogane Yama	–	–	292	2.3	–	–	246	5.3
<b>Total</b>	<b>8,763</b>	<b>100.0</b>	<b>12,974</b>	<b>100.0</b>	<b>4,110</b>	<b>100.0</b>	<b>4,650</b>	<b>100.0</b>

### *Chir Chir*

Our Group recorded revenue from the operation of “Chir Chir” restaurants of approximately SGD6.7 million for the year ended 30 September 2016, which was generated from (i) Chir Chir (313) and Chir Chir (BP) which were in full-year operation during the year; and (ii) Chir Chir (CP) and Chir Chir (JEM) which commenced operation in December 2015 and July 2016, respectively.

For the year ended 30 September 2017, our revenue from the operation of “Chir Chir” restaurants increased to approximately SGD10.3 million. The significant growth in our revenue from the operations of “Chir Chir” restaurants for the year ended 30 September 2017 as compared to the prior year was mainly driven by (i) the increase in revenue generated by Chir Chir (JEM) by approximately SGD1.6 million primarily due to its full-year operation during the year ended 30 September 2017; and (ii) the commencement of operation of Chir Chir (BJ) and Chir Chir (PV) in October 2016 and January 2017, respectively. For the year ended 30 September 2017, Chir Chir (BJ) and Chir Chir (PV) generated revenue of approximately SGD2.1 million and SGD0.5 million, respectively. On the other hand, the above effect was partially offset by the decrease in revenue generated by Chir Chir (313), Chir Chir (BP) and Chir Chir (CP) by approximately SGD1.1 million, SGD0.3 million and SGD0.2 million, respectively, mainly due to decline in their number of customer visits. Our Directors believe that it was primarily due to the opening of Chir Chir (JEM) and Chir Chir (BJ) which diverted some of the customers from the abovementioned “Chir Chir” restaurants and the continued development of non-traditional commercial areas in Singapore, which generally affected the private retail performance in the traditional commercial areas in Singapore, such as the surrounding areas of Orchard Road and Raffles Place where Chir Chir (313) and Chir Chir (CP) are located, respectively. According to the CIC Report, Singapore has been experiencing suburbanisation in recent years, which leads to the outward growth of urban population outside central area and therefore creates demand for our restaurants outside the central areas of Singapore.

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For the four months ended 31 January 2018, our revenue from the operation of “Chir Chir” restaurants slightly decreased to approximately SGD3.3 million as compared to approximately SGD3.4 million for the four months ended 31 January 2017. The slight decrease was primarily due to the decrease in revenue generated from Chir Chir (BP) by approximately SGD0.1 million, as a result of the decline in number of customer visit and its cessation of operation in January 2018, mitigated by the increase in revenue of approximately SGD0.2 million generated by Chir Chir (PV), which commenced operation in January 2017. Our Directors believe that the decline in number of customer visit of Chir Chir (BP) was primarily caused by the reopening of a recently renovated shopping mall next to the mall where Chir Chir (BP) was situated, and hence our Group decided not to renew the tenancy agreement of Chir Chir (BP) and ceased its operation on 20 January 2018. Save for the above, revenue generated by each of Chir Chir (CP) and Chir Chir (BJ) slightly decreased by approximately SGD0.1 million, mainly due to decline in their number of customer visits. On the other hand, revenue generated by Chir Chir (JEM) remained relatively stable for the four months ended 31 January 2018 as compared to the corresponding period in the prior year.

Our revenue generated from the operation of “Chir Chir” restaurants included the revenue generated from redemption of vouchers which amounted to approximately SGD122,000, SGD734,000, SGD73,000 and SGD48,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively, with the increase for the year ended 30 September 2017 as compared to the prior year mainly because (i) our “Chir Chir” restaurant network in Singapore expanded rapidly from two restaurants to five restaurants during the year ended 30 September 2017; and (ii) Arena Investment began to purchase vouchers from us during the year ended 30 September 2017, which amounted to approximately SGD187,000, after they commenced their night club operation. For the four months ended 31 January 2018, revenue generated from redemption of vouchers was relatively stable as compared to the corresponding period in the prior year. For details of our sales of vouchers, please see “Business – Sales and Marketing – Sales of vouchers”.

### *Masizzim*

During the year ended 30 September 2016, our Group operated only one “Masizzim” restaurant, namely Masizzim (313), which generated revenue of approximately SGD2.1 million for the same year.

Our revenue from the operation of “Masizzim” restaurants recorded a growth for the year ended 30 September 2017 and amounted to approximately SGD2.4 million as compared to approximately SGD2.1 million in prior year. For the four months ended 31 January 2017 and 2018, our revenue generated from the operation of “Masizzim” restaurants amounted to approximately SGD0.7 million and SGD1.1 million, respectively. Such growth was primarily attributable to the commencement of operation of Masizzim (Westgate) in May 2017 which generated revenue of approximately SGD0.7 million for the year ended 30 September 2017 and approximately SGD0.5 million for the four months ended 31 January 2018. The effect was partially offset by the decrease in revenue generated by Masizzim (313) by approximately SGD0.3 million and SGD0.1 million for the year/period, mainly as a result of the decline in



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its number of customer visits. Our Directors believe that it was primarily due to the continued development of non-traditional commercial areas in Singapore, which generally affected the private retail performance in the traditional commercial areas in Singapore, such as the surrounding areas of Orchard Road where Masizzim (313) is located. In October 2017, we commenced sales of voucher for our “Masizzim” restaurants. During the four months ended 31 January 2018, sales generated through redemption of vouchers amounted to approximately SGD19,000. For details of our sales of vouchers, please see “Business – Sales and Marketing – Sales of vouchers”.

### *Kogane Yama*

Kogane Yama (BJ), being our Group’s first self-operated restaurant under the brand name “Kogane Yama”, commenced operation in June 2017. It generated revenue of approximately SGD0.3 million for the year ended 30 September 2017 and approximately SGD0.2 million for the four months ended 31 January 2018. In October 2017, we commenced sales of voucher for our “Kogane Yama” restaurants. During the four months ended 31 January 2018, sales generated through redemption of vouchers amounted to approximately SGD6,000. For details of our sales of vouchers, please see “Business – Sales and Marketing – Sales of vouchers”.

### *Sales of food and food ingredients*

During the Track Record Period, our revenue from sales of food and food ingredients mainly represented (i) revenue from sales of food through the operation of Gangnam Kitchen which provides catering and delivery services of Korean food to customers in Singapore; and (ii) sales of food ingredients to our Indonesia Licensee. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our revenue generated from sales of food and food ingredients amounted to approximately SGD0.4 million, SGD0.2 million, SGD0.2 million and SGD0.2 million, respectively, which represented approximately 4.0%, 1.6%, 3.5% and 4.5% of our total revenue for the corresponding years/periods.

The decrease in our revenue from sales of food and food ingredients for the year ended 30 September 2017 as compared to the prior year was mainly because more food ingredients were sourced by our Indonesia Licensee from our Group during the year ended 30 September 2016 for better control of food quality. As the operations of the licensed and sub-licensed restaurants in Indonesia becoming more mature and the food ingredients were sourced locally, sales of food ingredients from our Group to the Indonesia Licensee decreased during the year ended 30 September 2017.

Our revenue from the sales of food and food ingredients remained relatively stable at approximately SGD0.2 million for the four months ended 31 January 2017 and 2018, which was mainly due to the combined effect of increase in sales of food through Gangnam Kitchen which commenced operation in August 2017, and offset by the decrease in sales of food ingredients to the Indonesia Licensee as discussed above.

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### *Royalty income*

Our Group’s royalty income during the Track Record Period represented the royalties from the Indonesia Licensee, Jaesan Food Holdings and Mr. Peh pursuant to the respective business partnership arrangement and sub-license arrangement.

For the years ended 30 September 2016 and 2017, our royalty income amounted to approximately SGD85,000 and SGD649,000, respectively, which represented approximately 0.9% and 4.7% of our total revenue for the corresponding years. Such significant growth in our royalty income was mainly attributable to the opening of new licensed and sub-licensed restaurants in Indonesia and the commencement of the business partnerships with Jaesan Food Holdings and Mr. Peh during the year ended 30 September 2017.

For the four months ended 31 January 2017 and 2018, our royalty income amounted to approximately SGD187,000 and SGD161,000, respectively, which represented approximately 4.2% and 3.2% of our total revenue for the corresponding periods. The decrease in royalty income for the four months ended 31 January 2018 was mainly attributable to the absence of store open fee received from Jaesan Food Holdings and Mr. Peh for the opening of first two stores of “Chir Chir” in Malaysia and “Kogane Yama” in Singapore, respectively, which were received during the four months ended 31 January 2017. The above effect was partially offset by the increase in royalty income derived from Indonesia as a result of the opening of a new sub-licensed “Chir Chir” restaurant in Indonesia.

### *Revenue by geographical location*

Our Group’s restaurant operations are located in Singapore and Malaysia, sales of food and food ingredients are located in Singapore and Indonesia, and our royalty income is derived from Singapore, Malaysia and Indonesia.

The following table sets forth a breakdown of our revenue by geographical location for the Track Record Period:

	Year ended 30 September				Four months ended			
	2016		2017		31 January 2017		2018	
	SGD'000	%	SGD'000	%	SGD'000	%	SGD'000	%
Singapore	8,763	95.1	12,685	91.6	4,167	93.5	4,690	93.1
Malaysia	–	–	641	4.6	124	2.8	232	4.6
Indonesia	456	4.9	525	3.8	164	3.7	116	2.3
<b>Total</b>	<b>9,219</b>	<b>100.0</b>	<b>13,851</b>	<b>100.0</b>	<b>4,455</b>	<b>100.0</b>	<b>5,038</b>	<b>100.0</b>

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### *Singapore*

Our Group's revenue derived from Singapore during the Track Record Period mainly included revenue from operations of our self-operated restaurants in Singapore, revenue from sales of food by Gangnam Kitchen in Singapore and royalty income from Mr. Peh. The growth of our revenue derived from Singapore from approximately SGD8.8 million for the year ended 30 September 2016 to approximately SGD12.7 million for the year ended 30 September 2017 and from approximately SGD4.2 million for the four months ended 31 January 2017 to approximately SGD4.7 million for the four months ended 31 January 2018 were generally in line with the growth of our revenue from restaurant operations as discussed above.

### *Malaysia*

Our Group's revenue derived from Malaysia during the Track Record Period mainly included revenue from the operation of Chir Chir (PV) and royalty income from Jaesan Food Holdings. We recorded revenue derived from Malaysia of approximately SGD0.6 million for the year ended 30 September 2017 as a result of the commencement of operation of Chir Chir (PV) in January 2017.

For the four months ended 31 January 2017, revenue derived from Malaysia of approximately SGD0.1 million mainly represented the store open fee income and royalties income paid by Jaesan Food Holdings as Chir Chir (PV) commenced operation in January 2017. The growth of our revenue derived from Malaysia to approximately SGD0.2 million for the four months ended 31 January 2018 was primarily attributable to the full-period operation of Chir Chir (PV) during the period, and was partially offset by the decrease in royalty income derived from Malaysia due to the absence of store open fee income we received in January 2017.

### *Indonesia*

Our Group's revenue derived from Indonesia during the Track Record Period mainly included revenue from sales of food ingredients and royalty income from our Indonesia Licensee. The increase in our revenue derived from Indonesia from approximately SGD456,000 for the year ended 30 September 2016 to approximately SGD525,000 for the year ended 30 September 2017 was mainly due to the opening of new licensed and sub-licensed restaurants in Indonesia during the year ended 30 September 2017, which was partially offset by the decrease in sales of food ingredients to the Indonesia Licensee as discussed above.

Our revenue derived from Indonesia decreased from approximately SGD164,000 for the four months ended 31 January 2017 to approximately SGD116,000 for the four months ended 31 January 2018. Such decrease was generally in line with the decrease in sales of food and food ingredients to the Indonesia Licensee as discussed above, which was partially offset by the increase in royalty income derived from the Indonesia Licensee as more licensed and sub-licensed restaurants in operation.

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### Other income

The following tables set forth a breakdown of our other income for the Track Record Period:

	Year ended		Four months ended	
	30 September		31 January	
	2016	2017	2017	2018
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
			(unaudited)	
Interest income	20	1	–	–
Rental income	114	252	84	84
Government grants	79	92	–	–
Others	16	14	5	4
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>229</b>	<b>359</b>	<b>89</b>	<b>88</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Our Group's interest income for the Track Record Period primarily represented bank interest income, which amounted to approximately SGD20,000, SGD1,000, nil and nil for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively. The decrease was mainly due to the settlement of interest-bearing advances to Directors during the year ended 30 September 2016.

During the Track Record Period, our Group recorded rental income from subleasing part of our office premises to Mr. Terence Lai, our executive Director and a Controlling Shareholder, details of which are disclosed in "Relationship with our Controlling Shareholder(s)". Such sublease arrangement commenced in March 2016 and accordingly, our rental income amounted to approximately SGD114,000, SGD252,000, SGD84,000 and SGD84,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our Group had government grants of approximately SGD79,000, SGD92,000, nil and nil, respectively, which mainly represented rewards or subsidies received from the government of Singapore in relation to our Group's support of local employment and qualifying expenditures on equipment.

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### **Cost of inventories consumed**

Our cost of inventories consumed primarily consists of the cost of the food ingredients and beverages used in the operations of our self-operated restaurants and central kitchen in Singapore and Malaysia. Cost of inventories consumed was one of the major components of our Group's operating expenses during the Track Record Period, which amounted to approximately SGD2.3 million and SGD3.5 million for the years ended 30 September 2016 and 2017, respectively, and remained relatively stable at approximately 24.9% and 25.3% of our Group's revenue for the corresponding years.

The increase in our cost of inventories consumed for the year ended 30 September 2017 as compared to the prior year was primarily as a result of the expansion of our network of self-operated restaurant during the year ended 30 September 2017 and was generally in line with our revenue growth during the year ended 30 September 2017.

For the four months ended 31 January 2017 and 2018, cost of inventories consumed amounted to approximately SGD1.3 million and SGD1.1 million, respectively and accounted for approximately 30.0% and 21.7% of our Group's revenue for the corresponding periods. The decrease in cost of inventories consumed for the four months ended 31 January 2018 was mainly because (i) we commenced to prepare our inhouse sauce for our "Masizzim" restaurants, instead of sourcing them from Korea since October 2017 in order to achieve cost saving; (ii) the commencement of operation of Kogane Yama (BJ) and "Gangnam Kitchen" in June 2017 and August 2017 respectively, which do not require sourcing sauces from Korea but only less expensive local food ingredients to prepare their food; (iii) the Indonesia Licensee commenced sourcing the sauce directly instead of from us since November 2017; and (iv) we substituted certain supplies with brands of more favourable prices and negotiated with certain of our suppliers for lower price as we increased the purchase volume.

Please see "Sensitivity and breakeven analysis" in this section for the impact of hypothetical fluctuations in cost of inventories consumed on our Group's financial results during the Track Record Period.

### **Staff costs**

During the Track Record Period, staff costs represented one of the major components of our Group's operating expenses, which primarily consisted of Directors' remunerations, salaries and allowances and retirement benefit contributions. Our staff costs amounted to approximately SGD2.4 million, SGD3.2 million, SGD1.0 million and SGD1.2 million for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively, representing approximately 25.7%, 23.1%, 22.7% and 23.2% of our Group's total revenue for the corresponding years/periods.

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The following table sets forth the breakdown of our staff costs for the Track Record Period:

	<b>Year ended</b>		<b>Four months ended</b>	
	<b>30 September</b>		<b>31 January</b>	
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
			(unaudited)	
Directors' remuneration	256	264	81	94
Salaries and allowances	1,939	2,754	852	998
Retirement benefit contributions	171	185	78	78
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>2,366</u>	<u>3,203</u>	<u>1,011</u>	<u>1,170</u>

Our staff costs increased from approximately SGD2.4 million for the year ended 30 September 2016 to approximately SGD3.2 million for the year ended 30 September 2017 and increased from approximately SGD1.0 million for the four months ended 31 January 2017 to approximately SGD1.2 million for the four months ended 31 January 2018. Such increase was mainly attributable to the increase in headcount of staff in view of the expansion of our network of self-operated restaurants and the commencement of operation of our central kitchen during the Track Record Period.

Please see “Sensitivity and breakeven analysis” in this section for the impact of hypothetical fluctuations in staff costs on our Group’s financial results during the Track Record Period.

### **Depreciation and amortisation**

Depreciation represents depreciation charges for our plant and equipment which comprises leasehold improvements, kitchen equipment, furniture and fittings, computer and office equipment and motor vehicles of our Group. Amortisation represents the amortisation of the franchise rights over the tenure of the respective franchise arrangements.

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our total depreciation and amortisation amounted to approximately SGD0.4 million, SGD0.6 million, SGD0.2 million and SGD0.2 million, respectively. The increase for the year ended 30 September 2017 was mainly attributable to the expansion of our network of self-operated restaurants and the commencement of operation of our central kitchen during the year ended 30 September 2017, which required renovation and acquisition of equipments.

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### **Rental and related expenses**

As all of the premises for our Group's self-operated restaurants, central kitchen and office were leased during the Track Record Period, we incurred rental and related expenses in respect of such leases. Our rental for restaurants generally comprised basic rent and/or turnover rent components. For details of our leased properties, please see "Business – Real properties – Leased properties".

Rental and related expenses were one of the major components of our operating expenses during the Track Record Period. They amounted to approximately SGD1.7 million, SGD2.9 million, SGD0.8 million and SGD1.1 million for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively, which represented approximately 19.0%, 20.6%, 18.8% and 21.2% of our total revenue for the corresponding years/periods. The increase in our rental and related expenses for the year ended 30 September 2017 and the four months ended 31 January 2018 as compared to the prior year/period were primarily attributable to (i) the expansion of our network of self-operated restaurants and the commencement of operation of our central kitchen during the Track Record Period; and (ii) the rental escalation clause in the relevant tenancy agreements for our restaurants. For details, please see "Business – Real properties – Leased properties".

Please also see "Sensitivity and breakeven analysis" in this section for the impact of hypothetical fluctuations in rental and related expenses on our Group's financial results during the Track Record Period.

### **Utility expenses**

Our utility expenses during the Track Record Period primarily consisted of expenses incurred for gas, electricity and water utilities for our business operations. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our utility expenses amounted to approximately SGD188,000, SGD271,000, SGD74,000 and SGD111,000, respectively, representing approximately 2.0%, 2.0%, 1.7% and 2.2% of our total revenue for the corresponding years/periods.

The increase in our utility expenses for the year ended 30 September 2017 and the four months ended 31 January 2018 as compared to the prior year/period were mainly due to the expansion of our network of self-operated restaurants and the commencement of operation of our central kitchen during the Track Record Period.

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### **Marketing and advertising expenses**

Our marketing and advertising expenses mainly represented the expenses incurred for our Group's advertising and marketing activities to promote our image, brand awareness and reputation. During the Track Record Period, our advertising and marketing activities mainly included maintaining social media accounts and websites, placing advertisements in traditional media, appointing public relations professionals, approaching food bloggers, partnership with mall operators and e-vouchers etc. We also engage public relation agency to conduct marketing activities to introduce our new restaurants and/or new brands to the market.

Our marketing and advertising expenses increased from approximately SGD188,000 for the year ended 30 September 2016 to approximately SGD275,000 for the year ended 30 September 2017. Such increase was mainly because we opened four new restaurants and one central kitchen during the year ended 30 September 2017, among which "Kogane Yama" and "Gangnam Kitchen" were new brands developed by ourselves.

Our marketing and advertising expenses decreased from approximately SGD120,000 for the four months ended 31 January 2017 to approximately SGD73,000 for the four months ended 31 January 2018. Such decrease was mainly due to (i) the relatively higher marketing and advertising expenses incurred for Chir Chir (BJ) which commenced operation in October 2016, while there were no new store opened during the four months ended 31 January 2018; and (ii) the reduction in advertising expenses spent on Chir Chir (BP) as we decided to cease its operation in January 2018.

### **Franchise and licensing fees**

During the Track Record Period, our Group had two franchised brands, namely "Chir Chir" and "Masizzim". In addition to the initial payments for obtaining the franchise rights which were recognised as our intangible assets, our Group is required under the relevant franchise arrangements to pay the franchisors franchise fees including (i) store open fee upon opening of new franchised and/or sub-franchised restaurants; or (ii) running royalties based on a stipulated percentage of sales of franchised restaurant. We also incur licensing fees payable to the relevant authorities in respect of the licenses required for our restaurant operations.

For the years ended 30 September 2016 and 2017, we recorded franchise and licensing fees of approximately SGD88,000 and SGD182,000, respectively, mainly in respect of franchise fees payable under the franchise arrangements of "Chir Chir" and "Masizzim". As we opened two new restaurants under the brand "Chir Chir" during each of the years ended 30 September 2016 and 2017 and one new restaurant under the brand "Masizzim" during the year ended 30 September 2017, we recorded an increase in our franchise and licensing fees during the year ended 30 September 2017.



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For the four months ended 31 January 2017 and 2018, we recorded franchise and licensing fees of approximately SGD29,000 and SGD51,000, respectively. Such increase was due to (i) the store open fee incurred for the commencement of operation of new licensed “Chir Chir” restaurant in Indonesia during the four months ended 31 January 2018; and (ii) the increased running royalties we paid to the Masizzim Franchisor as a result of the commencement of operation of Masizzim (Westgate) in May 2017.

### Other expenses

The table below sets forth a breakdown of our other expenses for the Track Record Period:

	<b>Year ended</b>		<b>Four months ended</b>	
	<b>30 September</b>		<b>31 January</b>	
	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
	(unaudited)			
Cleaning expenses	164	248	58	89
Freight handling and storage charges	156	156	62	45
Foreign worker levy	141	223	69	69
Credit card commissions	104	139	48	47
Legal and professional fees	64	157	55	60
Office and general expenses	68	91	25	36
Transportation and travelling expenses	28	23	14	47
Insurance expenses	28	35	8	5
Repair and maintenance expenses	23	99	37	171
Kitchenware and utensils	16	30	7	11
Others	47	125	11	121
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>839</b>	<b>1,326</b>	<b>394</b>	<b>701</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, we incurred other expenses of approximately SGD0.8 million, SGD1.3 million, SGD0.4 million and SGD0.7 million, respectively, representing approximately 9.1%, 9.6%, 8.8% and 13.9% of our total revenue for the corresponding years/periods. Major components of our other expenses are further discussed as follows:

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### *Cleaning expenses*

Our Group recorded cleaning expenses of approximately SGD164,000, SGD248,000, SGD58,000 and SGD89,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively, which represented the expenses incurred for engaging third-party cleaning services for our self-operated restaurants. Mainly as a result of the expansion of our network of self-operated restaurants during the Track Record Period, we experienced an increase in our cleaning expenses for the year ended 30 September 2017 and the four months ended 31 January 2018 as compared to the previous year/period.

### *Freight handling and storage charges*

Our Group incurs freight handling and storage charges in respect of the importing, storage and delivery of food and food ingredients. Our freight handling and storage charges remained relatively stable at approximately SGD156,000 for each of the years ended 30 September 2016 and 2017 and at approximately SGD62,000 and SGD45,000 for the four months ended 31 January 2017 and 2018, respectively, as the effect of the expansion of our restaurant operations during the Track Record Period was offset by the decrease in sales of food ingredients to our Indonesia Licensee during the year ended 30 September 2017 and the four months ended 31 January 2018 as discussed earlier in this section.

### *Foreign worker levy*

Foreign worker levy incurred by our Group represented the monthly levy payable for employment of work permit holders in Singapore as required by the Ministry of Manpower of Singapore. We had a total of 40, 53 and 54 foreign workers as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively, for our operations in Singapore. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, we recorded foreign worker levy of approximately SGD141,000, SGD223,000, SGD69,000 and SGD69,000, respectively. The higher levy incurred for the year ended 30 September 2017 as compared to the prior year was primarily attributable to the increase in headcount of staff who are work permit holders as a result of the expansion of our network of self-operated restaurants during the year ended 30 September 2017. The foreign worker levy was relatively stable for the four months ended 31 January 2017 and 2018.

### *Credit card commissions*

During the Track Record Period, over 63% of our revenue from restaurant operations was settled by our customers with credit cards and other electronic methods. Accordingly, we have incurred credit card commissions payable to credit card issuers. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, we incurred credit commissions of approximately SGD104,000, SGD139,000, SGD48,000 and SGD47,000, respectively, which represented approximately 1.2%, 1.1%, 1.2% and 1.0% of our revenue from restaurant operations for the corresponding years/periods, and was generally in line with the growth of our revenue from restaurant operations during the Track Record Period.

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### *Legal and professional fees*

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our Group recorded legal and professional fees of approximately SGD64,000, SGD157,000, SGD55,000 and SGD60,000, respectively, which mainly represented accounting and audit fees, secretarial fees, incorporation fees and general legal fees. The increase in our legal and professional fees for the year ended 30 September 2017 as compared to the previous year was mainly due to incorporation of new group entities and increase in general legal fees in relation to the opening of new restaurants during the year ended 30 September 2017.

### *Repair and maintenance expenses*

For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, our Group incurred repair and maintenance expenses of approximately SGD23,000, SGD99,000, SGD37,000 and SGD171,000, respectively, which represented the expenses incurred for repairing and carrying out maintenance on the renovation and machineries of our restaurants. The increase in repair and maintenance expenses during the Track Record Period were generally in line with our increase in repair and maintenance needs as a result of our expansion of restaurant network.

### **Finance costs**

Our finance costs for the Track Record Period primarily consisted of interest expenses on bank loans, trust receipts loans, hire purchase and amount due to a Shareholder. Our finance costs amounted to approximately SGD16,000, SGD59,000, SGD23,000 and SGD36,000 for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018, respectively. Our finance costs increased for the year ended 30 September 2017 and the four months ended 31 January 2018 as compared to the prior year/period was mainly due to the increase in bank loans to finance the opening of four self-operated restaurants and our central kitchen during the year ended 30 September 2017, and three self-operated restaurants opened in February and March 2018.

### **Interest in an associate**

During the year ended 30 September 2017, we intended to diversify our Group's business by engaging in night club operation and invested 30% equity interest in Arena Investment at a cash consideration of SGD120,000, but Arena Investment has yet to commence its operation up to the date of disposal. Such investment was accounted for the investment as an associate, and we recognised a share of loss of an associate of SGD120,000 for the same year. In July 2017, to allow our Directors to concentrate their time and efforts to the restaurant business of our Group, we disposed all of our interest in Arena Investment to an Independent Third Party for a consideration of SGD120,000. Accordingly, a gain on disposal of approximately SGD120,000 is recognised during the same year. For details, please see note 10 to the Accountants' Report set out in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### Income tax expense

The table below sets forth a breakdown of our income tax expense for the Track Record Period:

	Year ended		Four months ended	
	30 September		31 January	
	2016	2017	2017	2018
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
			(Unaudited)	
Current tax				
– Singapore Corporate				
Income Tax	174	332	65	95
Deferred taxation	<u>6</u>	<u>24</u>	<u>14</u>	<u>6</u>
<b>Total</b>	<b><u>180</u></b>	<b><u>356</u></b>	<b><u>79</u></b>	<b><u>101</u></b>

Our Group's operations are principally based in Singapore and Malaysia, and we are subject to the income tax calculated at the applicable tax rates in such jurisdictions. Our Group's income tax expense for the years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 and 2018 amounted to approximately SGD180,000, SGD356,000, SGD79,000 and SGD101,000, respectively, which was derived from our operations in Singapore. We did not incur income tax derived from our operation in Malaysia as our subsidiaries in Malaysia were incorporated in September 2016 and had yet to generate taxable profit during the Track Record Period.

Our Group's effective tax rate for the years ended 30 September 2016 and 2017 were approximately 13.8% and 18.5%, respectively. The higher effective tax rate for the year ended 30 September 2017 as compared to the prior year was primarily as a result of the effect of lower tax concession relative to our Group's profit before tax for the year ended 30 September 2017 under the applicable tax exemption scheme and tax rebate policy in Singapore. Our effective tax rate (without taking into account the Listing expenses) for the four months ended 31 January 2017 and 2018 were approximately 15.0% and 16.8%, respectively, which were generally consistent with the Singapore Corporate Income Tax Rate of 17% and the higher effective tax rate for the four months ended 31 January 2018 were primarily due to the lower tax rebate cap available for year of assessment for 2018. For details of the relevant tax exemption and rebate, please see note 12 to the Accountants' Report.

Our Directors confirm that our Group had no tax obligation arising from other jurisdictions during the Track Record Period and our Group had no material dispute or unresolved tax issues with the relevant tax authorities during the Track Record Period and up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately SGD4.8 million (equivalent to approximately HK\$28.4 million, based on the mid-point of the indicative Offer Price range of HK\$0.65 per Offer Share and 100,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately SGD1.6 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately SGD3.2 million is expected to be recognised as expenses in our combined statements of profit or loss and other comprehensive income, of which approximately SGD1.8 million have been recognised for the four months ended 31 January 2018 and the balance of approximately SGD1.4 million is expected to be recognised during the eight months ending 30 September 2018.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 30 September 2018 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 30 September 2018 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may not be comparable to the financial performance of our Group in the past.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital requirements and to fund our capital expenditures. During the Track Record Period, our Group generally financed its funding requirements through a combination of cash generated from our operating activities, bank borrowings and advances from related parties. As at 30 September 2016, 30 September 2017 and 31 January 2018, our Group had bank balances and cash of approximately SGD0.3 million, SGD1.3 million and SGD1.0 million, respectively, which were substantially held in Singapore dollars.

Our working capital requirements mainly represent the payments for food ingredients, staff costs, rental and related expenses and other operating expenses incurred for our business operations. Moving forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations and the net proceeds from the Share Offer, as well as other possible equity and debt financings as and when appropriate.

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## FINANCIAL INFORMATION

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### Cash flows

The following table sets forth the condensed summary of the combined statements of cash flows for the Track Record Period:

	Year ended		Four months ended	
	30 September		31 January	
	2016	2017	2017	2018
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
	(Unaudited)			
Net cash from (used in)				
operating activities	1,006	1,919	680	(1,351)
Net cash used in investing				
activities	(1,506)	(599)	(582)	(853)
Net cash from (used in)				
financing activities	<u>454</u>	<u>(284)</u>	<u>(32)</u>	<u>1,941</u>
Net (decrease) increase in				
cash and cash equivalents	(46)	1,036	66	(263)
Cash and cash equivalents at				
beginning of the				
year/period	314	268	268	1,304
Effect of foreign exchange				
differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Cash and cash equivalents at				
end of the year/period	<u><u>268</u></u>	<u><u>1,304</u></u>	<u><u>334</u></u>	<u><u>1,043</u></u>

### *Cash flows in operating activities*

During the Track Record Period, our cash generated from operating activities was principally generated from the receipts from our restaurant operations, while our cash used in operating activities was principally used for payments of purchases of food ingredients, rentals, staff costs and other operating expenses.

We recorded net cash inflows from operating activities for both of the years ended 30 September 2016 and 2017, which amounted to approximately SGD1.0 million and SGD1.9 million, respectively. The higher net cash inflows from operating activities for the year ended 30 September 2017 as compared to the prior year was primarily attributable to the additional operating cash flows generated from our new self-operated restaurants which commenced operation during the Track Record Period.

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## FINANCIAL INFORMATION

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For the four months ended 31 January 2018, our net cash used in operating activities amounted to approximately SGD1.4 million as compared to net cash generated from operating activities of approximately SGD0.7 million for the corresponding period in the prior year, which was mainly derived from (i) our loss before tax of approximately SGD1.2 million primarily resulting from the recognition of Listing expenses of approximately SGD1.8 million for the period whereas no such expenses were incurred in the corresponding period in 2017; and (ii) increase in trade and other receivables, deposits and accruals of approximately SGD0.9 million as a result of (a) increase in payment of rental deposit as we entered into new lease agreements to expand our restaurant network; and (b) increase in trade receivables from the Indonesia Licensee.

### *Cash flows in investing activities*

Our cash used in investing activities for the Track Record Period mainly consisted of purchase of plant and equipment, purchase of intangible assets and advance to and repayment from Directors.

For the year ended 30 September 2016, we recorded net cash outflows in investing activities of approximately SGD1.5 million, which mainly represented (i) purchase of plant and equipment of approximately SGD0.8 million; (ii) purchase of intangible assets of approximately SGD0.2 million; and (iii) advance to Directors of approximately SGD0.5 million. While our Group continued to make purchase of plant and equipment for our restaurant operations of approximately SGD0.8 million during the year ended 30 September 2017, we recorded lower net cash outflows in investing activities for the year ended 30 September 2017 of approximately SGD0.6 million as we received repayment of the advance made to Directors of approximately SGD0.3 million during the year.

For the four months ended 31 January 2018, our net cash used in investing activities of approximately SGD0.9 million mainly represented (i) deposits paid for acquisition of plant and equipment of approximately SGD0.5 million; (ii) purchase of franchise rights of approximately SGD0.1 million; and (iii) advance to Directors of approximately SGD0.2 million.

### *Cash flows in financing activities*

During the Track Record Period, our cash generated from financing activities mainly consisted of proceeds from borrowings, proceeds from the issue of shares and advance from a Director, while our cash used in financing activities mainly consisted of repayment to a Shareholder, repayment of borrowings and dividend paid.

For the year ended 30 September 2016, we had net cash inflows from financing activities of approximately SGD0.5 million mainly as a result of the proceeds from new borrowings of approximately SGD0.6 million and proceeds from the issue of shares by K Food Holdings of approximately SGD0.4 million, which were partially offset by the repayment to a Shareholder of approximately SGD0.5 million.

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## FINANCIAL INFORMATION

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For the year ended 30 September 2017, we had net cash outflows in financing activities of approximately SGD0.3 million, which was mainly a combined result of (i) the repayment of borrowings of approximately SGD0.8 million and dividends payment of SGD0.9 million; and (ii) the proceeds from borrowings of approximately SGD1.3 million and contributions from non-controlling interests of approximately SGD0.1 million.

For the four months ended 31 January 2018, we had net cash inflows in financing activities of approximately SGD1.9 million, which has mainly attributable to the proceeds from the issue of shares to the Investors under the Pre-IPO Investment of approximately SGD2.7 million, which was partially offset by the dividends payment of SGD0.6 million.

### WORKING CAPITAL

After taking into account the following financial resources available to our Group:

- the amounts of net cash generated from operating activities of our Group during the Track Record Period;
- our Group's bank balances and cash of approximately SGD1.0 million as at 31 January 2018 and approximately SGD0.8 million as at 31 May 2018 based on our Group's unaudited management accounts;
- the facilities available to our Group; and
- the estimated net proceeds from the Share Offer of approximately SGD6.2 million to be received by our Group,

our Directors are of the opinion that our Group has sufficient working capital for the present requirements for at least the next 12 months from the date of this prospectus.



## FINANCIAL INFORMATION

### NET CURRENT ASSETS

As at 30 September 2016, 30 September 2017, 31 January 2018 and 31 May 2018, our Group's net current assets amounted to approximately SGD0.2 million, SGD0.9 million, SGD0.7 million and SGD0.4 million, respectively. The following table sets forth the components of our Group's current assets and current liabilities as at the dates indicated:

	<b>As at 30 September</b>		<b>As at</b>	<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>	<b>31 May</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
				(unaudited)
<b>Current assets</b>				
Inventories	450	169	170	266
Trade and other receivables, deposits and prepayments	812	2,361	3,231	3,347
Amounts due from Directors	555	215	385	299
Amount due from ultimate holding company	–	–	13	13
Pledged bank deposit	–	67	67	–
Bank balances and cash	268	1,304	1,043	821
	<u>2,085</u>	<u>4,116</u>	<u>4,909</u>	<u>4,746</u>
<b>Current liabilities</b>				
Trade and other payables and accruals	1,189	1,702	2,517	3,096
Amount due to a Shareholder	25	–	–	–
Amounts due to non- controlling interests	–	37	26	26
Amount due to a Director	–	3	200	271
Provision for reinstatement costs	–	–	50	–
Tax liabilities	174	498	540	385
Borrowings	513	946	861	564
	<u>1,901</u>	<u>3,186</u>	<u>4,194</u>	<u>4,342</u>
<b>Net current assets</b>	<u><u>184</u></u>	<u><u>930</u></u>	<u><u>715</u></u>	<u><u>404</u></u>

For details regarding the major items affecting our net current assets during the Track Record Period, please see “Description and analysis of principal components in the combined statements of financial position” below in this section.

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## FINANCIAL INFORMATION

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### DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Plant and equipment

Our plant and equipment consist of computer and office equipment, furniture and fittings, kitchen equipment, motor vehicles and leasehold improvements. The carrying values of our Group's plant and equipment amounted to approximately SGD1.5 million, SGD1.8 million and SGD1.7 million as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively.

The increase in our carrying values of plant and equipment during the year ended 30 September 2017 was primarily due to (i) the increase of furniture and fittings, kitchen equipment and leasehold improvements as a result of the opening of new restaurants; and (ii) the purchase of a motor vehicle for our newly opened central kitchen to provide catering and delivery services.

The decrease in our carrying values of plant and equipment as at 31 January 2018 was primarily due to the depreciation on plant and equipment and we did not open new restaurants during the four months ended 31 January 2018.

#### Intangible assets

Intangible assets of our Group represent the franchise rights of "Chir Chir", "Masizzim", "Nipong Naepong" and "NY Night Market" acquired from the respective franchisors. The intangible assets have estimated useful lives of 10 to 20 years and are amortised on a straight-line basis over their estimated useful lives. As at 30 September 2016, 30 September 2017 and 31 January 2018, the carrying value of our Group's intangible assets amounted to approximately SGD624,000, SGD573,000 and SGD795,000, respectively. The movement of the carrying values of our intangible assets during the Track Record Period mainly represented (i) the additions in respect of the "Masizzim" franchise right in Singapore, Malaysia and Indonesia; (ii) the disposal of the "Masizzim" franchise right in Indonesia; (iii) the additions of "Nipong Naepong" and "NY Night Market" franchise rights in Singapore; and (iv) the amortisation of such franchise rights.

#### Inventories

During the Track Record Period, our inventories mainly comprised of food ingredients, beverages and other consumables for our restaurant operations.

Our inventories decreased from approximately SGD0.5 million as at 30 September 2016 to approximately SGD0.2 million as at 30 September 2017, mainly because we stocked up in September 2016 for the commencement of operation of Chir Chir (BJ) on 1 October 2016. The balance of our inventories remained relatively stable at approximately SGD0.2 million as at 31 January 2018.

## FINANCIAL INFORMATION

The following table sets out the inventory turnover days of our Group for the Track Record Period:

	<b>Year ended 30 September 2016 Days</b>	<b>2017 Days</b>	<b>Four months ended 31 January 2018 Days</b>
Inventory turnover days ( <i>Note</i> )	<u>40.7</u>	<u>32.2</u>	<u>19.1</u>

*Note:* Inventory turnover days are calculated by dividing the average inventory balance by cost of inventories consumed for the year/period multiplied by the number of days during the year/period (i.e. 366 days for the year ended 30 September 2016, 365 days for the year ended 30 September 2017 and 123 days for the four months ended 31 January 2018). Average inventory balance is the average of the beginning and ending inventory balances for the relevant year/period.

To ensure that our warehouse and restaurants have sufficient product quantities to meet expected demand, we generally keep three months of stock for non-perishable items at our warehouse and less than two days of stock for perishable items for our restaurants. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, inventory turnover days of our Group were approximately 40.7 days, 32.2 days and 19.1 days, respectively. Our Directors believe that the improvement of inventory turnover days was mainly due to relatively higher increase in consumption of perishable food ingredients than that of non-perishable items as we opened our new self-operated restaurants during the Track Record Period.

Our Directors confirm that our inventories as at 31 January 2018 have been generally utilised as at the Latest Practicable Date.

### Trade and other receivables, deposits and prepayments

The following table sets forth a breakdown of our trade and other receivables, deposits and prepayments as at the respective date indicated:

	<b>As at 30 September 2016 SGD'000</b>	<b>2017 SGD'000</b>	<b>As at 31 January 2018 SGD'000</b>
Trade receivables	320	1,380	1,712
Other receivables	2	129	272
Rental and other deposits	926	1,124	1,371
Prepayments	296	370	499
Deferred Listing expenses	—	—	443
	<u>1,544</u>	<u>3,003</u>	<u>4,297</u>
Less: Deposits classified as non-current assets	<u>(732)</u>	<u>(642)</u>	<u>(1,066)</u>
Current portion of trade and other receivables, deposits and prepayments	<u>812</u>	<u>2,361</u>	<u>3,231</u>

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## FINANCIAL INFORMATION

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### *Trade receivables*

Our Group's trade receivables mainly represented receivables from credit card issuers and royalties receivables under our licensing arrangement. We normally receive remittances from the relevant credit card issuers, net of service charges, within a few business days upon the credit card transactions being approved.

Our balance of trade receivables increased from approximately SGD0.3 million as at 30 September 2016 to approximately SGD1.4 million as at 30 September 2017 mainly due to (i) increase in receivables from credit card issuers primarily as a result of the expansion of our network of self-operated restaurants and increase in our revenue from restaurant operations; (ii) increase in royalty receivables from the Indonesia Licensee mainly attributable to the new openings of licensed and sub-licensed restaurants in Indonesia during the year ended 30 September 2017; and (iii) increase in trade receivables from Arena Investment in respect of our sales of vouchers during the year ended 30 September 2017.

The increase in trade receivables from approximately SGD1.4 million as at 30 September 2017 to approximately SGD1.7 million as at 31 January 2018 was mainly due to delay in payment by the Indonesia Licensee while at the same time there were (i) increase in royalties receivables from the Indonesia Licensee mainly attributable to the new opening of a sub-licensed restaurant in Indonesia; and (ii) trade receivables from the Indonesia Licensee on the purchase of sauces.

The following table sets forth a breakdown of our trade receivables by nature as at the respective date indicated:

	<b>As at 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
Restaurant operations	16	591	600
Sale of food and food ingredients	219	279	455
Royalties income	85	510	657
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>          320</u>	<u>         1,380</u>	<u>         1,712</u>

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## FINANCIAL INFORMATION

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The following table sets forth the ageing analysis of our trade receivables based on invoice date for restaurant operations and sale of food and food ingredients and based on the timing of accrual for royalty income in accordance with the relevant agreements:

	<b>As at 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<b>2018</b>
			<i>SGD'000</i>
0 – 30 days	253	558	492
31 – 60 days	44	232	416
61 – 90 days	4	64	118
More than 90 days	19	526	686
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>320</b>	<b>1,380</b>	<b>1,712</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of our trade receivables based on due date which are past due but not impaired is as follows:

	<b>As at 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<b>2018</b>
			<i>SGD'000</i>
0 – 30 days past due	44	232	245
31 – 60 days past due	4	64	456
61 – 90 days past due	9	41	117
More than 90 days past due	10	485	581
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>67</b>	<b>822</b>	<b>1,399</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2016, 30 September 2017 and 31 January 2018, no allowance for impairment loss was made in respect of the above trade receivables that are past due as our Directors consider that there has not been a significant change in credit quality as the amounts are still considered recoverable after taking into consideration that the past due trade receivables mainly represented royalty receivables from long-term cooperation partners and in view of the extent of subsequent settlement of such receivables.

As at 31 May 2018, approximately SGD1.3 million, representing approximately 73.8% of our Group's trade receivables as at 31 January 2018, were subsequently settled.

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## FINANCIAL INFORMATION

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The following table sets forth the trade receivable turnover days of our Group for the Track Record Period:

	<b>Four months ended</b>		
	<b>Year ended 30 September</b>		<b>31 January</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days ( <i>Note</i> )	7.3	22.4	37.7

*Note:* Trade receivable turnover days are calculated by dividing the average trade receivable balance by revenue for the year/period multiplied by the number of days during the year/period (i.e. 366 days for the year ended 30 September 2016, 365 days for the year ended 30 September 2017 and 123 days for the four months ended 31 January 2018). Average trade receivable balance is the average of the beginning and ending trade receivable balances for the relevant year/period.

Trade receivable turnover days of our Group became longer from approximately 7.3 days for the year ended 30 September 2016 to approximately 22.4 days for the year ended 30 September 2017, and further increased to approximately 37.7 days for the four months ended 31 January 2018. It was primarily as a result of (i) the delay in settlement of our royalty receivables which were past due as at 30 September 2017 and 31 January 2018; and (ii) the delay in settlement of our trade receivables by Arena Investment during the year ended 30 September 2017, as reflected by the increase in our past due trade receivables as at 30 September 2017 and 31 January 2018.

### ***Rental and other deposits***

As at 30 September 2016, 30 September 2017 and 31 January 2018, our Group had rental and other deposits of approximately SGD0.9 million, SGD1.1 million and SGD1.4 million, respectively. The increase in the balance as at 30 September 2017 was due to the payments of rental deposits for our new self-operated restaurants and central kitchen opened during the year ended 30 September 2017. The increase in balance as at 31 January 2018 was mainly due to the payments of rental deposits for our new self-operated restaurants in Singapore, namely Kogane Yama (JEM), Nipong Naepong (JEM) and NY Night Market (Westgate), which commenced operation in February and March 2018, as well as the second “Chir Chir” restaurant to be opened in Malaysia.

### ***Prepayments***

As at 30 September 2016, 30 September 2017 and 31 January 2018, our Group had prepayments of approximately SGD0.3 million, SGD0.4 million and SGD0.5 million, respectively, which mainly represented prepayments to our suppliers.

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## FINANCIAL INFORMATION

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### Trade and other payables and accruals

The following table sets forth a breakdown of our trade and other payables and accruals as at the respective dates indicated:

	<b>As at 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<b>2018</b>
			<i>SGD'000</i>
Trade payables	607	616	318
Goods and services tax payable	99	465	367
Salaries payable	244	301	288
Deferred rental liability	213	191	135
Accruals	102	187	200
Other payables	64	20	1,215
	<u>1,329</u>	<u>1,780</u>	<u>2,523</u>
Less: Deferred rental liability classified as non-current liabilities	<u>(140)</u>	<u>(78)</u>	<u>(6)</u>
Current portion of trade and other payables and accruals	<u>1,189</u>	<u>1,702</u>	<u>2,517</u>

### *Trade payables*

During the Track Record Period, our trade payables mainly related to our purchases of food ingredients and beverages from suppliers in Korea and Singapore for our restaurant operations. The payment term with our largest supplier during the years ended 30 September 2016 and 2017 was generally 50% upfront and 50% upon delivery, and the payment term with our largest supplier for the four months ended 31 January 2018 was generally a credit period of 30 days. We were generally granted credit period of 15 to 30 days by our other major suppliers during the Track Record Period.

Our trade payables remained relatively stable at approximately SGD0.6 million as at 30 September 2016 and 30 September 2017 despite the expansion of our restaurant operations during the Track Record Period, mainly because (i) part of our purchases was financed by trust receipt loans which amounted to approximately SGD0.3 million as at 30 September 2017; and (ii) we made more purchases in September 2016 for the commencement of operation of Chir Chir (BJ) on 1 October 2016.

Our trade payables decreased to approximately SGD0.3 million as at 31 January 2018, which was mainly due to our faster payment of purchases.

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## FINANCIAL INFORMATION

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The following table sets out the ageing analysis of our trade payable based on the invoice date as at the respective dates indicated:

	<b>As at 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<b>2018</b>
0 – 30 days	468	561	302
31 – 60 days	3	12	1
61 – 90 days	136	43	3
More than 90 days	–	–	12
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>607</b>	<b>616</b>	<b>318</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table sets out the trade payable turnover days of our Group for the Track Record Period:

	<b>Year ended 30 September</b>		<b>Four</b>
	<b>2016</b>	<b>2017</b>	<b>months</b>
	<i>Days</i>	<i>Days</i>	<b>ended</b>
			<b>31 January</b>
			<b>2018</b>
			<i>Days</i>
Trade payable turnover days ( <i>Note</i> )	62.6	63.7	52.6
	<hr/>	<hr/>	<hr/>

*Note:* Trade payable turnover days are calculated by dividing the average trade payable balance by cost of inventories consumed for the relevant year/period multiplied by the number of days during the year/period (i.e. 366 days for the year ended 30 September 2016, 365 days for the year ended 30 September 2017 and 123 days for the four months ended 31 January 2018). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant year/period.

Our trade payable turnover days remained relatively stable at approximately 62.6 days and 63.7 days for the years ended 30 September 2016 and 2017, respectively. For the four months ended 31 January 2018, our trade payable turnover days decreased to approximately 52.6 days, which was mainly due to our faster payment of purchases.

As at 31 May 2018, approximately 95.0% of our trade payable as at 31 January 2018 have been subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.



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## FINANCIAL INFORMATION

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### *Goods and services tax payable*

Our balance of goods and services tax payable represented the consumption tax levied on the sales of goods and services in Singapore. Our goods and services payable increased from approximately SGD0.1 million as at 30 September 2016 to approximately SGD0.5 million as at 30 September 2017 mainly as a result of the increase in our revenue. Our goods and services tax payable decreased to approximately SGD0.4 million as at 31 January 2018, which was mainly due to voluntary reinstatement filing on goods and services tax for the period from April to June 2017 was made in October 2017.

### *Salaries payable*

Our salaries payable increased from approximately SGD0.2 million as at 30 September 2016 to approximately SGD0.3 million as at 30 September 2017. Such increase was generally in line with the increase in our staff costs during the Track Record Period. Our salaries payable remained relatively stable at approximately SGD0.3 million as at 31 January 2018.

### *Deferred rental liability*

As at each of 30 September 2016, 30 September 2017 and 31 January 2018, our Group recorded deferred rental liability of approximately SGD0.2 million, SGD0.2 million and SGD0.1 million, respectively. Our balance of deferred rental liability was originated when our effective rent on an accounting basis is higher than actual rent paid due to the rent-free periods under the respective tenancy agreements for our leased properties.

### *Accruals*

As at 30 September 2016, 30 September 2017 and 31 January 2018, we had accruals of approximately SGD0.1 million, SGD0.2 million and SGD0.2 million, respectively. The increase in the balance for the year ended 30 September 2017 was generally in line with the increase in our operating expenses mainly as a result of the expansion of our restaurant operations.

### *Other payables*

As at 30 September 2016, 30 September 2017 and 31 January 2018, we had other payables of approximately SGD64,000, SGD20,000 and SGD1.2 million, respectively. The significant increase in the balance as at 31 January 2018 was mainly attributable to the Listing expenses incurred for the four months ended 31 January 2018.

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## FINANCIAL INFORMATION

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### Amounts due from and to related parties

The following table summarises the balances of our amounts due from/to related parties, as at the end of each reporting period during the Track Record Period:

	<b>At 30 September</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 January</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>2018</i>
			<i>SGD'000</i>
Amounts due from Directors	555	215	385
Amounts due from ultimate holding company	—	—	13
	<u>555</u>	<u>215</u>	<u>398</u>
Amount due to a Shareholder	25	—	—
Amounts due to non-controlling interests	—	37	26
Amount due to a Director	—	3	200
	<u>25</u>	<u>40</u>	<u>226</u>

Our balances of amounts due from Directors, amounts due from ultimate holding company, amount due to a Director and amounts due to non-controlling interests as at 30 September 2016, 30 September 2017 and 31 January 2018 were non-trade in nature, unsecured, interest-free and repayable on demand. Our Directors confirm that all outstanding balances with our Directors and non-controlling interests will be fully settled before Listing.

Our amount due to a Shareholder as at 30 September 2016 was due to Ms. Goh. Pursuant to a loan agreement entered into between our Group and Ms. Goh on 21 March 2016, our Group borrowed SGD50,000 from Ms. Goh for working capital purposes. The loan was unsecured, carried a fixed interest rate of 5% per annum and had a maturity term of one year. During the years ended 30 September 2016 and 2017, SGD25,000 and SGD25,000 was repaid to Ms. Goh, respectively.

### Provision for reinstatement costs

As at 30 September 2016, 30 September 2017 and 31 January 2018, we recorded provision for reinstatement costs in the amount of approximately SGD54,000, SGD85,000 and SGD126,000, respectively. The balance represented the provision made in respect of the estimated cost of demolishing and removing the leasehold improvements made by our Group to our leased premises at the end of respective lease periods as required under the relevant tenancy agreements that the leased premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the tenancy agreements.

## FINANCIAL INFORMATION

The higher balance as at 30 September 2017 as compared to 30 September 2016 was mainly attributable to the provision made for the leases for our new restaurants and central kitchen opened during the year ended 30 September 2017. Owing to the cessation of operation of Chir Chir (BP) in January 2018, our balance on provision for reinstatement costs increased as at 31 January 2018.

### INDEBTEDNESS

#### Borrowings

The following table sets forth the summary of borrowings of our Group as of the dates indicated:

	As at 30 September		As at 31 January	As at 31 May
	2016	2017	2018	2018
	SGD'000	SGD'000	SGD'000	SGD'000
				(Unaudited)
<b><i>Bank borrowings and hire purchase</i></b>				
Bank loans				
– unsecured and guaranteed	513	694	639	473
– secured and guaranteed	–	–	–	494
Trust receipt loans				
– secured and guaranteed	–	334	296	–
Hire purchase				
– secured and unguaranteed	–	37	33	30
	<u>513</u>	<u>1,065</u>	<u>968</u>	<u>997</u>
<b>Total</b>	<b>513</b>	<b>1,065</b>	<b>968</b>	<b>997</b>
<i>Among which:</i>				
Current	513	946	861	564
Non-current	–	119	107	433
	<u>513</u>	<u>1,065</u>	<u>968</u>	<u>997</u>
<b>Total</b>	<b>513</b>	<b>1,065</b>	<b>968</b>	<b>997</b>
<b><i>Other borrowings</i></b>				
Amount due to a Shareholder				
– unsecured and unguaranteed	25	–	–	–
Amounts due to non-controlling interests				
– unsecured and unguaranteed	–	37	26	26
Amount due to a Director				
– unsecured and unguaranteed	–	3	200	271
	<u>25</u>	<u>40</u>	<u>226</u>	<u>297</u>
<b>Total</b>	<b>25</b>	<b>40</b>	<b>226</b>	<b>297</b>

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## FINANCIAL INFORMATION

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### *Bank borrowings and hire purchase*

Our Group's bank borrowings and hire purchase carried interest at effective interest rate ranging from 6.76% to 10.98% per annum as at each of 30 September 2016, 30 September 2017, 31 January 2018 and 31 May 2018. Their weighted average interest rates were approximately 9.41%, 8.28%, 8.35% and 9.50% as at 30 September 2016, 30 September 2017, 31 January 2018 and 31 May 2018, respectively.

The above bank borrowings and hire purchase were denominated in SGD, and were secured and/or guaranteed by: (i) guarantees of Mr. Terence Lai, Mr. Ho, Mr. Tan, Mr. Ng and/or Mr. Yeap; (ii) a bank deposit; (iii) a motor vehicle; and (iv) a fixed deposit of Mr. Terence Lai.

During the Track Record Period, our Group had obtained certain banking facilities from four banks.

Pursuant to the terms and conditions of the facilities granted by the banks, there were certain restrictions which, in the event we breach those restrictions, may constitute an event of default and may, among others, trigger the termination of the banking facilities and the outstanding amount of the relevant borrowings may become immediately due and payable. As advised by our Singaporean Legal Advisers, the Reorganisation may trigger an event of default pursuant to the terms and conditions of the banking facility with Bank B, and hence the Reorganisation would require Bank B's consent.

As at the Latest Practicable Date, we were still waiting for the responses from Bank B on the Reorganisation. As at 31 May 2018, the outstanding amount of bank borrowings under the relevant banking facilities from Bank B amounted to approximately SGD0.2 million. In addition, pursuant to the terms and conditions of the banking facilities granted by Bank C, the declaration and payment of dividends may constitute an event of default. As at 31 May 2018, the outstanding amount of bank borrowings under the relevant banking facilities from Bank C amounted to approximately SGD0.2 million. Our Directors are of the view that in the event that an event of default is triggered and the relevant loans become immediately due and payable, our Group is capable of repaying such loans. Our Directors confirm that we have not been demanded by our banks for immediate repayment of our borrowings during the Track Record Period and up to the Latest Practicable Date. Nevertheless, we intend to repay the outstanding bank borrowings from Bank B and Bank C with the net proceeds from the Share Offer after the Listing. Accordingly, there shall be no further possible breach of bank loans nor restrictions on our Group's future ability to declare and pay dividends following the repayment of such bank borrowings after the Listing.

Save as disclosed above, our Directors confirm that there was no material delay or default in repayment of its bank borrowings and hire purchase during the Track Record Period and up to the Latest Practicable Date.

### *Other borrowings*

As at 30 September 2016, the amount due to a Shareholder was unsecured, carried a fixed interest rate of 5% per annum and had a maturity term of one year.

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## FINANCIAL INFORMATION

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As at 30 September 2017, 31 January 2018 and 31 May 2018, the amount due to a Director and non-controlling interests were non-trade in nature, unsecured, interest-free and repayable on demand. Our Directors confirm that all outstanding balances with our Directors and non-controlling interests will be fully settled before Listing.

### **Banking facilities**

In May 2018, we have completed the termination of the banking facility from Bank A and released the charge over K Food Holdings' fixed deposits maintained at Bank A.

As at 31 May 2018, our Group had total banking facilities of SGD1,260,000, which included (i) instalment loan facilities of SGD1,250,000; and (ii) overdraft facility of SGD10,000. As at 31 May 2018, we had unutilised banking facilities of approximately SGD0.3 million.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities with commercially acceptable terms after Listing.

### **Contingent liabilities**

As at 30 September 2016, 30 September 2017, 31 January 2018 and 31 May 2018, our Group did not have any significant contingent liabilities.

Save as disclosed above and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 May 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

### **Material indebtedness change**

In June 2018, we replaced the existing banking facility of Bank D of approximately SGD250,000 with a new banking facility from the same bank with facility amount of approximately SGD1.2 million to finance the opening of our new restaurant, Nipong Naepong (313), and other working capital.

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 May 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

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## FINANCIAL INFORMATION

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Our Group intends to repay part of our outstanding bank borrowings after Listing with the net proceeds from the Share Offer. For detail, please see “Future Plans and Use of Proceeds”.

### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating lease commitments

As at 30 September 2016, 30 September 2017 and 31 January 2018, our Group had commitments for future minimum lease payments in respect of leased premises and equipment under non-cancellable operating leases which fall due as follows:

	Year ended 30 September		Four months ended
	2016	2017	31 January 2018
	SGD'000	SGD'000	SGD'000
Within one year	2,091	2,207	3,173
In the second to the fifth year inclusive	<u>2,631</u>	<u>1,623</u>	<u>4,182</u>
<b>Total</b>	<u><u>4,722</u></u>	<u><u>3,830</u></u>	<u><u>7,355</u></u>

#### Capital commitments

As at 30 September 2016, 30 September 2017 and 31 January 2018, we had capital commitments of approximately SGD60,000, nil and SGD419,000, respectively, in respect of capital expenditures on leasehold improvements.

### CAPITAL EXPENDITURES

#### Historical capital expenditures

Our capital expenditures in the past mainly related to opening of restaurants. For the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018, our capital expenditures in relation to additions of plant and equipment amounted to approximately SGD860,000, SGD915,000 and SGD64,000, respectively, and our capital expenditures in relation to additions of intangible assets amounted to approximately SGD189,000, SGD28,000 and SGD233,000, respectively. We principally funded our capital expenditures through internally generated funds and borrowings during the Track Record Period.

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## FINANCIAL INFORMATION

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### **Planned capital expenditures**

We intend to apply part of the net proceeds from the Share Offer to open new restaurants and acquire new franchise rights, with estimated capital expenditures of approximately SGD1.3 million and SGD0.4 million, respectively.

Save for the planned capital expenditures as disclosed above and in “Future Plans and Use of Proceeds” and the additions of plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

### **PROPERTY INTERESTS**

As at the Latest Practicable Date, we did not own any property and all of our places of operations are leased properties. For details of our leased properties, please see “Business – Real Properties – Leased properties”.

### **RELATED PARTY TRANSACTIONS**

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 33 to the Accountants’ Report. Our Directors are of the view that these related party transactions as a whole were generally conducted in the ordinary course of our Group’s business on an arm’s length basis.

Having considered that the amounts of these related party transactions are relatively insignificant as compared to our Group’s total revenue and they were conducted on an arm’s length basis as a whole, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

For further details of the related party transactions to be continued after Listing, please see “Connected Transactions”.

### **OFF-BALANCE SHEET TRANSACTIONS**

Our Directors confirm that our Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	Year ended/As at 30 September		Four months ended/As at 31 January
	2016	2017	2018
Net profit margin before interest and tax <sup>(1)</sup> (%)	14.4	14.3	(22.3)
Net profit margin <sup>(2)</sup> (%)	12.2	11.6	(24.4)
Return on equity <sup>(3 and 10)</sup> (%)	39.7	45.3	N/A
Return on total assets <sup>(4 and 10)</sup> (%)	22.8	22.5	N/A
Interest coverage <sup>(5)</sup> (times)	82.8	33.6	N/A
Current ratio <sup>(6)</sup> (times)	1.1	1.3	1.2
Quick ratio <sup>(7)</sup> (times)	0.9	1.2	1.1
Gearing ratio <sup>(8)</sup> (%)	18.9	30.2	26.2
Debt-to-equity ratio <sup>(9)</sup> (%)	9.5	N/A	3.3

*Notes:*

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the year/period divided by total revenue for the year/period multiplied by 100%.
2. Net profit margin is calculated based on the net profit attributable to our Shareholders for the year/period divided by total revenue for the year/period and multiplied by 100%.
3. Return on equity is calculated based on the net profit attributable to our Shareholders for the year divided by equity attributable to our Shareholders at the end of the year and multiplied by 100%.
4. Return on total assets is calculated based on the net profit attributable to our Shareholders for the year divided by total assets at the end of the year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the year divided by interest expenses for the year.
6. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the year/period.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the year/period divided by the total current liabilities at the end of the year/period.
8. Gearing ratio is calculated based on total debt at the end of the year/period divided by total equity at the end of the year/period and multiplied by 100%. Total debt refers to all borrowings of our Group, which included amounts due to related parties, bank borrowings and hire purchase.
9. Debt-to-equity ratio is calculated based on net debt at the end of the year/period divided by total equity at the end of the year/period and multiplied by 100%. Net debt is defined to include all borrowings net of bank balances and cash.
10. Return on equity and return on total assets for the four months ended 31 January 2018 are not comparable to those for the years ended 30 September 2016 and 2017.



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## FINANCIAL INFORMATION

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### **Net profit margin and net profit margin before interest and tax**

For the years ended 30 September 2016 and 2017, our Group's net profit margin before interest and tax remained relatively stable at approximately 14.4% and 14.3%, respectively, while our net profit margin slightly declined from approximately 12.2% for the years ended 30 September 2016 to approximately 11.6% for the year ended 30 September 2017. Such slight decline in our net profit margin was mainly attributable to the higher effective tax rate of our Group for the year ended 30 September 2017 as compared to the prior year, primarily as a result of the effect of lower tax concessions relative to our Group's profit before tax for the year ended 30 September 2017 under the applicable tax exemption scheme and tax rebate policy in Singapore.

For the four months ended 31 January 2018, we recorded negative net profit margin before interest and tax and negative net profit margin of approximately 22.3% and 24.4%, respectively. Such negative margins for the four months ended 31 January 2018 were mainly due to (i) the Listing expenses of approximately SGD1.8 million incurred for the four months ended 31 January 2018 which were not tax deductible; (ii) the increase in other expenses for the four months ended 31 January 2018 mainly attributable to the increase in repair and maintenance expenses; and (iii) the increase in staff costs and rental and related expenses relating to the opening of new restaurants. Excluding the Listing expenses, our net profit margin before interest and tax and net profit margin would be approximately 12.6% and 10.5%, respectively.

### **Return on equity**

Our Group's return on equity increased from approximately 39.7% for the year ended 30 September 2016 to approximately 45.3% for the year ended 30 September 2017, mainly attributable to the growth of our operating results for the year ended 30 September 2017 driven by our expansion of operation and effect of dividend of SGD0.9 million declared and paid during the year ended 30 September 2017 on our equity attributable to Shareholders as at 30 September 2017.

### **Return on total assets**

Our Group's return on total assets remained relatively stable at approximately 22.8% and 22.5% for the years ended 30 September 2016 and 2017, respectively.

### **Interest coverage**

Our Group's interest coverage declined from approximately 82.8 times for the year ended 30 September 2016 to approximately 33.6 times for the year ended 30 September 2017, mainly as result of an increase in bank loans to finance the opening of four self-operated restaurants and our central kitchen during the year ended 30 September 2017, which in turn resulted in an increase in our finance costs for the same year. Interest coverage ratio is not applicable for the four months ended 31 January 2018 as our Group recorded a loss before interest and tax for the period.

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## FINANCIAL INFORMATION

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### **Current ratio and quick ratio**

Our Group's current ratio remained relatively stable at approximately 1.1 times, 1.3 times and 1.2 times as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively.

Our Group's quick ratio improved from approximately 0.9 times as at 30 September 2016 to approximately 1.2 times as at 30 September 2017. The improvement in our quick ratio was primarily due to our lower inventories as at 30 September 2017 mainly because we stocked up in September 2016 for the commencement of operation of Chir Chir (BJ) on 1 October 2016. Our Group's quick ratio remained relatively stable at approximately 1.1 times as at 31 January 2018 which was in line with the trend of our current ratio due to the constant level of inventories maintained as at 31 January 2018.

### **Gearing ratio**

Our Group's gearing ratio increased from approximately 18.9% as at 30 September 2016 to approximately 30.2% as at 30 September 2017, mainly as a result of an increase in bank loans to finance the opening of four self-operated restaurants and our central kitchen during the year ended 30 September 2017. Our gearing ratio decreased to approximately 26.2% as at 31 January 2018, which was primarily due to the increase in total equity of our Company as at 31 January 2018 as a result of the issue of new shares under the Pre-IPO Investment.

### **Debt-to-equity ratio**

Debt to equity ratio of our Group was approximately 9.5% as at 30 September 2016, while it was not applicable to our Group as at 30 September 2017 as we recorded a net cash position primarily due to an increase in our balances and cash as at 30 September 2017, which was mainly resulted from the operating cash flows generated during the year ended 30 September 2017. Our debt to equity ratio subsequently increased to approximately 3.3% as at 31 January 2018 mainly as a result of the decrease in our bank balances and cash as at 31 January 2018.

## **SENSITIVITY AND BREAKEVEN ANALYSIS**

### **Sensitivity analysis**

During the Track Record Period, cost of inventories consumed, staff costs and rental and related expenses were the three largest components of our operating costs. The following table sets forth the sensitivity analysis of hypothetical fluctuations in cost of inventories consumed, staff costs and rental and related expenses, and their respective effect on our Group's profit/(loss) before tax during the Track Record Period, holding all other variables constant.

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## FINANCIAL INFORMATION

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	Percentage increase	Year ended 30 September		Four months ended
		2016	2017	31 January 2018
		Change in profit/(loss) before tax		
		SGD'000	SGD'000	SGD'000
Cost of inventories consumed	5%	(115)	(175)	(55)
	10%	(230)	(351)	(109)
	15%	(344)	(526)	(164)
Staff costs	5%	(118)	(160)	(59)
	10%	(237)	(320)	(117)
	15%	(355)	(480)	(176)
Rental and related expenses	5%	(87)	(143)	(53)
	10%	(175)	(286)	(107)
	15%	(262)	(429)	(160)

### Breakeven analysis

For the year ended 30 September 2016, it is estimated that, holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of inventories consumed of approximately 57.0%; (ii) with an increase in staff costs of approximately 55.3%; or (iii) with an increase in rental and related expenses of approximately 74.9%.

For the year ended 30 September 2017, it is estimated that, holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of inventories consumed of approximately 54.9%; (ii) with an increase in staff costs of approximately 60.1%; or (iii) with an increase in rental and related expenses of approximately 67.3%.

For the four months ended 31 January 2018, it is estimated that, if excluding the Listing expenses for the period of approximately SGD1.8 million, which was non-recurring in nature, and holding all other variables constant, our Group would achieve breakeven in profit or loss (i) with an increase in cost of inventories consumed of approximately 55.0%; (ii) with an increase in staff costs of approximately 51.3%; or (iii) with an increase in rental and related expenses of approximately 56.3%.

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## FINANCIAL INFORMATION

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### FINANCIAL RISK MANAGEMENT

Our Group's activities expose it to a variety of financial risks, including interest rate risk, currency risk, credit risk and liquidity risk. Our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details regarding our exposures to financial risks, please see note 32 to the Accountants' Report.

### FOREIGN EXCHANGE LIABILITY

Save for (i) the Listing fees payable which are mainly denominated in HK\$; and (ii) our payables for purchases from Korea and franchise fees payable to the Korean franchisors which are denominated in US\$ or KRW, our Group had no other material exposure to foreign exchange liabilities during the Track Record Period and up to the Latest Practicable Date.

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted combined net tangible assets per Share as if the Share Offer had taken place on 31 January 2018 was approximately HK\$0.137 and HK\$0.208, respectively, based on the Offer Price of HK\$0.5 per Offer Share and HK\$0.8 per Offer Share (being the low-end and high-end of the indicative Offer Price range, respectively).

Please see "Unaudited Pro Forma Financial Information" set out in Appendix II to this prospectus for details, including the bases and assumptions for calculating the unaudited pro forma adjusted combined net tangible assets per Share.

### DIVIDEND

Dividends of SGD0.9 million and SGD0.6 million were declared and paid by K Food Holdings in respect of the financial years ended 30 September 2016 and 2017, respectively.

Our Group does not have a dividend policy. The declaration of dividends by our Company is subject to the discretion of our Board, the approval of our Shareholders and bank consents. Pursuant to the terms and conditions of the banking facilities granted by Bank C, the declaration and payment of dividend may constitute an event of default. Nevertheless, it is expected that the outstanding borrowings from Bank C will be repaid by net proceeds from the Share Offer. Following the repayment, there shall be no further restriction on our ability to declare and pay dividends in the future. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

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## **FINANCIAL INFORMATION**

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Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in Singapore and Malaysia. Any dividends that may be declared by our Company will be on a per share basis, and our Company will pay such dividends in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

### **DISTRIBUTABLE RESERVES**

Under Cayman Islands law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 24 January 2018 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at 30 September 2016, 30 September 2017 and 31 January 2018, respectively.

### **DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Save as disclosed in this prospectus, our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **POST BALANCE SHEET EVENTS**

Please see “Summary – Recent developments” and note 41 “Subsequent events” to the Accountants’ Report.

### **RECENT DEVELOPMENTS**

Please see “Summary – Recent developments” for details.

### **MATERIAL ADVERSE CHANGE**

Save as disclosed in “Summary – Recent developments”, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 January 2018, being the date to which our latest audited financial information was prepared, and there had been no event since 31 January 2018 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see “Business – Key strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.65 per Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$36.6 million (equivalent to approximately SGD6.2 million). We currently intend to apply such net proceeds in the following manner:

- (i) approximately 6.5% of the net proceeds, or approximately HK\$2.4 million (equivalent to approximately SGD0.4 million), will be used to identify and procure franchise right on brands of foreign restaurants that are established and popular, with distinguishing menu and ambience that could differentiate itself from our existing brands;
- (ii) approximately 58.1% of the net proceeds, or approximately HK\$21.2 million (equivalent to approximately to SGD3.6 million) will be used to open new restaurants in Singapore including two new restaurants under the brand of “NY Night Market”, one new restaurant under the brand “Nipong Naepong”, one new restaurant under the brand “Masizzim”, one new restaurant under the brand “After School” and one new restaurant under a new franchised brand to be procured. We plan to open new restaurants in non-traditional commercial areas in Singapore as opposite to the traditional commercial area such as the surrounding areas of Orchard Road. The non-traditional commercial areas should be populated residential areas with malls, banks and offices located nearby train stations, such as Vivo City, Bishan Junction 8 and sites with similar features. However, if suitable locations are found in central town areas, such as Clark Quay and Paragon Orchard, we would also consider such areas;
- (iii) approximately 6.5% of the net proceeds, or approximately HK\$2.4 million (equivalent to approximately SGD0.4 million), will be used to strengthen our marketing efforts activities to promote our brands by carrying out marketing and promotional activities, such as inviting Korean pop stars to visit our restaurants;
- (iv) approximately 6.6% of the net proceeds, or approximately HK\$2.4 million (equivalent to approximately to SGD0.4 million), will be used to expand our workforce by hiring two marketing staffs to enhance our marketing effort, one operation and area manager to manage our restaurant network as we expand our business, and one executive chef for research and development of menu and dishes that cater the local customers’ tastes and preferences;
- (v) approximately 4.8% of the net proceeds, or approximately HK\$1.8 million (equivalent to approximately SGD0.3 million), will be used to upgrade our POS system and accounting system;

## FUTURE PLANS AND USE OF PROCEEDS

- (vi) approximately 13.7% of the net proceeds, or approximately HK\$5.0 million (equivalent to approximately SGD0.9 million), will be used for partial repayment of outstanding bank borrowings. The bank borrowings to be repaid with the net proceeds from the Share Offer included loans from two banks in Singapore in the amount of approximately SGD193,000 and SGD182,000 as at 31 January 2018, respectively, which carried effective interest rate ranging from 6.75% to 10.98% with maturity of four years, as well as a bridge loan obtained by our Group in April 2018 from a bank in Singapore in the amount of SGD500,000, which carries an interest rate of 10.38% as at 31 May 2018. They were secured and/or guaranteed by (i) guarantees of Mr. Terence Lai, Mr. Ho, Mr. Tan, Mr. Ng and/or Mr. Yeap; and (ii) bank deposit of Mr. Terence Lai. Such loans were utilised by our Group for opening of new restaurants and as working capitals during the Track Record Period and up to the Latest Practicable Date; and
- (vii) approximately 3.8% of the net proceeds, or approximately HK\$1.4 million (equivalent to approximately SGD0.2 million), will be used as general working capital of our Group.

The following table sets forth a summary of the allocation of net proceeds from the Share Offer for the period indicated:

	From the Listing Date to		Six months ending			Total HK\$'000
	30 September 2018 HK\$'000	31 March 2019 HK\$'000	30 September 2019 HK\$'000	31 March 2020 HK\$'000	30 September 2020 HK\$'000	
	Growing our business by procuring new franchised brands	–	1,180	1,180	–	
Developing more restaurant brands and strengthening our regional presence	–	7,080	7,080	7,080	–	21,240
Strengthening our marketing efforts	–	1,180	–	1,180	–	2,360
Enhancing operational efficiency by expanding our workforce	20	600	600	600	600	2,420
Enhancing operational efficiency by upgrading our information technology system	–	1,770	–	–	–	1,770
Repayment of outstanding bank borrowings	5,020					5,020
	5,040	11,810	8,860	8,860	600	35,170
General working capital						1,410
<b>Total</b>						<b>36,580</b>

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## FUTURE PLANS AND USE OF PROCEEDS

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The net proceeds of the Share Offer will be fully utilised by 30 September 2020 according to our business plans. Our Directors consider that the net proceeds of the Share Offer of approximately HK\$36.6 million (equivalent approximately to SGD6.2 million) and our internal resources will be sufficient to finance our business plans as scheduled up to 30 September 2020.

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range. If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$14.1 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material alteration to the use of proceeds as stated above, we will issue an announcement in accordance with GEM Listing Rules. In the event that the net proceeds from the Share Offer is insufficient to finance the expenditure as mentioned above, the shortfall will be financed by our internal resources and/or external borrowings.

### IMPLEMENTATION PLANS

We set forth below our implementation plans in pursuance of our business strategies. Prospective investors should note that the following implementation plans are formulated on the bases and assumptions as referred to “Future Plans and Use of Proceeds – Bases and key assumptions”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in “Risk Factors”. Our actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished at all.

#### For the period from the Listing Date to 30 September 2018

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Enhancing operational efficiency by expanding our workforce	Hiring one marketing staff for marketing our brands and restaurants	approximately HK\$20,000 (equivalent to approximately SGD3,500)
Repayment of outstanding bank borrowings	Repayment of outstanding bank borrowings	approximately HK\$5.0 million (equivalent to approximately SGD0.9 million)



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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 31 March 2019**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Growing our business by procuring new franchised brands	Identifying and procuring one new franchise right of foreign restaurant brand	approximately HK\$1.2 million (equivalent to approximately SGD0.2 million)
Developing more restaurant brands and strengthening our regional presence	Identifying locations and setting up one new restaurant under the brand “Nipong Naepong” and one new restaurant under the brand “NY Night Market”	approximately HK\$7.1 million (equivalent to approximately SGD1.2 million)
Strengthening our marketing efforts	Carrying out promotional activities, such as inviting K-pop stars to visit our restaurants	approximately HK\$1.2 million (equivalent to approximately SGD0.2 million)
Enhancing operational efficiency by expanding our workforce	Hiring (i) one additional marketing staff for marketing our brands and restaurants; (ii) one operation and area manager for managing the restaurant network; and (iii) one executive chef for research and development of new menu	approximately HK\$0.6 million (equivalent to approximately SGD0.1 million)
	Maintaining the cost of the marketing staff	
Enhancing operational efficiency by upgrading our information technology system	Engage service provider to upgrade our POS system and accounting system	approximately HK\$1.8 million (equivalent to approximately SGD0.3 million)

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## FUTURE PLANS AND USE OF PROCEEDS

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### For the six months ending 30 September 2019

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Growing our business by procuring new franchised brands	Identifying and procuring one additional new franchise right of foreign restaurant brand	approximately HK\$1.2 million (equivalent to approximately SGD0.2 million)
Developing more restaurant brands and strengthening our regional presence	Identifying locations and setting up one new restaurant under the brand “Masizzim” and one new restaurant under the brand “After School”	approximately HK\$7.1 million (equivalent to approximately SGD1.2 million)
Enhancing operational efficiency by expanding our workforce	Maintaining the cost of the additional staffs  Continuing to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development	approximately HK\$0.6 million (equivalent to approximately SGD0.1 million)

### For the six months ending 31 March 2020

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Developing more restaurant brands and strengthening our regional presence	Identifying locations and setting up one new restaurant under the brand “NY Night Market” and one new restaurant under a new franchised brand to be procured during the year ending 30 September 2019	approximately HK\$7.1 million (equivalent to approximately SGD1.2 million)

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## FUTURE PLANS AND USE OF PROCEEDS

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<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Strengthening our marketing efforts	Carrying out promotional activities, such as inviting Korean pop stars to visit our restaurants	approximately HK\$1.2 million (equivalent to approximately SGD0.2 million)
Enhancing operational efficiency by expanding our workforce	<p>Maintaining the cost of the additional staffs</p> <p>Continuing to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development</p>	approximately HK\$0.6 million (equivalent to approximately SGD0.1 million)

### For the six months ending 30 September 2020

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b>
Enhancing operational efficiency by expanding our workforce	<p>Maintaining the cost of the additional staffs</p> <p>Continuing to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development</p>	approximately HK\$0.6 million (equivalent to approximately SGD0.1 million)

### BASES AND ASSUMPTIONS

Our implementation plans are based on the following bases and assumptions:

1. our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
2. there will be no material changes in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
3. there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;

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## FUTURE PLANS AND USE OF PROCEEDS

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4. there will be no changes in the effectiveness of the franchises, licences, permits and qualifications obtained by our Group;
5. there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
6. there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
7. our Group will not be materially affected by the risk factors as set out in “Risk Factors”.

### REASONS FOR OUR LISTING IN HONG KONG

We believe that the stock market of Hong Kong has high recognition among global, in particular Southeast Asian investors and that listing in Hong Kong would be perceived more favorably by our potential investors. We believe listing in Hong Kong would enhance our profile and publicity on an international, in particular Southeast Asian levels, making our Group’s brands known to new potential franchisees and retail customers in the Southeast Asian markets through the media to create a positive brand image as a listed company and help differentiate ourselves from our counterparts in those countries with a listing platform to improve our financial strength to finance our expansion as and when necessary. In addition, according to the global ranking of stock exchanges by market capitalisation table available on the SFC website, the Stock Exchange was the sixth largest stock market by market capitalisation in the world and ranked third in Asia falling behind Japan and Shanghai as at the end of March 2018, our Directors believe that listing in Hong Kong shall have higher liquidity and greater exposure to a wider analysis and investment community, which enable us to more effectively diversify our Shareholder base and carry on fund raising activities for our future expansion and business growth should such need arise. The below are other key reasons for the Share Offer:

#### **Growing our business by procuring new franchised brands**

The Listing status will strengthen our market position, enhance our reputation, creditability and raise our publicity. As stated in “Business – Key Strategies”, part of our business strategy is to obtain new franchised brands of popular and famous foreign restaurants. In liaising with the owners of such foreign brands for the franchise rights, the listing status will help advertise our Group’s corporate profile and accordingly increase our bargaining power in negotiating franchise terms with the potential franchisors. As a listed entity, potential franchisors will have more confidence in the quality of our services, financial strengthens and credibility, and transparency in in operational and financial information. Our Directors believe that the listing status will increase our chances in winning the franchise rights of those popular and famous brands. Our internal control and corporate governance practice will also be enhanced following the Listing. All of these in turn will strengthen our competitiveness, help expand our market share and drive our business performance and growth.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Developing more restaurant brands and strengthening our regional presence**

Our Group targets to open six new restaurants during the period ending 30 September 2020 with the net proceeds from the Share Offer, tentatively including (i) one new restaurant under the brand “Nipong Naepong” and one new restaurant under the brand “NY Night Market” during the six months ending 31 March 2019; (ii) one new restaurant under the brand “Masizzim” and one new restaurant under the brand “After School” during the six months ending 30 September 2019; and (iii) one new restaurant under the brand “NY Night Market” and one new restaurant under a new franchised brand to be procured during the six months ending 31 March 2020.

Based on the experience of our recent restaurants opened and to be opened, the average capital expenditures for each restaurant was approximately SGD0.2 million (equivalent to approximately HK\$1.2 million) which includes approximately SGD150,000 for renovation, and approximately SGD70,000 for purchases of furniture and fixtures and machineries, both of which are expected to be incurred shortly before the opening of the new restaurants. As we enter into tenancy agreement for a new restaurant, our landlords generally require us to pay (i) security deposits in the amount equivalent to around three to five months of the sum of basic rent, service charge and advertising and promotion costs, which amounted to approximately SGD160,000; (ii) one month advance payment of rental, service charge, advertising and promotion costs and the GST thereon, which amounted to approximately SGD36,000; and (iii) other charges including stamp duty, fit out deposit, administrative fee and legal costs of approximately SGD10,000 upon the entering into of the tenancy agreement. Following the commencement of operation of the new restaurant, the major operating costs for the restaurant comprises, among others, rental and related expenses, restaurant staff costs, utility expenses and marketing and advertising expenses, which in aggregate we estimate to be amounted to approximately SGD55,000 per month based on the experience of our existing restaurants, although such costs may vary depending on the size and customer traffic of the restaurant. To support the start-up period of each restaurant, we reserve approximately SGD0.2 million (equivalent to approximately HK\$1.2 million) to fund the rental expenses of each new restaurant for the first six months of their operations in view of the historical investment payback period of our restaurants in Singapore ranging from approximately seven to 18 months. Save for the rental expenses, we intend that the other operating costs for the new restaurants will be funded by our internal resources generated from our operation.

We strategically placed our existing restaurants in central business district as well as convenient shopping malls proximate to residential or commercial districts in Singapore. To capture the growth potentials and addressing the challenges of suburbanisation in Singapore, we plan to open new stores in shopping malls located in non-traditional commercial areas. We plan to continue the strategy of locating our restaurants in shopping malls with high foot traffic in the future. By adopting a multi-brand strategy, we aim to gain further market shares in causal dining industry by serving customers of different origins, taste and preference. We plan to achieve this by opening restaurants with distinctive menu choices, visual impact, ambience, clientele, pricing strategies, etc. which can differentiate itself from our existing portfolio. Our expansion plan of opening six restaurants with five different brands accords with our objective of increasing our market share. By means of opening these new restaurants, we believe that we can benefit from the economies of scale such as enhancing our bargaining power over suppliers and enjoying bulk purchase discounts.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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### **Strengthening our marketing efforts**

We believe that competition in the casual dining industry is highly competitive and one of the ways to increase our market share is by strengthening marketing efforts. We will continue to promote our brand image and maintain our brand recognition amongst our target customers. Since our brands are mostly Korean casual dining brands, they are closely associated with the K-pop, K-drama and the Korean culture, which were well accepted by overseas customers according to the CIC Report. We plan to carry on promotional activities to strengthen the association between our restaurants and the K-pop cultures, such as inviting Korean pop stars to visit our restaurants, so as to attract the customers who are fond of the K-pop, K-drama and the Korean culture.

### **Enhancing operational efficiency by expanding our workforce and upgrading our information technology system**

As we plan to expand our restaurant network and brand portfolio in Singapore, we plan to utilise the net proceeds from the Share Offer to expand our workforce. We plan to hire two marketing staffs to promote the publicity of our brand and restaurant, and to keep up to date with the latest market trends. In order to manage our expanded restaurant chain efficiently, we also plan to hire one operation and area manager to manage our restaurant network in Singapore. Moreover, to further develop our own brands, we plan to hire an executive chef to research and develop new dishes and beverage for our own branded restaurants, and to better select the dishes from the menu of the franchisors for our franchised brands, such that we can better cater the taste and preferences of our target customers.

In light of the expected increase in operation scale, we intend to finance the upgrade of our current information technology system, particularly the POS system, payroll system, data storage, network security, accounting system and inventory management system to enhance our overall operational efficiency.

### **Additional sources to raise capital to expand our business**

We believe that the Listing status is strategically critical to our long-term growth as it will provide us with additional sources to raise capital for expansion and other development needs. Following the Listing, we will have access to the capital markets, providing us additional sources for future fundraising through the issuance of equity and debt securities for business expansion. Equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, in particular, we do not have to rely on the financial support from our Controlling Shareholder(s) by way of providing personal guarantees to secure bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities. Further, we believe that the Listing status would allow us to gain leverage in obtaining bank financing for our expansion and our working capital needs on relatively more favourable terms. Therefore, the Listing will allow us to offer us more flexibility in fundraising.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners**

Lego Securities Limited

Quasar Securities Co., Limited

#### **Joint Lead Managers**

Lego Securities Limited

Quasar Securities Co., Limited

Everstone Securities Limited

Grand Tai Securities Limited

#### **Co-managers**

Run Investment Services Limited

Wellington Financial Limited

Fruit Tree Securities Limited

Long Asia Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer 10,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the granting of the approval for the listing of, and permission to deal in, all our Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Department and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

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## UNDERWRITING

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### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners, at their sole and absolute discretion, may, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to the Company, terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
  - (i) that any statement contained in any offer documents as referred to in the Public Offer Underwriting Agreement (the “**Offer Documents**”) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole;
  - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom;
  - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters);
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Controlling Shareholders, our executive Directors and our non-executive Director under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement;
  - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group;



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## UNDERWRITING

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- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties given by our executive Directors, our non-executive Director or our Controlling Shareholders under the Public Offer Underwriting Agreement;
- (vii) the approval by the Listing Department of the listing of, and permission to deal in, our Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) our Company withdraws any of the Relevant Documents or the Share Offer;
- (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;
- (x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;
- (xi) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management members of our Group;
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Bookrunners, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer;
- (xiii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) in their sole absolute opinion to be material; or

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## UNDERWRITING

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- (b) there shall develop, occur, exist, or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), influenza B, Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation);
  - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets);
  - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange;
  - (iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, Singapore, Korea, Malaysia, Indonesia, the Cayman Islands, the BVI (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Specific Jurisdictions**”);
  - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions;

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## UNDERWRITING

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- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions;
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in our Shares;
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors”;
- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of our executive Directors, our non-executive Director or our Controlling Shareholders;
- (x) any of our Directors and senior management members of our Company as set out in the section headed “Directors, Senior Management and Employees” being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company;
- (xi) the chairman or chief executive officer of our Company vacating his or her office;
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against any of our Directors in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (xiii) a contravention by any member of our Group or any Director of the GEM Listing Rules, the Companies Ordinance or any other Laws applicable to the Share Offer;
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer;
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or

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## UNDERWRITING

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- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (i) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such;
- (ii) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing;
- (iii) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

### ***Indemnity***

Our Company, our Controlling Shareholder(s), our executive Directors and our non-executive Director, have agreed to indemnify the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

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## UNDERWRITING

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### Lock-up undertakings to the Public Offer Underwriters

#### *Undertakings by our Company*

Our Company has undertaken to each of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) that, and each of our executive Directors, our non-executive Director and our Controlling Shareholders has undertaken to procure that, except pursuant to the Share Offer, the Capitalisation Issue, and the exercise of any options granted or to be granted under the Share Option Scheme, during the period on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**Six-Month Period**”), our Company will not, and will procure each other member of our Group, not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or
  
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or

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## UNDERWRITING

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- (c) enter into any transaction with the same economic effect as any transactions specified in paragraph (a) and (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the Six-Month Period).

### *Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) that, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (a) at any time during the Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts;
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
  - (iii) enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or

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## UNDERWRITING

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- (iv) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above, which any of the foregoing transactions referred to in paragraph (i), (ii) or (iii) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Six-Month Period);
  
- (b) at any time during the eighteen months after the Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into, any of the transactions referred to in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he/she would cease to be a “Controlling Shareholder” of our Company or would together with other Controlling Shareholders cease to be a “Controlling Shareholder” of our Company
  
- (c) in the event that it/he/she enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction within the eighteen months after the Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
  
- (d) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the GEM Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

### ***Undertakings pursuant to the GEM Listing Rules***

#### *Undertakings by our Company*

Our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29(1) to (5) of the GEM Listing Rules.

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## UNDERWRITING

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### *Undertakings by our Controlling Shareholder(s)*

Each of our Controlling Shareholder(s) has undertaken to our Company and the Stock Exchange that, except pursuant to the Share Offer, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at anytime during the first Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s); and
- (ii) at anytime during the six months after the first Six-month Period (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder.

Each of our Controlling Shareholder(s) has undertaken to and covenanted with our Company and the Stock Exchange that:

- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder(s) in our Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, he/it must inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/its interests in our Shares or other securities of our Company under sub-paragraph (i) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholder(s) and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholder(s).



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## UNDERWRITING

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### **Placing**

In connection with the Placing, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders, our executive Directors and our non-executive Director) will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholder(s) will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “– Underwriting arrangements and expenses – Public Offer – Lock-up undertakings to the Public Offer Underwriters”.

### **Commission and expenses**

The Public Offer Underwriters will receive a commission of 8% of the aggregate Offer Price payable for the Public Offer Shares underwritten by them, out of which they will pay any sub-underwriting commissions. The Public Offer Underwriters will not receive any underwriting commission regarding any Offer Shares re-allocated from the Placing to the Public Offer or re-allocated from the Public Offer to the Placing.

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer are estimated to amount to approximately SGD4.8 million (equivalent to approximately HK\$28.4 million) in total based on an Offer Price of HK\$0.65 (being the mid-point of the indicative Offer Price range) and 100,000,000 Offer Shares, and are payable by our Company.

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## UNDERWRITING

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### **SOLE SPONSOR’S, JOINT BOOKRUNNERS’ AND UNDERWRITERS’ INTEREST IN OUR COMPANY**

The Sole Sponsor will receive a sponsorship and documentation fee. The Joint Bookrunners, one of which, namely Lego Securities Limited, is an affiliate of the Sole Sponsor and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under “– Underwriting arrangements and expenses – Commission and expenses”.

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 6A.07 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of our annual report for the second full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Joint Bookrunners and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE STRUCTURE OF THE SHARE OFFER

The Share Offer consists of the Public Offer and the Placing.

Lego Securities Limited and Quasar Securities Co., Limited are the joint bookrunners of the Share Offer.

An aggregate of 10,000,000 Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the GEM Listing Rules. An aggregate of 90,000,000 Shares are offered under the Placing for subscription, subject to re-allocation as mentioned below and under the GEM Listing Rules.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest for Placing Shares under the Placing, but may not do both. Our Directors and the Joint Bookrunners will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### PRICING AND ALLOCATION

The Offer Price will not be more than HK\$0.8 per Offer Share and is expected to be not less than HK\$0.5 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Applicants for the Public Offer will be required to pay the maximum indicative Offer Price of HK\$0.8 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,040.31 for each board lot of 5,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the applicants, without interest.

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around the Price Determination Date.

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.kgroup.com.hk](http://www.kgroup.com.hk) notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

The final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 10 August 2018 through a variety of channels as described in "How to Apply for Public Offer Shares – 9. Publication of results."

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 3 August 2018, and in any event no later than Friday, 10 August 2018.

**If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Friday, 10 August 2018, the Share Offer will not proceed and will lapse.**

### CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

- (i) the Listing Department granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the agreement on the final Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (iii) the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

**If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately.** Notice of lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.kgroup.com.hk](http://www.kgroup.com.hk) the next day following such lapse. In such event, all application monies will be refunded, **without interest**. The terms on which the application monies will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application monies received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving banker or other licenced bank(s) in Hong Kong.

### THE PUBLIC OFFER

We are offering 10,000,000 Shares under the Public Offer, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of public offer in Hong Kong, subject to the re-allocation as mentioned below and under the GEM Listing Rules. The Public Offer is managed by the Joint Bookrunners and is fully underwritten by the Public Offer Underwriters (subject to the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.8 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any Placing Shares nor has otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. The Public Offer will be subject to the conditions stated above under "– Conditions of the Share Offer".

If the Public Offer is not fully subscribed for, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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number as it deems appropriate to satisfy demand under the Placing. If the Placing is not fully subscribed, provided that the Public Offer is fully subscribed or oversubscribed irrespective of the number of times, the number of Public Offer Shares will increase up to 20,000,000 Shares, representing 20% of the total number of Offer Shares available under the Share Offer.

The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

### **Basis of allocation of the Public Offer Shares**

When there is over-subscription, allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### **THE PLACING**

We are offering 90,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the GEM Listing Rules. Investors subscribing for the Placing Shares are also required to pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. It is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to purchase further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company. In addition, our Company and the Joint Bookrunners will use their best endeavours to observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and/or any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned above under “Structure and Conditions of the Share Offer – The Public Offer”.

### RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to re-allocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners, at their sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 20,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand;
  - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 30,000,000 Shares, representing 30% of the total number of the Offer Shares available under the Share Offer;
  - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 40,000,000 Shares, representing 40% of total number of the Offer Shares available under the Share Offer; and
  - (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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increase so that the total number of Shares available for subscription under the Public Offer will increase to 50,000,000 Shares, representing 50% of the total number of the Offer Shares available under the Share Offer.

- (b) In the event that the Placing Shares are undersubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters; and
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase up to 20,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand.

In the case of paragraphs (a)(ii) or (b)(ii) above or where the Placing Shares are undersubscribed, the Offer Price shall be fixed at HK\$0.5 per Offer Share (being the bottom end of the indicative Offer Price range stated in this prospectus).

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Friday, 10 August 2018.

### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Department grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC may choose. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### LISTING DATE

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on Monday, 13 August 2018, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. (Hong Kong time) on Monday, 13 August 2018.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

To apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual member's name. If you are a body corporate, the application must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person through an authorised attorney, our Company, the Sole Sponsor and the Joint Bookrunners may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of our Shares and/or any of our subsidiaries;
- are a Director or chief executive of our Company and/or any of our subsidiaries;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- are a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 July 2018 until 12:00 noon on Friday, 3 August 2018 from:

- any of the following addresses of the Public Offer Underwriters:

Lego Securities Limited	Room 301, 3/F, China Building 29 Queen's Road Central Central Hong Kong
Quasar Securities Co., Limited	Unit A, 12/F, Harbour Commercial Building 122-124 Connaught Road Central Hong Kong
Everstone Securities Limited	Suite 3712, 37/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Grand Tai Securities Limited	Unit A1 13/F United Centre 95 Queensway Hong Kong
Run Investment Services Limited	Room 08, 24/F, Dominion Centre No. 43-59, Queen's Road East Wan Chai Hong Kong
Wellington Financial Limited	Unit B 10/F, 128 Wellington Street Central Hong Kong
Fruit Tree Securities Limited	Room 1906, 19/F, China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Long Asia Securities Limited	Unit A, 23/F, The Wellington 198 Wellington Street Sheung Wan Hong Kong

- any of the following branches of DBS Bank (Hong Kong) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Queen's Road East – DBS Treasures Centre	Shop A, G/F, Jonsim Place, 228 Queen's Road East, Wanchai, Hong Kong
<b>Kowloon</b>	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10&12 Nassau Street, Kowloon
	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street, Yaumatei
<b>New Territories</b>	Ma On Shan Branch	Shops 205-206, Level 2, Ma On Shan Plaza, Ma On Shan, New Territories

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 July 2018 until 12:00 noon on Friday, 3 August 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – K Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times on the following dates:

**Tuesday, 31 July 2018 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 1 August 2018 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 2 August 2018 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 3 August 2018 – 9:00 a.m. to 12:00 noon**

The Application Lists will be open from 11:45 a.m. until 12:00 noon on Friday, 3 August 2018, the last application day or such later time as described in "– 8. Effect of bad weather on the opening of the Application Lists".

### **4. TERMS AND CONDITIONS OF AN APPLICATION**

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) (if the laws of any place outside Hong Kong apply to your application), agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Tuesday, 31 July 2018</b>	<b>– 9:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 1 August 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 2 August 2018</b>	<b>– 8:00 a.m. to 8:30 p.m.</b>
<b>Friday, 3 August 2018</b>	<b>– 8:00 a.m. to 12:00 noon</b>

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 July 2018 until 12:00 noon on Friday, 3 August 2018 (24 hours daily, except on Friday, 3 August 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 3 August 2018, the last application day or such later time as described in “– 8. Effect of bad weather on the opening of the Application Lists”.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participant.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Forms headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 3 August 2018.

### 6. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Forms marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

*“Unlisted company” means a company with no equity securities listed on the Stock Exchange.*

*“Statutory control” means you:*

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 7. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Share Offer – Pricing and allocation”.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 8. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 August 2018. Instead they will open between 9:00 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Friday, 3 August 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

### 9. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 10 August 2018 on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.kgroup.com.hk](http://www.kgroup.com.hk).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.kgroup.com.hk](http://www.kgroup.com.hk) by no later than Friday, 10 August 2018;
- from the designated results of allocations website at [www.ewhiteform.com.hk/results](http://www.ewhiteform.com.hk/results) with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Friday, 10 August 2018 to 12:00 midnight on Thursday, 16 August 2018;
- by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Friday, 10 August 2018 to Thursday, 16 August 2018 (excluding Saturday and Sunday and public holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 10 August 2018 to Tuesday, 14 August 2018 at all the receiving bank’s designated branches listed above in “– 3. Applying for the Public Offer Shares”.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(iii) If the allotment of Public Offer Shares is void:**

The allotment of the Public Offer Shares will be void if the Listing Department does not grant permission to list the Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Department notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares offered under the Public Offer.

### **11. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.8 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 10 August 2018.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 12. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong Identity Card/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong Identity Card/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong Identity Card/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 10 August 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 13 August 2018 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Collection

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 August 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address as specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 10 August 2018, by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 10 August 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 10 August 2018 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to the stock account of your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "– 9. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 August 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 10 August 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Public Offer Shares in the manner specified in "– 9. Publication of results" on Friday, 10 August 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 August 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 10 August 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 10 August 2018.

### 13. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-46, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountant, Hong Kong, for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF K GROUP HOLDINGS LIMITED (千盛集團控股有限公司) AND LEGO CORPORATE FINANCE LIMITED****Introduction**

We report on the historical financial information of K Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-46, which comprises the combined statements of financial position as at 30 September 2016 and 2017 and 31 January 2018, the statement of financial position of the Company as at 31 January 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-46 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 July 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

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

**Reporting accountants' 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 accountants' judgement, 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 accountants consider 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 and presentation 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 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 accountants' report, a true and fair view of the Group's financial position as at 30 September 2016 and 2017 and 31 January 2018, of the Company's financial position as at 31 January 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 January 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation 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 accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance****Adjustments**

The Historical Financial Information is stated after making an adjustment to the Underlying Financial Statements as defined on page I-4 as was considered necessary.

**Dividends**

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by a subsidiary of the Company and states that no dividends have been paid by the Company in respect of the Track Record Period.

**No historical financial statements for the Company**

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

31 July 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

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

The Historical Financial Information in this report was prepared based on the consolidated financial statements of K Food Holdings Pte. Ltd. ("K Food Holdings"), management accounts of K Investment Holdings Limited ("K Investment") and management accounts of the Company for the Track Record Period ("Underlying Financial Statements"). The Underlying Financial Statements were prepared in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Singapore dollar ("SGD") and all values are rounded to the nearest thousand (SGD'000) except when otherwise indicated.

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 30 September		Four months ended 31 January	
		2016 SGD'000	2017 SGD'000	2017 SGD'000	2018 SGD'000
				(unaudited)	
Revenue	6	9,219	13,851	4,455	5,038
Other income	8a	229	359	89	88
Other gains and loss	8b	(19)	22	1	(7)
Cost of inventories consumed		(2,296)	(3,506)	(1,337)	(1,091)
Staff costs		(2,366)	(3,203)	(1,011)	(1,170)
Depreciation and amortisation		(391)	(628)	(193)	(220)
Rental and related expenses		(1,748)	(2,858)	(838)	(1,066)
Utility expenses		(188)	(271)	(74)	(111)
Marketing and advertising expenses		(188)	(275)	(120)	(73)
Franchise and licensing fees		(88)	(182)	(29)	(51)
Listing expenses		–	–	–	(1,760)
Other expenses		(839)	(1,326)	(394)	(701)
Finance costs	9	(16)	(59)	(23)	(36)
Share of result of an associate	10	–	(120)	–	–
Gain on disposal of an associate	10	–	120	–	–
Profit (loss) before tax	11	1,309	1,924	526	(1,160)
Income tax expense	12	(180)	(356)	(79)	(101)
Profit (loss) for the year/period		<u>1,129</u>	<u>1,568</u>	<u>447</u>	<u>(1,261)</u>
<b>Other comprehensive (expense) income</b>					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		–	(4)	1	7
Total comprehensive income (expense) for the year/period		<u>1,129</u>	<u>1,564</u>	<u>448</u>	<u>(1,254)</u>
Profit (loss) for the year/period attributable to:					
Owners of the Company		1,129	1,610	480	(1,231)
Non-controlling interests		–	(42)	(33)	(30)
		<u>1,129</u>	<u>1,568</u>	<u>447</u>	<u>(1,261)</u>
Total comprehensive income (expense) attributable to:					
Owners of the Company		1,129	1,608	481	(1,227)
Non-controlling interests		–	(44)	(33)	(27)
		<u>1,129</u>	<u>1,564</u>	<u>448</u>	<u>(1,254)</u>



## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company
		As at 30 September 2016 SGD'000	2017 SGD'000	As at 31 January 2018 SGD'000	As at 31 January 2018 SGD'000
<b>Non-current Assets</b>					
Plant and equipment	16	1,507	1,825	1,690	–
Intangible assets	17	624	573	795	–
Rental and other deposits	19	732	642	1,066	–
Deposits paid for acquisition of plant and equipment		–	–	519	–
		<u>2,863</u>	<u>3,040</u>	<u>4,070</u>	<u>–</u>
<b>Current Assets</b>					
Inventories	18	450	169	170	–
Trade and other receivables, deposits and prepayments	19	812	2,361	3,231	447
Amounts due from directors	20	555	215	385	–
Amount due from ultimate holding company	24	–	–	13	–
Pledged bank deposit	21	–	67	67	–
Bank balances and cash	21	268	1,304	1,043	–
		<u>2,085</u>	<u>4,116</u>	<u>4,909</u>	<u>447</u>
<b>Current Liabilities</b>					
Trade and other payables and accruals	22	1,189	1,702	2,517	872
Amount due to a shareholder	23	25	–	–	–
Amounts due to non-controlling interests	24	–	37	26	–
Amount due to a director	20	–	3	200	–
Amount due to a subsidiary	24	–	–	–	1,335
Provision for reinstatement costs	27	–	–	50	–
Tax liabilities		174	498	540	–
Borrowings	25	513	946	861	–
		<u>1,901</u>	<u>3,186</u>	<u>4,194</u>	<u>2,207</u>
<b>Net Current Assets (Liabilities)</b>		<u>184</u>	<u>930</u>	<u>715</u>	<u>(1,760)</u>
<b>Total Assets less Current Liabilities</b>		<u>3,047</u>	<u>3,970</u>	<u>4,785</u>	<u>(1,760)</u>
<b>Non-current liabilities</b>					
Provision for reinstatement costs	27	54	85	76	–
Deferred rental liability	22	140	78	6	–
Borrowings	25	–	119	107	–
Deferred taxation	26	6	30	36	–
		<u>200</u>	<u>312</u>	<u>225</u>	<u>–</u>
		<u>2,847</u>	<u>3,658</u>	<u>4,560</u>	<u>(1,760)</u>
<b>Capital and Reserves</b>					
Share capital	28	1,751	1,751	4,507	–
Reserves	41	1,096	1,804	(23)	(1,760)
Equity attributable to the owners of the Company		<u>2,847</u>	<u>3,555</u>	<u>4,484</u>	<u>(1,760)</u>
Non-controlling interests	35	–	103	76	–
<b>Total Equity</b>		<u>2,847</u>	<u>3,658</u>	<u>4,560</u>	<u>(1,760)</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests SGD'000	Total SGD'000
	Share capital SGD'000	Accumulated losses/ retained profits SGD'000	Translation reserve SGD'000	Sub-total SGD'000			
At 1 October 2015	1,340	(33)	–	1,307	–	1,307	
Profit and total comprehensive income for the year	–	1,129	–	1,129	–	1,129	
Issuance of ordinary shares by K Food Holdings ( <i>Note a</i> )	411	–	–	411	–	411	
At 30 September 2016	1,751	1,096	–	2,847	–	2,847	
Profit (loss) for the year	–	1,610	–	1,610	(42)	1,568	
Exchange differences arising on translation of foreign operations	–	–	(2)	(2)	(2)	(4)	
Total comprehensive income (expense) for the year	–	1,610	(2)	1,608	(44)	1,564	
Capital contributions from non-controlling interests	–	–	–	–	147	147	
Dividend recognised as distribution ( <i>Note 14</i> )	–	(900)	–	(900)	–	(900)	
At 30 September 2017	1,751	1,806	(2)	3,555	103	3,658	
Loss for the period	–	(1,231)	–	(1,231)	(30)	(1,261)	
Exchange differences arising on translation of foreign operations	–	–	4	4	3	7	
Total comprehensive (expense) income for the period	–	(1,231)	4	(1,227)	(27)	(1,254)	
Dividend recognised as distribution ( <i>Note 14</i> )	–	(600)	–	(600)	–	(600)	
Issuance of ordinary shares by K Food Holdings ( <i>Note 2 (a)</i> )	2,743	–	–	2,743	–	2,743	
Issuance of ordinary shares by K Investment ( <i>Note 2 (a)</i> )	13	–	–	13	–	13	
At 31 January 2018	<u>4,507</u>	<u>(25)</u>	<u>2</u>	<u>4,484</u>	<u>76</u>	<u>4,560</u>	
(Unaudited)							
At 1 October 2016	1,751	1,096	–	2,847	–	2,847	
Profit (loss) for the period	–	480	–	480	(33)	447	
Exchange differences arising from translation of foreign operations	–	–	1	1	–	1	
Total comprehensive income (expense) for the period	–	480	1	481	(33)	448	
Capital contributions from a non-controlling interest	–	–	–	–	1	1	
At 31 January 2017	<u>1,751</u>	<u>1,576</u>	<u>1</u>	<u>3,328</u>	<u>(32)</u>	<u>3,296</u>	

Note:

(a) The amount represents capital injection by the Controlling Shareholder(s) (defined in Note 2).

## COMBINED STATEMENTS OF CASH FLOWS

		Year ended		Four months ended	
	NOTE	30 September 2016	2017	31 January 2017	2018
		SGD'000	SGD'000	SGD'000 (unaudited)	SGD'000
<b>Operating activities</b>					
Profit (loss) before tax		1,309	1,924	526	(1,160)
Adjustments for:					
Interest expense		16	59	23	36
Interest income		(20)	(1)	–	–
Depreciation of plant and equipment		365	597	183	209
Amortisation of intangible assets		26	31	10	11
Recognition (reversal) of deferred rental liability		213	(22)	(3)	(56)
Provision for reinstatement cost		–	–	–	41
Share of result of an associate		–	120	–	–
Gain on disposal of an associate		–	(120)	–	–
Gain on disposal of intangible assets		–	(2)	(2)	–
Operating cash flows before movements in working capital		1,909	2,586	737	(919)
(Increase) decrease in inventories		(389)	281	188	1
Increase in trade and other receivables, deposits and prepayment		(1,104)	(1,409)	(445)	(850)
Increase in trade and other payables and accruals		590	469	200	470
Cash generated from (used in) operations		1,006	1,927	680	(1,298)
Tax paid		–	(8)	–	(53)
<b>Net cash from (used in) operating activities</b>		<b>1,006</b>	<b>1,919</b>	<b>680</b>	<b>(1,351)</b>
<b>Investing activities</b>					
Purchase of plant and equipment		(839)	(845)	(576)	(64)
Additions to deposits paid for acquisition of plant and equipment		–	–	–	(519)
Capital injection to an associate	10	–	(120)	–	–
Placement of pledged bank deposit		–	(67)	–	–
Purchase of intangible assets		(189)	(28)	–	(100)
Repayment from directors		–	346	–	12
Proceeds from disposal of an associate	10	–	120	–	–
Interest received		20	1	–	–
Advance to directors		(498)	(6)	(6)	(182)
<b>Net cash used in investing activities</b>		<b>(1,506)</b>	<b>(599)</b>	<b>(582)</b>	<b>(853)</b>
<b>Financing activities</b>					
New borrowings raised		550	1,334	–	–
Share issue cost		–	–	–	(254)
Contributions from non-controlling interests		–	147	1	–
Advance from a director		–	3	–	200
Repayment to a director		–	–	–	(3)
Advance from non-controlling interests		–	37	37	–
Dividend paid		–	(900)	–	(600)
Repayment of borrowings		(37)	(821)	(35)	(97)
Interest paid		(16)	(59)	(23)	(36)
Repayment to a shareholder		(504)	(25)	(12)	–
Proceeds from issue of shares		411	–	–	2,743
Repayment to non-controlling interests		–	–	–	(12)
Advance from a shareholder		50	–	–	–
<b>Net cash from (used in) financing activities</b>		<b>454</b>	<b>(284)</b>	<b>(32)</b>	<b>1,941</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(46)</b>	<b>1,036</b>	<b>66</b>	<b>(263)</b>
<b>Cash and cash equivalents at beginning of the year/period</b>		<b>314</b>	<b>268</b>	<b>268</b>	<b>1,304</b>
Effect of foreign exchange differences		–	–	–	2
<b>Cash and cash equivalents at end of the year/period</b>		<b>268</b>	<b>1,304</b>	<b>334</b>	<b>1,043</b>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL INFORMATION**

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 24 January 2018. Its parent and ultimate holding company is Canola Investment Holdings Limited (“Canola”). The registered office of the Company is situated at the offices of Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is situated at 1 Grange Road, Orchard Building, #12-01, Republic of Singapore (“Singapore”), 239693. The Company is an investment holding company. The activities of its subsidiaries are set out in Note 34.

No statutory financial statements have been prepared for the Company as it is incorporated in the jurisdiction where there is no statutory audit requirements.

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

Prior to a corporate reorganisation, as more fully explained in section “History, Reorganisation and Corporate Structure” of the Prospectus (the “Reorganisation”), 100% equity interest in K Food Holdings was directly held by Mr. Lai Weijie, Terence (“Mr. Terence Lai”), Mr. Yeap Wei Han, Melvyn (“Mr. Yeap”), Mr. Ho Zhi Yi, Levi (“Mr. Ho”), Mr. Tan Chien Fong (“Mr. Tan”), Mr. Ng Yook Tim (“Mr. Ng”), Mr. Lai Weikang, Derek (“Mr. Derek Lai”), Ms. Goh Siew Eng Carolyn (“Ms. Goh”), Ms. Tan Yee Siew, Evelyn (“Ms. Evelyn Tan”), Ms. Kweh Hui Cheng (“Ms. Kweh”), Ms. Lim Gui Rong, Amy (“Ms. Lim”) and Mr. Tan Yan Chyi, Louis (“Mr. Louis Tan”) collectively. Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai (collectively known as the “Controlling Shareholder(s)”) are acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group. At the date of this report, K Food Holdings had direct or indirect interests in the subsidiaries as disclosed in Note 34.

In preparation for the Listing, the Group underwent the Reorganisation which principally involved the following steps:

- (a) On 15 November 2017, Mr. Tan Yit Hoe, Mr. Kong Kin Fei, Mr. Ricardo Juanito Karjono, Mr. Riva Alberto Karjono, Mrs. Saphira Devi Karjono, Mr. Rudi Darmawan, Mr. Ng Seng Kee, First Maple Capital Ltd, Mr. Peh Kian Ghee and Mr. Tai Shin Fatt (together the “Purchasers”) entered into a subscription agreement with K Food Holdings, pursuant to which the Purchasers subscribed for an aggregate of 430,650 new ordinary shares, representing approximately 12.19% of the enlarged issued share capital of K Food Holdings at an aggregate consideration of approximately SGD2,743,000 (the “Subscription”). Such transaction was completed on 17 November 2017.
- (b) On 15 November 2017, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng, Mr. Derek Lai, Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan, each as a vendor, and the Purchasers entered into a sale and purchase agreement, pursuant to which the Purchasers further acquired an aggregate of 430,650 shares in K Food Holdings (together representing approximately 12.19% of the issued share capital of K Food Holdings as enlarged by the Subscription), at a total consideration of approximately SGD2,743,000. Such transaction was completed on 15 November 2017.
- (c) On 28 November 2017, Canola was incorporated in the British Virgins Islands (“BVI”) with limited liability. Upon incorporation, Canola was authorised to issue a maximum of 50,000 shares of a single class each with a par value of United States Dollar (“US\$”) 1.00 each. On 28 November 2017, 10,000 ordinary shares of Canola was allotted and issued fully paid at par to the Controlling Shareholder(s).

- (d) On 29 November 2017, K Investment was incorporated in the BVI with limited liability to act as the intermediate holding company of the Group. Upon incorporation, K Investment was authorised to issue a maximum of 50,000 ordinary shares of a single class each with a par value of US\$1.00 each. On 29 November 2017, 10,000 ordinary share of K Investment was allotted and issued at par to Canola.
- (e) On 28 December 2017, Canopy Investment Holdings Limited (“Canopy”) was incorporated in the BVI with limited liability. Upon incorporation, Canopy was authorised to issue a maximum of 50,000 ordinary shares of a single class each with a par value of US\$1.00 each. On 28 December 2017, 10,000 ordinary shares of Canopy was allotted and issued fully paid at par to Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan.
- (f) On 24 January 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability to act as the ultimate holding company of the Group. The authorised share capital of the Company, on incorporation, was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 24 January 2018, the Company allotted and issued one nil-paid share to the initial subscriber, which was subsequently transferred to Canola on the same date at nil consideration.
- (g) On 8 February 2018, the Controlling Shareholder(s) transferred an aggregate of 2,555,588 shares, Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan transferred an aggregate of 116,262 shares and the Purchasers transferred an aggregate of 861,300 shares in the issued share capital of K Food Holdings, representing approximately 72.33%, 3.29% and 24.38% respectively of its issued share capital, to K Investment in consideration of and in exchange for K Investment allotting and issuing an aggregate of 10,000 shares in K Investment to Canola as to 4,466 shares, Canopy as to 658 shares and the Purchasers as to an aggregate of 4,876 shares.
- (h) On 24 July 2018, Canola, Canopy and the Purchasers (each as a vendor and warrantor), Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng, Mr. Derek Lai, Ms. Goh, Ms. Evelyn Tan, Ms. Kweh, Ms. Lim and Mr. Louis Tan (each as a warrantor) and the Company will enter into a share swap deed, pursuant to which the Company will acquire 14,466, 658 and 4,876 shares in K Investment from Canola, Canopy and the Purchasers, respectively in exchange for which the Company will (a) issue and allot 7,232 shares to Canola, 329 shares to Canopy and 2,438 shares to the Purchasers, credited as fully paid at par and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of Canola.

Upon completion of the Reorganisation on 24 July 2018, the Company became the holding company of the companies now comprising the Group.

The Reorganisation involves interspersing of the Company and other investment holding companies between K Food Holdings and its shareholders. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the Track Record Period. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows includes the financial performance and cash flows of the companies comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since their respective date of incorporation, where this is a shorter period. The combined statements of financial position of the Group as at 30 September 2016, 30 September 2017 and 31 January 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

For the purpose of the report, the Historical Financial Information has been prepared and presented using carrying amounts of assets and liabilities of K Food Holdings, K Investment and the Company (as appropriate) for all periods presented.

The Historical Financial Information is presented in SGD, which is also the functional currency of the Company.

### 3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the Group’s annual accounting period beginning on 1 October 2017 throughout the Track Record Period.

*New and revised HKFRSs in issue but not yet effective*

At the date of this report, the following new and revised standards have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

Except the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will take no material impact in the foreseeable future.

**HKFRS 9 “Financial Instruments”**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 January 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

*Classification and measurement*

- Debt instruments classified as loans and receivables carried at amortised cost as disclosed in notes 19,20,21 and 24 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

*Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

In the opinion of the directors of the Company, based on the historical experience of the Group, there was no default in outstanding balances from debtors in the past. The directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 January 2018 on the basis of the facts and circumstances that existed at that date. The Group intends to apply practical expedients prescribed in the standard upon the first adoption. It is also expected that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 January 2018.

**HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group intends to adopt the standard using the modified retrospective approach. Based on preliminary analysis, the management of the Company anticipates that the adoption of HKFRS 15 is unlikely to have significant impact on recognition of revenue but will result in more disclosures.

**HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 January 2018, the Group has non-cancellable operating lease commitments of SGD7,355,000 as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of SGD1,188,000 as at 31 January 2018 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may results in changes in measurement, presentation and disclosure as indicated above. Other than indicated above, the management of the Company does not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement



and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

### **Basis of Combination**

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and value-added taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Provision of catering services in restaurant operations is recognised when the catering services have been provided to customers.

Revenue from sales of food and food ingredients are recognised when the goods are delivered to customers and titles are passed.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Plant and equipment**

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Interest in an associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*The Group as lessor*

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Impairment on tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset for a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised immediately in profit and loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors and ultimate holding company, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### *Impairment on financial assets*

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, amounts due to a shareholder, non-controlling interests, a director and a subsidiary and borrowings) are subsequently measured at amortised cost, using the effective interest method.

**Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit (loss) before tax' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the 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 utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. SGD) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**Retirement benefit costs**

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

**5. KEY SOURCE OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make various judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates 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.

The following is the key assumption concerning the future, and key source 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 twelve months.

**Estimated useful lives of plant and equipment**

The Group depreciates the plant and equipment over their estimated useful lives, using straight-line method, for 3 – 6 years or shorter of the remaining lease term. The estimated useful lives that the Group depreciates the plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation and impairment losses in future years/periods.

As at 30 September 2016 and 2017 and 31 January 2018, the carrying amount of plant and equipment is approximately SGD1,507,000, SGD1,825,000 and SGD1,690,000, respectively.

## 6. REVENUE

	Year ended 30 September		Four months ended 31 January	
	2016	2017	2017	2018
	SGD'000	SGD'000	SGD'000	SGD'000
Restaurant operations	8,763	12,974	4,110	4,650
Sale of food and food ingredients	371	228	158	227
Royalty income	85	649	187	161
	<u>9,219</u>	<u>13,851</u>	<u>4,455</u>	<u>5,038</u>

## 7. SEGMENT INFORMATION

The Group is principally engaged in restaurant operations, sale of food and food ingredients and sub-franchising, licensing/sub-licensing businesses. For the purposes of assessing performance and allocating resources, the Group's operation is regarded as one reportable and operating segment which is restaurant operations. The chief operating decision makers, Mr. Terence Lai and Mr. Ho, review the profit (loss) for the year/period of the Group as a whole. Accordingly, no segmental analysis is presented.

**Geographical information**

The Group's restaurant operations are located in Singapore and Malaysia, sale of food and food ingredients are located in Singapore and Indonesia and sub-franchising, licensing/sub-licensing businesses are located in Singapore, Malaysia and Indonesia.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers				Non-current assets		
	Year ended 30 September		Four months ended 31 January		At 30 September		At 31 January
	2016	2017	2017	2018	2016	2017	2018
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
	(unaudited)						
Singapore	8,763	12,685	4,167	4,690	2,239	2,218	3,029
Malaysia	–	641	124	232	–	249	246
Indonesia	456	525	164	116	–	–	–
	<u>9,219</u>	<u>13,851</u>	<u>4,455</u>	<u>5,038</u>	<u>2,239</u>	<u>2,467</u>	<u>3,275</u>

*Note:* Non-current assets excluded intangible assets as these are unallocated.

**Information about major customers**

No customer contributed over 10% of total revenue of the Group for each of the reporting period.



## 8. OTHER INCOME AND OTHER GAINS AND LOSS

## 8a. OTHER INCOME

	Year ended 30 September		Four months ended 31 January	
	2016 SGD'000	2017 SGD'000	2017 SGD'000 (unaudited)	2018 SGD'000
Interest income	20	1	–	–
Rental income	114	252	84	84
Government grants*	79	92	–	–
Others	16	14	5	4
	<u>229</u>	<u>359</u>	<u>89</u>	<u>88</u>

\* The amount represents rewards or subsidies which were received in Singapore. In the opinion of the management of the Group, there are no unfulfilled conditions or contingencies relating to these grants.

## 8b. OTHER GAINS AND LOSS

	Year ended 30 September		Four months ended 31 January	
	2016 SGD'000	2017 SGD'000	2017 SGD'000 (unaudited)	2018 SGD'000
Gain on disposal of intangible assets	–	2	2	–
Exchange (loss) gain, net	(19)	20	(1)	(7)
	<u>(19)</u>	<u>22</u>	<u>1</u>	<u>(7)</u>

## 9. FINANCE COSTS

	Year ended 30 September		Four months ended 31 January	
	2016 SGD'000	2017 SGD'000	2017 SGD'000 (unaudited)	2018 SGD'000
Interest on bank loans	15	48	22	28
Interest on trust receipt loans	–	9	–	7
Interest on amount due to a shareholder	1	1	1	–
Interest on hire purchase	–	1	–	1
	<u>16</u>	<u>59</u>	<u>23</u>	<u>36</u>

**10. INTEREST IN AN ASSOCIATE**

During the year ended 30 September 2017, the Group invested 30% equity interest in Arena Investment Holdings Pte. Ltd. ("Arena"), a company incorporated in Singapore and principally engaged in night club operation but has yet to commence its operation up to the date of disposal, at a cash consideration of SGD120,000 and accounted for the investment as an associate. In July 2017, the Group disposed all of its interest in Arena to a third party for a consideration of SGD120,000. Accordingly, a gain on disposal of approximately SGD120,000 is recognised in the combined statements of profit or loss during the same year, which is calculated as follows.

	<i>SGD'000</i>
Interest in an associate, at cost	120
Less: share of loss of an associate	(120)
	<hr/>
Carrying amount at the date of disposal	–
	<hr/> <hr/>
Consideration received	120
Less: carrying amount at the date of disposal	–
	<hr/>
Gain on disposal	120
	<hr/> <hr/>

Up to the date of disposal, the cumulative unrecognised share of loss of an associate amounted to approximately SGD61,000.

**11. PROFIT (LOSS) BEFORE TAX**

	<b>Year ended 30 September</b>		<b>Four months ended</b>	
	<b>2016</b>	<b>2017</b>	<b>31 January</b>	
	<i>SGD'000</i>	<i>SGD'000</i>	<b>2017</b>	<b>2018</b>
			<i>SGD'000</i>	
			(unaudited)	
Profit (loss) before tax has been arrived at after charging:				
Auditor's remuneration	30	40	10	10
Amortisation of intangible assets	26	31	10	11
Depreciation of property, plant and equipment	365	597	183	209
Directors' remuneration ( <i>Note 13</i> )	256	264	81	94
Other staff costs				
– Salaries and allowances	1,939	2,754	852	998
– Retirement benefit contributions	171	185	78	78
	<hr/>	<hr/>	<hr/>	<hr/>
	2,110	2,939	930	1,076
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 12. INCOME TAX EXPENSE

	Year ended 30 September		Four months ended	
	2016	2017	31 January 2017	2018
	SGD'000	SGD'000	SGD'000	SGD'000
Current tax				
– Singapore Corporate Income Tax	174	332	65	95
Deferred taxation ( <i>Note 26</i> )	6	24	14	6
	<u>180</u>	<u>356</u>	<u>79</u>	<u>101</u>

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit during the Track Record Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the deferred taxation are set out in Note 26.

The income tax expense for the year/period can be reconciled to the profit (loss) before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 30 September		Four months ended	
	2016	2017	31 January 2017	2018
	SGD'000	SGD'000	SGD'000	SGD'000
Profit (loss) before tax	<u>1,309</u>	<u>1,924</u>	<u>526</u>	<u>(1,160)</u>
Tax at the domestic income tax rate of 17% ( <i>Note 1</i> )	223	327	89	(197)
Tax effect of share of result of an associate	–	20	–	–
Tax effect of expenses not deductible for tax purpose	40	53	19	334
Tax effect of income not taxable for tax purpose	(4)	(22)	–	(1)
Tax effect of tax losses not recognised	–	22	15	15
Utilisation of tax losses previously not recognised	–	–	–	(4)
Utilisation of deductible temporary differences previously not recognised	(20)	–	–	–
Effect of tax concession ( <i>Note 2</i> )	(59)	(44)	(44)	(46)
Income tax expense for the year/period	<u>180</u>	<u>356</u>	<u>79</u>	<u>101</u>

## Notes:

- The domestic tax rate which is Singapore Income Tax rate in the jurisdiction where the operation of the Group is substantially based is used.
- In Singapore, the tax exemption scheme for new start-up companies allows for full tax exemption on the first SGD100,000 of normal chargeable income and a further 50% tax exemption on the next SGD200,000 of normal chargeable income for the first three consecutive year of assessment. From the fourth year of assessment and onwards 75% tax exemption on the first SGD10,000 of normal chargeable income and a further 50% tax exemption on the next SGD290,000 of normal chargeable income. Tax rebate refers to the Singapore Corporate Income Tax rebate which allowed 50% corporate income tax rebate capped at SGD25,000 of Corporate Income Tax for year of assessment 2017, 20% corporate income tax rebate capped SGD10,000 of Corporate Income Tax for year of assessment 2018 and 20% corporate income tax rebate capped at SGD10,000 of Corporate Income Tax for year of assessment 2019.

### 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

#### (a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the individuals as the directors and the chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

The directors' emoluments shown below were for their services in connection with the management of the affairs of the Group.

	Year ended 30 September		Four months ended 31 January	
	2016 SGD'000	2017 SGD'000	2017 SGD'000 (unaudited)	2018 SGD'000
Directors' fee	–	–	–	–
Salaries and allowances	204	226	70	81
Discretionary bonus	18	–	–	–
Retirement benefit contributions	34	38	11	13
	<u>256</u>	<u>264</u>	<u>81</u>	<u>94</u>

#### Executive and non-executive directors

	Year ended 30 September 2016				Total SGD'000
	Directors' fee SGD'000	Salaries and allowances SGD'000	Discretionary bonus SGD'000 (Note iv)	Retirement benefit contributions SGD'000	
Mr. Terence Lai (Notes i, ii)	–	60	5	10	75
Mr. Yeap (Note i)	–	18	–	3	21
Mr. Ho (Notes i, iii)	–	72	10	12	94
Mr. Tan (Note i)	–	36	3	6	45
Mr. Ng (Note i)	–	18	–	3	21
	<u>–</u>	<u>204</u>	<u>18</u>	<u>34</u>	<u>256</u>

	Year ended 30 September 2017				Total SGD'000
	Directors' fee SGD'000	Salaries and allowances SGD'000	Discretionary bonus SGD'000 (Note iv)	Retirement benefit contributions SGD'000	
Mr. Terence Lai (Notes i, ii)	–	68	–	12	80
Mr. Yeap (Note i)	–	18	–	3	21
Mr. Ho (Notes i, iii)	–	86	–	14	100
Mr. Tan (Note i)	–	36	–	6	42
Mr. Ng (Note i)	–	18	–	3	21
	<u>–</u>	<u>226</u>	<u>–</u>	<u>38</u>	<u>264</u>

## Four months ended 31 January 2017 (unaudited)

	Directors' fee SGD'000	Salaries and allowances SGD'000	Discretionary bonus SGD'000 (Note iv)	Retirement benefit contributions SGD'000	Total SGD'000
Mr. Terence Lai (Notes i, ii)	–	20	–	3	23
Mr. Yeap (Note i)	–	6	–	1	7
Mr. Ho (Notes i, iii)	–	26	–	4	30
Mr. Tan (Note i)	–	12	–	2	14
Mr. Ng (Note i)	–	6	–	1	7
	<u>–</u>	<u>70</u>	<u>–</u>	<u>11</u>	<u>81</u>

## Four months ended 31 January 2018

	Directors' fee SGD'000	Salaries and allowances SGD'000	Discretionary bonus SGD'000 (Note iv)	Retirement benefit contributions SGD'000	Total SGD'000
Mr. Terence Lai (Notes i, ii)	–	24	–	4	28
Mr. Yeap (Note i)	–	6	–	1	7
Mr. Ho (Notes i, iii)	–	33	–	5	38
Mr. Tan (Note i)	–	12	–	2	14
Mr. Ng (Note i)	–	6	–	1	7
	<u>–</u>	<u>81</u>	<u>–</u>	<u>13</u>	<u>94</u>

## Notes:

- (i) All of the above individuals were appointed as directors of the Company on 24 January 2018 and re-designated as executive or non-executive directors on 10 February 2018.
- (ii) Mr. Terence Lai was appointed to be the chairman of the Group on 10 February 2018 which is subsequent to the Track Record Period.
- (iii) Mr. Levi Ho was appointed to be the chief executive of the Group on 10 February 2018 which is subsequent to the Track Record Period.
- (iv) Discretionary bonus is determined collectively by the management of the Group by reference to the individual performance and contribution to the Group.

**Independent non-executive directors**

Mr. Choo Zheng Xi, Mr. Chow Wai San and Mr. Law Chung Lam Nelson are to be appointed as independent non-executive directors of the Company on 23 July 2018.

**(b) Five highest paid employees**

The five highest paid individuals included two, two, two and two directors of the Company whose emoluments are included in the disclosure in (a) above for the Track Record Period. The remuneration of the remaining three, three, three and three individuals for the Track Record Period were as follows:

	Year ended 30 September		Four months ended	
	2016	2017	31 January 2017	2018
	SGD'000	SGD'000	SGD'000	SGD'000
Salaries, allowances and other benefits	177	204	59	76
Discretionary bonus	14	–	–	–
Retirement benefit contributions	27	34	10	12
	<u>218</u>	<u>238</u>	<u>69</u>	<u>88</u>

Their emolument were within the following bands:

	Year ended 30 September		Four months ended	
	2016	2017	31 January 2017	2018
	Number of individuals	Number of individuals	Number of individuals	Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately SGD173,000)	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the five highest paid individuals of the Company waived any emoluments during the Track Record Period.

**14. DIVIDEND**

During the year ended 30 September 2017, K Food Holdings declared and paid dividends of aggregate amounts of SGD900,000 in respect of the year ended 30 September 2016 to its shareholders. During the four months ended 31 January 2018, K Food Holdings declared and paid dividends of aggregate amounts of SGD600,000 in respect of the year ended 30 September 2017 to its shareholders. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend has been paid or declared by the Company since its incorporation.

**15. EARNINGS (LOSS) PER SHARE**

No earnings (loss) per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 2.

## 16. PLANT AND EQUIPMENT

## The Group

	Computer and office equipment <i>SGD'000</i>	Furniture and fittings <i>SGD'000</i>	Kitchen equipment <i>SGD'000</i>	Leasehold improvements <i>SGD'000</i>	Motor vehicle <i>SGD'000</i>	Total <i>SGD'000</i>
Cost						
At 1 October 2015	110	39	83	944	–	1,176
Additions	96	55	109	600	–	860
At 30 September 2016	206	94	192	1,544	–	2,036
Additions	50	38	178	601	48	915
At 30 September 2017	256	132	370	2,145	48	2,951
Additions	29	–	9	26	–	64
Exchange realignment	–	1	5	6	–	12
At 31 January 2018	285	133	384	2,177	48	3,027
Accumulated depreciation						
At 1 October 2015	16	2	5	141	–	164
Provided for the year	49	10	24	282	–	365
At 30 September 2016	65	12	29	423	–	529
Provided for the year	68	21	56	449	3	597
At 30 September 2017	133	33	85	872	3	1,126
Provided for the period	26	8	21	151	3	209
Exchange realignment	–	–	1	1	–	2
At 31 January 2018	159	41	107	1,024	6	1,337
Carrying values						
At 30 September 2016	141	82	163	1,121	–	1,507
At 30 September 2017	123	99	285	1,273	45	1,825
At 31 January 2018	126	92	277	1,153	42	1,690

Included within the cost of leasehold improvement is a provision for restaurants reinstatement costs of SGD54,000, SGD85,000 and SGD126,000 as at 30 September 2016 and 2017 and 31 January 2018 (Note 27).

Carrying amount of motor vehicle of nil, SGD45,000 and SGD12,000 was under hire purchase as at 30 September 2016 and 2017 and 31 January 2018.

The above items of plant and equipment are depreciated on a straight-line basis on the following basis:

Computer and office equipment	3 – 6 years
Furniture and fittings	6 years
Kitchen equipment	6 years
Leasehold improvements	Over the shorter of lease term or 3 – 6 years
Motor vehicle	5 years

## 17. INTANGIBLE ASSETS

## The Group

	<b>Franchise and licensing rights</b> <i>SGD'000</i>
<b>COST</b>	
At 1 October 2015	472
Additions	189
	<hr/>
At 30 September 2016	661
Additions	28
Disposals	(51)
	<hr/>
At 30 September 2017	638
Additions	233
	<hr/>
At 31 January 2018	871
	<hr/>
<b>ACCUMULATED AMORTISATION</b>	
At 1 October 2015	11
Provided for the year	26
	<hr/>
At 30 September 2016	37
Provided for the year	31
Eliminated on disposals	(3)
	<hr/>
At 30 September 2017	65
Provided for the period	11
	<hr/>
At 31 January 2018	76
	<hr/>
<b>CARRYING VALUES</b>	
At 30 September 2016	624
	<hr/> <hr/>
At 30 September 2017	573
	<hr/> <hr/>
At 31 January 2018	795
	<hr/> <hr/>

The intangible assets represent the franchise rights acquired from independent third parties. The intangible assets have useful lives, based on contract terms, of 10-20 years and are amortised on a straight-line basis over the estimated useful lives.



## 18. INVENTORIES

## The Group

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Food and beverage and consumables for restaurant operations	450	169	170

## 19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

## The Group

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Trade receivables	320	1,380	1,712
Other receivables	2	129	272
Rental and other deposits	926	1,124	1,371
Prepayments	296	370	499
Deferred listing expenses	–	–	443
	1,544	3,003	4,297
Less: Deposits classified as non-current assets	(732)	(642)	(1,066)
Trade and other receivables, deposits and prepayments – current portion	812	2,361	3,231

As at 30 September 2016 and 2017 and 31 January 2018 included in trade receivables are amounts due from non-controlling interests of nil, SGD136,000 and SGD207,000 respectively, which are unsecured, interest-free and payable on presentation of invoices.

The Group's trading terms with its customers for restaurant operations are mainly on cash and credit card settlement. Generally, there is no credit period granted to customers, except for certain customers and franchisees/licensees in which credit period of 30-60 days is granted by the Group. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The following is an aged analysis of trade receivables presented based on the invoice date for restaurant operations and sale of food and food ingredients and based on the timing of accrual for royalty income in accordance with the relevant agreements, at the end of each reporting period:

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
0 – 30 days	253	558	492
31 – 60 days	44	232	416
61 – 90 days	4	64	118
More than 90 days	19	526	686
	320	1,380	1,712

Ageing of trade receivables based on due date which are past due but not impaired:

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
0 – 30 days past due	44	232	245
31 – 60 days past due	4	64	456
61 – 90 days past due	9	41	117
More than 90 days past due	10	485	581
	<u>67</u>	<u>822</u>	<u>1,399</u>

No allowance for impairment loss has been made in respect of the above receivables that are past due as there has not been a significant change in credit quality as the amounts are still considered recoverable because of the good repayment records by the counterparties. At the date of this report, majority of the total trade receivables which are past due but not impaired at 31 January 2018 has been subsequently settled.

The trade and other receivables are mainly denominated in SGD.

#### The Company

The Company's other receivables at 31 January 2018 consists of prepayments and deferred listing expenses amounted to SGD4,000 and SGD443,000 respectively.

#### 20. AMOUNTS DUE FROM (TO) DIRECTORS

##### The Group

	At 30 September			At 31 January	Maximum amount outstanding during the year		Maximum amount outstanding during the four months ended
	2015	2016	2017	2018	2016	2017	31 January 2018
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
<i>Amounts due from directors:</i>							
Mr. Terence Lai	29	427	208	349	427	427	349
Mr. Tan	–	1	7	8	1	7	8
Mr. Yeap	28	127	–	–	127	127	–
Mr. Ho	–	–	–	28	–	–	40
	<u>57</u>	<u>555</u>	<u>215</u>	<u>385</u>	<u>555</u>	<u>555</u>	<u>397</u>
<i>Amount due to a director:</i>							
Mr. Yeap		–	–	200			
Mr. Ho		–	3	–			
		<u>–</u>	<u>3</u>	<u>200</u>			

The above balances are non-trade in nature, unsecured, interest-free and repayable on demand. The directors of the Company have represented that the amounts outstanding at 31 January 2018 are expected to be settled before listing of the shares of the Company on the Stock Exchange.

**21. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSIT****The Group**

Pledged bank deposit carries fixed interest rate of 0.8% and 0.8% per annum as at 30 September 2017 and 31 January 2018, and other bank balances are interest-free during the Track Record Period.

Pledged bank deposit represents deposit pledged to a bank to secure a banking facility granted to the Group. Deposit amounting to SGD67,000 and SGD67,000 at 30 September 2017 and 31 January 2018 has been pledged to secure trust receipt loans to be settled within one year and is therefore classified as current asset. The pledged bank deposit will be released upon the settlement of relevant trust receipt loans.

**22. TRADE AND OTHER PAYABLES AND ACCRUALS****The Group**

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Trade payables	607	616	318
Goods and services tax payable	99	465	367
Salaries payable	244	301	288
Deferred rental liability	213	191	135
Accruals	102	187	200
Other payables	64	20	1,215
	<u>1,329</u>	<u>1,780</u>	<u>2,523</u>
Less: Deferred rental liability classified as non-current liabilities	<u>(140)</u>	<u>(78)</u>	<u>(6)</u>
	<u>1,189</u>	<u>1,702</u>	<u>2,517</u>

Trade payables and other payables are normally settled upon delivery or 15-30 day's terms.

The following is an analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
0 – 30 days	468	561	302
31 – 60 days	3	12	1
61 – 90 days	136	43	3
More than 90 days	<u>–</u>	<u>–</u>	<u>12</u>
	<u>607</u>	<u>616</u>	<u>318</u>

**The Company**

The Company's other payables at 31 January 2018 consists of listing expenses payable amounted to SGD872,000.

**23. AMOUNT DUE TO A SHAREHOLDER****The Group**

On 21 March 2016, K Food Holdings entered into a loan agreement with Ms. Goh to borrow SGD50,000 for working capital purpose. The loan was unsecured, carried a fixed interest rate of 5% per annum and has a maturity term of 1 year. During the years ended 30 September 2016 and 2017, SGD25,000 and SGD25,000 was repaid to Ms. Goh respectively.

**24. AMOUNTS DUE FROM (TO) ULTIMATE HOLDING COMPANY/NON-CONTROLLING INTERESTS/A SUBSIDIARY****The Group**

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

**The Company**

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

**25. BORROWINGS****The Group**

	<b>At 30 September</b>		<b>At 31 January</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
Bank loans	513	694	639
Trust receipt loans	–	334	296
Hire purchase	–	37	33
	<u>513</u>	<u>1,065</u>	<u>968</u>
Secured	–	371	329
Unsecured	513	694	639
	<u>513</u>	<u>1,065</u>	<u>968</u>
The carrying amounts of the above borrowings are repayable:			
Within one year	513	946	861
Within a period of more than one year but not exceeding two years	–	32	33
Within a period of more than two years but not exceeding five years	–	87	74
	513	1,065	968
Less: Amounts due within one year shown under current liabilities	<u>(513)</u>	<u>(946)</u>	<u>(861)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>119</u>	<u>107</u>

As at 30 September 2016 and 2017 and 31 January 2018, in respect of bank loans of approximately SGD513,000, SGD580,000 and SGD534,000, the Group breached certain financial covenants contained in the respective bank facilities and these amounts are therefore classified as repayable on demand accordingly.

The Group's borrowings as at 30 September 2016 and 2017 and 31 January 2018, respectively, are secured and/or guaranteed as follows:

- (i) Bank loans of SGD513,000, SGD382,000 and SGD352,000 are guaranteed by Mr. Terence Lai, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Yeap;
- (ii) Bank loans of nil, SGD114,000 and SGD105,000 are guaranteed by Mr. Terence Lai, Mr. Ho, Mr. Ng and Mr. Yeap;
- (iii) Bank loans of nil, SGD198,000 and SGD182,000 are guaranteed by Mr. Terence Lai, Mr. Ho and Mr. Yeap;
- (iv) Trust receipt loans of nil, SGD334,000 and SGD296,000 are secured by a bank deposit and guaranteed by Mr. Terence Lai, Mr. Ho, Mr. Ng and Mr. Yeap.
- (v) Hire purchase of nil, SGD37,000 and SGD33,000 is secured by a motor vehicle.

The Group's borrowings carry interest at fixed rate ranging from 6.76% to 10.98%, 6.76% to 10.98% and 6.76% to 10.98% per annum as at 30 September 2016 and 2017 and 31 January 2018.

The Group's borrowings are denominated in SGD which are also the functional currency of the respective entities in the Group.

## 26. DEFERRED TAXATION

### The Group

The following are the major deferred tax liabilities recognised and movements thereon during the year/period:

	<b>Accelerated tax depreciation</b> <i>SGD'000</i>
At 1 October 2015	–
Charged to profit or loss	<u>6</u>
At 30 September 2016	6
Charged to profit or loss	<u>24</u>
At 30 September 2017	30
Charged to profit or loss	<u>6</u>
At 31 January 2018	<u><u>36</u></u>

The Group has unrecognised tax losses arising in Singapore and Malaysia of approximately nil, SGD128,000 and SGD192,000 as at 30 September 2016 and 2017 and 31 January 2018, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to, in the opinion of the management of the Group, unpredictability of future profit streams.

## 27. PROVISION FOR REINSTATEMENT COSTS

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
At 1 October	33	54	85
Provision recognised	<u>21</u>	<u>31</u>	<u>41</u>
At 30 September/31 January	<u><u>54</u></u>	<u><u>85</u></u>	<u><u>126</u></u>
Analysed as:			
Current	–	–	50
Non-current	<u>54</u>	<u>85</u>	<u>76</u>
	<u><u>54</u></u>	<u><u>85</u></u>	<u><u>126</u></u>

Provision for reinstatement costs is recognised when the Group entered into a lease agreement for the premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises at the end of respective lease periods. The premises shall be reinstated to the condition set up in the lease agreements upon the expiration of the lease agreements.

## 28. SHARE CAPITAL

**The Group**

For the purpose of the presentation of the combined statements of financial position, the balances of share capital at the end of each reporting period represent the issued share capital of K Food Holdings, K Investment and the Company.

**The Company**

The Company was incorporated on 24 January 2018 as an exempted company with limited liability in the Cayman Islands. The Company's authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. At the date of incorporation, one nil-paid share was allotted and issued to the founder member. There is no movement in share capital and number of shares since the date of incorporation.

## 29. OPERATING LEASES

**The Group***The Group as lessee*

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of rented premises and equipment under non-cancellable operating leases which fall due as follows:

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Within one year	2,091	2,207	3,173
In the second to fifth year inclusive	<u>2,631</u>	<u>1,623</u>	<u>4,182</u>
	<u><u>4,722</u></u>	<u><u>3,830</u></u>	<u><u>7,355</u></u>

Leases are negotiated with monthly rental for an average of 3 years, 3 years and 3 years as at 30 September 2016 and 2017 and 31 January 2018 respectively.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain premises leased by the Group. In general, these contingent rents are calculated based on the relevant restaurants' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable.

During the year ended 30 September 2016 and 2017 and the four months ended 31 January 2017 (unaudited) and 2018, the amount of contingent rental recognised as expenses was approximately SGD295,000, SGD103,000, SGD37,000 and SGD56,000, and the amount of basic rent recognised as expenses was approximately SGD1,441,000, SGD2,721,000, SGD795,000 and SGD1,001,000 in respect of rented premises.

#### *The Group as lessor*

Property rental income earned during each of the two years ended 30 September 2016 and 2017 and the four months ended 31 January 2017 (unaudited) and 2018 were SGD114,000, SGD252,000, SGD84,000 and SGD84,000, respectively. Part of the Group's rented premise has been sub-let for rental purposes. The premise has a committed tenant for 3 years.

At the end of each reporting period, the Group had contracted with a tenant for the following future minimum lease payments.

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Within one year	252	252	252
In the second to fifth year inclusive	378	126	42
	<u>630</u>	<u>378</u>	<u>294</u>

### 30. CAPITAL COMMITMENTS

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Capital expenditure in respect of the leasehold improvement contracted for but not provided	60	–	419
	<u>60</u>	<u>–</u>	<u>419</u>

### 31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a shareholder disclosed in Note 23, borrowings disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserve and retained earnings.

The management of the Group reviews the capital structure regularly. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 32. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

	The Group		At 31 January 2018 SGD'000	The Company At 31 January 2018 SGD'000
	At 30 September 2016 SGD'000	2017 SGD'000		
<i>Financial assets</i>				
Loans and receivables (including cash and cash equivalents)	1,145	3,095	3,492	–
<i>Financial liabilities</i>				
Amortised cost	1,209	1,704	2,694	2,207

## b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, amounts due from (to) directors/shareholder' ultimate holding company/non-controlling interests and borrowings. The Company's financial instruments include other payables and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant changes to the Group's exposure to financial risk or the manner in which the Group manages and measures the risk throughout the Track Record Period.

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to a fixed-rate pledged bank deposit, amount due to a shareholder and borrowings. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk.

*Currency risk*

The Group's operations are mainly denominated in SGD and Malaysian Ringgit ("MYR") with a small extent in other foreign currencies. As the Group does not have significant foreign currency transactions and balances, foreign currency sensitivity analysis is not presented.

*Credit risk*

As at 30 September 2016 and 2017 and 31 January 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the combined statements of financial position.

The Group trades with a large number of individual customer from restaurant operations and trading terms are mainly on cash and credit card settlement. In view of the Group's restaurant operations, the Group does not have significant concentration of credit risk exposure to any single individual customer.



The Group's concentration of credit risk is primarily attributable to its customers from sale of food and food ingredients and sub-franchising, licensing/sub-licensing operations. As at 30 September 2016 and 2017 and 31 January 2018, the Group has concentration of credit risk as 66%, 47% and 42% of the total trade receivables was due from the Group's largest debtor respectively. The management reviews the recoverable amount of each individual receivable regularly to ensure that follow up actions is taken to recover overdue debts and adequate impairment losses, if any, are recognised for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group also has concentration of credit risks from amounts due from directors. The management of the Company considers the credit risk of the amounts due from these directors is limited because they continuously monitor the quality and financial conditions of the directors.

The management considers that the credit risk on liquid funds is low as counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### Liquidity risk

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The aggregate undiscounted principal amounts of bank loans of SGD513,000, SGD580,000 and SGD534,000 may constitute an event of default as at 30 September 2016 and 2017 and 31 January 2018 are included in the "6 months or less or on demand" time band in the below maturity analysis. For the remaining financial liabilities, the tables include both interest and principal cash flows. The undiscounted amount is derived from interest rate at the end of each reporting period.

#### The Group

	Weighted average interest rate	6 months or less or on demand SGD'000	6 - 12 months SGD'000	1 - 2 years SGD'000	2 - 5 years SGD'000	Over 5 years SGD'000	Total undiscounted cash flows SGD'000	Carrying amounts SGD'000
<u>At 30 September 2016</u>								
Trade and other payables	N/A	671	-	-	-	-	671	671
Amount due to a shareholder	5.00%	26	-	-	-	-	26	25
Borrowings								
- Fixed rate	9.41%	513	-	-	-	-	513	513
		1,210	-	-	-	-	1,210	1,209
<u>At 30 September 2017</u>								
Trade and other payables	N/A	636	-	-	-	-	636	636
Amounts due to non-controlling interests	N/A	37	-	-	-	-	37	37
Amount due to a director	N/A	3	-	-	-	-	3	3
Borrowings								
- Fixed rate	8.28%	941	21	41	97	-	1,100	1,065
		1,617	21	41	97	-	1,776	1,741
<u>At 31 January 2018</u>								
Trade and other payables	N/A	1,533	-	-	-	-	1,533	1,533
Amounts due to non-controlling interests	N/A	26	-	-	-	-	26	26
Amount due to a director	N/A	200	-	-	-	-	200	200
Borrowings								
- Fixed rate	8.35%	850	21	41	82	-	994	968
		2,609	21	41	82	-	2,753	2,727

*The Company*

	Weighted average interest rate	6 months or less or on demand SGD'000	6 – 12 months SGD'000	1 – 2 years SGD'000	2 – 5 years SGD'000	Over 5 years SGD'000	Total undiscounted cash flows SGD'000	Carrying amounts SGD'000
<i>At 31 January 2018</i>								
Trade and other payables	N/A	872	-	-	-	-	872	872
Amount due to a subsidiary	N/A	1,335	-	-	-	-	1,335	1,335
		<u>2,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,207</u>	<u>2,207</u>

**c. Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values at the end of the each reporting period.

**33. RELATED PARTY DISCLOSURE**

Apart from the outstanding balance as disclosed in Notes 19, 20, 23, 24 and personal guarantees from certain directors as disclosed in Note 25 in the Historical Financial Information, the Group has entered into the following transaction with related parties during the Track Record Period:

Name of related party	Nature of transaction	Year ended 30 September		Four months ended 31 January	
		2016 SGD'000	2017 SGD'000	2017 SGD'000	2018 SGD'000
Mr. Terence Lai	Rental income	114	252	84	84
	Interest income	14	-	-	-
	Miscellaneous income	12	10	4	3
Mr. Yeap	Interest income	6	-	-	-
Non-controlling interests	Royalty income	-	328	181	67
		<u>-</u>	<u>328</u>	<u>181</u>	<u>67</u>

During the Track Record Period, Mr. Terence Lai and Mr. Ho provided joint and several guarantees to fully guarantee the due observance and compliance of a tenancy agreement to the landlord.

**Compensation of key management personnel**

The directors of the Company were considered to be the key management personnel of the Group. The remuneration of the directors of the Company is set out in Note 13.

## 34. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Class of shares held	Equity interests attributable to the Company				At the date of this report	Principal activities	Notes
			Issued and fully paid capital	As at 30 September 2016	As at 31 January 2017	As at 31 January 2018			
<i>Directly held:</i>									
K Investment Holdings Limited	BVI 29 November 2017	Ordinary	US\$10,000	N/A	N/A	100%	100%	Investment holding	1
<i>Indirectly held:</i>									
K Food Holdings Pte. Ltd.	Singapore 18 October 2014	Ordinary	SGD4,493,760	100%	100%	100%	100%	Investment holding and operating restaurants in Singapore	2
Kogane Yama Restaurants Pte. Ltd.	Singapore 3 January 2017	Ordinary	SGD203,000	N/A	60%	60%	60%	Operating restaurants in Singapore	3
Gangnam Kitchen Pte. Ltd. (formerly known as Chir Chir Clarke Quay Singapore Pte. Ltd.)	Singapore 18 January 2017	Ordinary	SGD3,000	N/A	100%	100%	100%	Operating central kitchen and catering services in Singapore	3
K Food Master Holdings Sdn. Bhd.	Malaysia 6 September 2016	Ordinary	MYR500,000	60%	60%	60%	60%	Investment holding and franchising restaurant brands in Malaysia	4
K Food Restaurants Sdn. Bhd.	Malaysia 6 September 2016	Ordinary	MYR1,000,000	60%	60%	60%	60%	Operating a restaurant in Malaysia	4
After School Pte. Ltd.	Singapore 1 November 2017	Ordinary	SGD100	N/A	N/A	100%	100%	Operating a restaurant in Singapore	5
Nipong Naepong Singapore Pte. Ltd.	Singapore 1 November 2017	Ordinary	SGD100	N/A	N/A	100%	100%	Operating a restaurant in Singapore	5
NY Night Market Pte. Ltd.	Singapore 18 December 2017	Ordinary	SGD150,000	N/A	N/A	100%	100%	Operating a restaurant in Singapore	5

All subsidiaries comprising the Group are limited liability companies and have adopted 30 September as their financial year end date.

## Notes:

- 1 No audited financial statements have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- 2 The statutory financial statements for the year ended 30 September 2017 has not been issued up to the date of issuance of this report. The statutory financial statement for the year ended 30 September 2016 was prepared in accordance with Singapore Financial Reporting Standards issued by the Institute of Singapore Chartered Accountants and were audited by Infinity Assurance LLP, certified public accountants registered in Singapore.
- 3 The statutory financial statements from the date of incorporation to 30 September 2017 were prepared in accordance with Singapore Financial Reporting Standards issued by the Institute of Singapore Chartered Accountants and were audited by Infinity Assurance LLP, certified public accountants registered in Singapore. No statutory financial statements have been prepared for the year ended 30 September 2016 as they have not been set up by then.
- 4 The statutory financial statements from date of incorporation to 30 September 2017 were prepared in accordance with Malaysia Financial Reporting Standards issued by the Malaysian Accounting Standards Board and were audited by KK Phang & Co., certified public accountants registered in Malaysia.
- 5 No statutory financial statements have been prepared for the two years ended 30 September 2017 as they have not been set up by then.

## 35. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Loss allocated to non-controlling interests				Other comprehensive (expense) income allocated to non-controlling interests				Accumulated non-controlling interests		
		At		At	For the year ended		For the four months ended		For the year ended		For the four months ended		At		At
		30 September	2017	31 January	2016	2017	2017	2018	2016	2017	2017	2018	2016	2017	2018
		2016	2017	2018	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Kogane Yama Restaurants Pte. Ltd.*	Singapore	N/A	40%	40%	N/A	(40)	(1)	(27)	N/A	-	-	-	N/A	41	14
K Food Master Holdings Sdn. Bhd.*	Malaysia	40%	40%	40%	-	(2)	(32)	(3)	-	(2)	-	3	-	62	62
					-	(42)	(33)	(30)	-	(2)	-	3	-	103	76

\* All these subsidiaries commenced their business during the year ended 30 September 2017.

Summarised financial information in respect of the subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**Kogane Yama Restaurants Pte. Ltd.**

	<b>At 30 September</b>		<b>At 31 January</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
Current assets	N/A	195	262
Non-current assets	N/A	59	64
Current liabilities	N/A	142	281
Non-current liabilities	N/A	10	10
Equity attributable to owner of the Company	N/A	61	21
Non-controlling interest	N/A	41	14
			<b>Four months ended</b>
			<b>31 January</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>SGD'000</i>	<i>SGD'000</i>	<i>SGD'000</i>
Income	N/A	292	246
Expenses	N/A	(393)	(313)
Loss for the year/period	N/A	(101)	(67)
Other comprehensive expense for the year/period	N/A	–	–
Total comprehensive expense attributable to owner of the Company	N/A	(61)	(40)
Total comprehensive expense attributable to non-controlling interest	N/A	(40)	(27)
Total comprehensive expense for the year/period	N/A	(101)	(67)
Net cash outflow from operating activities	N/A	(2)	(173)
Net cash (outflow) inflow from investing activities	N/A	(147)	2
Net cash inflow from financing activities	N/A	247	158
Net cash inflow (outflow)	N/A	98	(13)

## K Food Master Holdings Sdn. Bhd. and subsidiary

	At 30 September		At 31 January
	2016	2017	2018
	SGD'000	SGD'000	SGD'000
Current assets	–	134	122
Non-current assets	–	249	246
Current liabilities	–	227	212
Non-current liabilities	–	–	–
Equity attributable to owner of the Company	–	94	94
Non-controlling interest	–	62	62
			<b>Four months ended</b>
			<b>31 January</b>
			<b>2018</b>
			<b>SGD'000</b>
Income	–	482	205
Expenses	–	(486)	(212)
Loss for the year/period	–	(4)	(7)
Other comprehensive (expense) income for the year/period	–	(4)	7
Total comprehensive (expense) income attributable to owner of the Company	–	(4)	–
Total comprehensive (expense) income attributable to non-controlling interest	–	(4)	–
Total comprehensive expense for the year/period	–	(8)	–
Net cash (outflow) inflow from operating activities	–	(67)	46
Net cash outflow from investing activities	–	(235)	–
Net cash inflow from financing activities	–	333	–
Net cash inflow	–	31	46

## 36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities during the Track Record Period are as follows:

	As at 30 September 2015 <i>SGD'000</i>	Financing cash flows <i>SGD'000</i>	Non-cash changes <i>SGD'000</i> <i>(Note (i))</i>	As at 30 September 2016 <i>SGD'000</i>
Amount due to a shareholder	479	(455)	1	25
Borrowings	–	498	15	513
	<u>479</u>	<u>43</u>	<u>16</u>	<u>538</u>
Total liabilities from financing activities	<u>479</u>	<u>43</u>	<u>16</u>	<u>538</u>
	As at 30 September 2016 <i>SGD'000</i>	Financing cash flows <i>SGD'000</i>	Non-cash changes <i>SGD'000</i> <i>(Note (i))</i>	As at 30 September 2017 <i>SGD'000</i>
Dividend payable	–	(900)	900	–
Amount due to a shareholder	25	(26)	1	–
Amounts due to non-controlling interests	–	37	–	37
Amount due to a director	–	3	–	3
Borrowings	513	455	97	1,065
	<u>513</u>	<u>455</u>	<u>97</u>	<u>1,065</u>
Total liabilities from financing activities	<u>538</u>	<u>(431)</u>	<u>998</u>	<u>1,105</u>

*Note:*

- (i) Non-cash changes represent dividend declared, addition of plant and equipment through hire purchase and finance cost recognised (Note 9).

	As at 30 September 2016 <i>SGD'000</i>	Financing cash flows <i>SGD'000</i>	Non-cash changes <i>SGD'000</i> <i>(Note (i))</i>	As at 31 January 2017 <i>SGD'000</i>
(Unaudited)				
Amount due to a shareholder	25	(13)	1	13
Amounts due to non-controlling interests	–	37	–	37
Borrowings	513	(57)	22	478
	<u>513</u>	<u>(57)</u>	<u>22</u>	<u>478</u>
Total liabilities from financing activities	<u>538</u>	<u>(33)</u>	<u>23</u>	<u>528</u>

*Note:*

- (i) Non-cash changes represent finance cost recognised (Note 9).

	As at 30 September 2017 SGD'000	Financing cash flows SGD'000	Non-cash changes SGD'000 (Note (i))	As at 31 January 2018 SGD'000
Deferred listing expenses	–	(254)	(189)	(443)
Dividend payable	–	(600)	600	–
Amounts due to non-controlling interests	37	(12)	1	26
Amount due to a director	3	197	–	200
Borrowings	1,065	(133)	36	968
	<u>1,105</u>	<u>(802)</u>	<u>448</u>	<u>751</u>
Total liabilities from financing activities	<u>1,105</u>	<u>(802)</u>	<u>448</u>	<u>751</u>

Note:

- (i) Non-cash changes represent unsettled share issue cost, dividend declared, finance cost recognised (Note 9) and foreign exchange difference.

### 37. MAJOR NON-CASH TRANSACTIONS

- (i) Addition to a motor vehicle of approximately SGD39,000 for the year ended 30 September 2017 was made under the hire purchase.
- (ii) Proceeds from disposal of intangible assets of SGD50,000 for the year ended 30 September 2017 has not been received and is included in trade and other receivables, deposits and prepayments as at 30 September 2017.
- (iii) Addition to a franchise right of approximately SGD133,000 for the four months ended 31 January 2018 has not been paid and is included in trade and other payables and accruals as at 31 January 2018.

### 38. RETIREMENT BENEFITS SCHEMES

For the Group's operations in Singapore and in Malaysia, the employees of the Group are members of state-managed retirement benefits plan operated by the respective government authorities. The relevant subsidiaries are required to contribute a specific percentage of the payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the Track Record Period, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

The contribution paid and payable to the schemes by the Group are disclosed in notes 11 and 13.

### 39. DIRECTORS' EMOLUMENTS

Under the arrangement currently in force, the aggregate amount of emoluments of the directors of the Company payable for the year ending 30 September 2018 is estimated to be approximately SGD347,000.



**40. RESERVE OF THE COMPANY**

Movement in the Company's reserve

	<b>Accumulated loss</b> <i>SGD'000</i>
At 24 January 2018 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(1,760)</u>
At 31 January 2018	<u><u>(1,760)</u></u>

**41. SUBSEQUENT EVENTS**

Saved as disclosed in the report, subsequent to the end of the Track Record Period, the following significant events took place:

- (i) On 24 July 2018, the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus was duly completed.
- (ii) On 23 July 2018, the Share Option Scheme was conditionally approved and adopted. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix IV to this prospectus. No option has been granted or agreed to be granted under the Share Option Scheme as at the date of this report.

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 January 2018.

The following information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 30 September 2017 and the four months ended 31 January 2018 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I, to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Rule 7.31 of the GEM Listing Rules to illustrate the effect of Share Offer (as defined in this prospectus) on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 January 2018 as if the Share Offer had taken place on 31 January 2018.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company had the Share Offer been completed as at 31 January 2018 or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2018 SGD'000 (Note 1)	Estimated net proceeds from the Share Offer SGD'000 (Notes 2, 4)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2018 SGD'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2018 per Share	
				SGD	HK\$ equivalent (Notes 3, 4)
Based on Offer Price of HK\$0.5 per Offer Share	3,689	5,621	9,310	0.023	0.137
Based on Offer Price of HK\$0.8 per Offer Share	3,689	10,401	14,090	0.035	0.208

*Notes:*

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 January 2018 is based on the audited combined net assets of the Group attributable to owners of the Company amounted to SGD4,484,000 less the intangible assets attributable to owners of the Company amounted to SGD795,000.
2. The estimated net proceeds from the Share Offer are based on 100,000,000 new Shares at indicative Offer Price of HK\$0.5 per Offer Share and HK\$0.8 per Offer Share, respectively, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the estimated underwriting fees and other listing related expenses to be incurred by the Group (excluding listing expenses of SGD1,760,000 charged to profit and loss up to 31 January 2018). It does not take into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per share is arrived at on the basis that 400,000,000 shares comprise of the shares in issue assuming that the Share Offer and the Capitalisation Issue (as defined in this prospectus) had been completed on 31 January 2018. It does not take into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.
4. For the purposes of the estimated net proceeds from the Share Offer and the unaudited pro forma adjusted combined net tangible assets per Share, the amounts are converted into HK\$ and SGD at an exchange rate of HK\$5.90 to SGD1, which is the rate as of the Latest Practicable Date. No representation is made that the SGD amounts have been, could have been or may be converted to HK\$ or vice versa, at that rate.
5. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading results or other transaction of the Group entered into subsequent to 31 January 2018.

**B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of K Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of K Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "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 statement of adjusted combined net tangible assets as at 31 January 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 July 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 January 2018 as if the Share Offer had taken place at 31 January 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 30 September 2017 and the four months ended 31 January 2018, on which an accountants' report set out in Appendix I to the Prospectus 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 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM 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 (the "HKICPA").

**Our Independence and Quality Control**

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 31 January 2018 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 accountants' judgment, having regard to the reporting accountants' 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 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 July 2018

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 January 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 23 July 2018 and effect on the Listing Date. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that

the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise



agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors***(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.



**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or

deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report

and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Group.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 24 January 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that



company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so

by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 February 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal advisers on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 January 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 February 2018 and our principal place of business in Hong Kong is at Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. CFN Lawyers in association with Broad & Bright of Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the subscriber on 24 January 2018, which was subsequently transferred to Canola on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of K Investment from Canola, Canopy and the Investors, 7,232,329 and 2,438 Shares were allotted and issued to Canola, Canopy and the Investors, respectively.
- (c) On 23 July 2018, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$40,000,000 by the creation of 3,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking into account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 3,600,000,000 Shares will remain unissued.



- (e) Other than pursuant to the general mandate to issue Shares referred to in “Written resolutions of our sole Shareholder passed on 23 July 2018” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (f) Save as disclosed in “Share Capital” and “History, Reorganisation and Corporate Structure” to this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of our sole Shareholder passed on 23 July 2018**

On 23 July 2018, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares of HK\$0.01 each, ranking pari passu with our existing Shares in all respects;
- (c) conditional on the Listing Department granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with our then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 299,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 24 July 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate number of shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held;  
or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate Reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please see “History, Reorganisation and Corporate Structure” for details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described below and in “History, Reorganisation and Corporate Structure”, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 6. Subsidiary disposed of during the Track Record Period

Arena Investment was incorporated in Singapore on 9 January 2017 with limited liability, with an issued share capital of 100 shares, of which 51 shares were issued to K Food Holdings and 49 shares were issued to Ravinder Paul Singh S/O Akubal Singh (“**Mr. Singh**”), an Independent Third Party. On 20 January 2017, 119,949 and 279,951 shares were allotted to K Food Holdings and Mr. Singh respectively. On 11 August 2017, the beneficial ownership of the remaining 120,000 shares held by K Food Holdings were transferred to Mr. Singh at a consideration of SGD120,000 due to different business direction with Mr. Singh and to allow our Directors to concentrate their time and effort in the restaurant business of our Group.

## 7. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

### (a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing in GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

#### (i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions passed by our sole Shareholder on 23 July 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

#### (ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Exercise of the Repurchase Mandate*

On the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

*(d) Funding of repurchase*

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the joint venture agreement entered into between K Food Holdings Pte Ltd and Jaesan Food Holdings Sdn Bhd dated 10 September 2016 and as amended by the amendment agreement dated 14 April 2018 and the second amendment agreement dated 20 July 2018;
- (b) the joint venture agreement entered into between K Food Holdings Pte Ltd and Peh Kian Ghee dated 3 January 2017, and as amended by the amendment agreement dated 14 April 2018 and the second amendment agreement dated 20 July 2018;
- (c) a share sales purchase agreement dated 27 July 2017 entered into between Ravinder Paul Singh S/O Akubal Singh and K Food Holdings Pte Ltd in relation to the sale and purchase of the 120,000 shares of Arena Investment Holdings Pte Ltd;
- (d) a share subscription agreement relating to new ordinary shares in K Food Holdings Pte. Ltd. dated 15 November 2017 entered into between Ricardo Juanito Karjono, Riva Alberto Karjono, Saphira Devi Karjono, Ng Seng Kee, Tai Shin Fatt, Rudi Darmawan, First Maple Capital Ltd, Kong Kin Fei, Peh Kian Ghee and Tan Yit Hoe (together the Investors) and K Food Holdings Pte. Ltd.;
- (e) a share swap deed dated 24 July 2018 entered into between Canola Investment Holdings Limited (a vendor and warrantor), Canopy Investment Holdings Limited and the Investors (each as a vendor), and Lai Weijie, Terence, Yeap Wei Han, Melvyn, Ho Zhi Yi, Levi, Tan Chien Fong, Ng Yook Tim, Derek Lai Weikang (each as a warrantor) and K Group Holdings Limited, in relation to the transfer of the entire issued share capital in K Investment Holdings Limited to K Group Holdings Limited;
- (f) the Deed of Non-competition dated 23 July 2018 given by Canola Investment Holdings Limited, Lai Weijie, Terence, Yeap Wei Han, Melvyn, Ho Zhi Yi, Levi, Tan Chien Fong, Ng Yook Tim, and Derek Lai Weikang in favour of K Group Holdings Limited 千盛集團控股有限公司 (for itself and on behalf of its subsidiaries), details of which are set out in “Non-competition undertakings” under “Relationship with Our Controlling Shareholder(s)”;

- (g) the Deed of Indemnity dated 23 July 2018 given by Canola Investment Holdings Limited, Lai Weijie, Terence, Yeap Wei Han, Melvyn, Ho Zhi Yi, Levi, Tan Chien Fong, Ng Yook Tim, and Derek Lai Weikang in favour of K Group Holdings Limited 千盛集團控股有限公司 (for itself and on behalf of its subsidiaries) containing indemnities referred to “Tax and other indemnities” in this appendix; and
- (h) the Public Offer Underwriting Agreement.




## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks that is considered to be or may be material to our business and with which we conduct the majority of our business:

Trademark	Registered owner	Class	Registration Number	Duration	Place of Registration
	K Food Holdings	43	40201608793V	30 May 2016- 29 May 2026	Singapore
	Kogane Yama	43	40201709389V	22 May 2017- 21 May 2027	Singapore
	K Food Holdings	43	304361995	8 December 2017- 7 December 2027	Hong Kong
	K Food Holdings	43	40201719783Y	10 October 2017- 9 October 2027	Singapore



Trademark	Registered owner	Class	Registration Number	Duration	Place of Registration
	K Food Holdings	43	40201719797T	10 October 2017- 9 October 2027	Singapore
	K Food Holdings	43	40201719798R	10 October 2017- 9 October 2027	Singapore
	K Food Holdings	43	40201724053Y	5 December 2017- 4 December 2027	Singapore

**(b) Domain names**

As at the Latest Practicable Date, our Group has registered the following material domain names:

Domain Name	Registrant	Duration
<u><a href="http://www.kfood.com.sg">www.kfood.com.sg</a></u>	Chir Chir Fusion Chicken Factory Singapore (Pte.) Ltd (currently known as K Food Holdings)	30 June 2015 – 30 June 2019
<u><a href="http://www.kgroup.com.hk">www.kgroup.com.hk</a></u>	K Food Holdings	30 March 2018 – 31 March 2019

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of interests**

*(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company*

Immediately following the completion of the Capitalisation Issue and the Share Offer without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

*(i) Long position in our Shares*

Name of Director	Capacity/ Nature of interest	Number of Share(s) <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Terence Lai <sup>(Note 2)</sup>	Interest in a controlled corporation/interest held jointly with another person	216,990,000	54.25%
Mr. Yeap <sup>(Note 2)</sup>	Interest in a controlled corporation/interest held jointly with another person	216,990,000	54.25%
Mr. Ho <sup>(Note 2)</sup>	Interest in a controlled corporation/interest held jointly with another person	216,990,000	54.25%
Mr. Tan <sup>(Note 2)</sup>	Interest in a controlled corporation/interest held jointly with another person	216,990,000	54.25%

Name of Director	Capacity/ Nature of interest	Number of Share(s) (Note 1)	Approximate percentage of shareholding
Mr. Ng <sup>(Note 2)</sup>	Interest in a controlled corporation/interest held jointly with another person	216,990,000	54.25%

*Notes:*

- (1) All interests stated are long positions.
- (2) These Shares were held by Canola which was in turn owned as to 33.69% by Mr. Terence Lai, 23.17% by Mr. Yeap, 16.85% by Mr. Ho, 12.64% by Mr. Tan, 12.64% by Mr. Ng and 1.01% by Mr. Derek Lai. On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai entered into the Acting-in-concert Confirmation pursuant to which they have confirmed that they are parties acting in concert in the operation and management of our Group since 1 October 2015. Accordingly, each person under the concert party arrangement is taken to be interested in the our Shares the other party under such concert party arrangement is interested under the SFO.

*(ii) Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of ordinary share(s) (Note 1)	Approximate percentage of shareholding
Mr. Terence Lai	Canola <sup>(Note 2)</sup>	Beneficial owner	3,369	33.69%
Mr. Yeap	Canola <sup>(Note 2)</sup>	Beneficial owner	2,317	23.17%
Mr. Ho	Canola <sup>(Note 2)</sup>	Beneficial owner	1,685	16.85%
Mr. Tan	Canola <sup>(Note 2)</sup>	Beneficial owner	1,264	12.64%
Mr. Ng	Canola <sup>(Note 2)</sup>	Beneficial owner	1,264	12.64%

*Notes:*

- (1) All interests stated are long positions.
- (2) Canola is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

**(b) *Interests of substantial and other Shareholders in our Shares and underlying Shares***

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares (Note 1)</b>	<b>Percentage of shareholding</b>
Canola	Beneficial owner	216,990,000	54.25%
Ms. Ong <sup>(Note 3)</sup>	Interest of spouse	216,990,000	54.25%
Mr. Derek Lai <sup>(Note 2)</sup>	Interest of controlled corporation/interest held jointly with another person	216,990,000	54.25%
Mr. Tan Yit Hoe	Beneficial owner	20,000,791	5.00%

*Notes:*

- (1) All interests stated are long positions.
- (2) On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 1 October 2015, they have been actively cooperating with one another and acting in concert, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to each member company within our Group. For details of the acting in concert arrangement, please see “History, reorganisation and corporate structure – Acting-in-concert Confirmation”. As such, each of Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai is deemed to be interested in 54.25% of the issued share capital of our Company.
- (3) Ms. Ong is the spouse of Mr. Ho and she is deemed or taken to be interested in all our Shares which are beneficially owned by Mr. Ho under the SFO.

*Interests in issued voting shares of other members of our Group*

Name of shareholder	Name of members of our Group	Capacity/ Nature of interest	Number of ordinary share(s) <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Peh	Kogane Yama	Beneficial owner	400	40%
Jaesan Food Holdings <sup>(Note 2)</sup>	K Food Master	Beneficial owner	200,000	40%

*Notes:*

- (1) All interests stated are long positions.
- (2) Jaesan Food Holdings is owned as to 31% by Mr. Lawrence Tan, 24% by Mr. Rodney Tay Peng-Liang, 24% by Mr. Shenton Yap, 16% by Ms. Alisa Khoo and 5% by Mr. Kenneth Kok Tsing Kuan.

**2. Particulars of service agreements**

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**3. Remuneration of Directors**

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the years ended 30 September 2016 and 2017 and the four months ended 31 January 2018 were approximately SGD256,000, SGD264,000 and SGD94,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 30 September 2018 will be approximately SGD347,000.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

*SGD*

**Executive Directors**

Mr. Terence Lai	147,000
Mr. Ho	147,000
Mr. Yeap	86,000
Mr. Tan	95,000

**Non-executive Director**

Mr. Ng	60,000
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**Independent non-executive Directors**

Mr. Chow Wai San	21,000
Mr. Law Chung Lam Nelson	21,000
Mr. Choo Zheng Xi	21,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

**4. Fees or commission received**

Save as disclosed in "Underwriting" in this prospectus, none of our Directors or the experts named in "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party disclosure**

Details of the related party disclosure are set out under Note 33 to the Accountants' Report set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in "Further information about our

Company” in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on GEM;
- (c) none of our Directors or the experts named in “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

## D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 July 2018. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### 1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	23 July 2018, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

### 2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 23 July 2018:

#### *(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.



***(b) Who may join and basis of eligibility***

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

***(c) Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of our Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before Listing.

***(d) Grant of options and acceptance of offers***

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

***(e) Maximum number of Shares***

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

***(f) Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(g) Grant of options to certain connected persons*

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1% of our Shares in issue; and
  - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by our Shareholders in the aforesaid manner.

*(h) Restrictions on the times of grant of options*

- (i) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM Listing Rules),

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
  - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(i) Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

***(j) Performance targets***

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

***(k) Ranking of Shares***

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

***(l) Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(m) Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(n) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

*(o) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment of an on one or more of the grounds specified in (n) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

*(p) Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion

fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

***(q) Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

***(r) Rights on winding-up***

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

***(s) Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement

(“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of our officers.

*(t) Lapse of options*

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

- (vii) subject to the compromise or arrangement as referred to in paragraph(s) become effective, the date on which such compromise or arrangement becomes effective.

***(u) Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

***(v) Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

***(w) Alteration to the Share Option Scheme***

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

***(x) Termination to the Share Option Scheme***

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.



(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Department granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**3. Present status of the Share Option Scheme**

Application has been made to the Listing Department for the listing of and permission to deal in our Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Our Controlling Shareholder(s) (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in “B. Further information about the Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and on behalf of its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group howsoever as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), actions, complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or

- (c) the taxation liability arises in the ordinary course of business of our Group after 31 January 2018 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

## **3. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor's fees are HK\$5.1 million and are payable by our Company.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

## **5. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

## 6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Lego Corporate Finance Limited	A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers of the Company as to Cayman Islands law
China Insights Industry Consultancy Limited	Industry consultant
Dentons Rodyk & Davidson LLP	Legal advisers as to Singapore laws
Foong & Partners	Malaysia attorneys-at-law
Bae, Kim & Lee LLC	Legal advisers as to Korea law
Dau & Tuah	Indonesia attorneys-at-law

## 7. Consents of experts

Each of Lego Corporate Finance Limited, Deloitte Touche Tohmatsu, Appleby, China Insights Industry Consultancy Limited, Dentons Rodyk & Davidson LLP, Foong & Partners, Bae, Kim & Lee LLC and Dau & Tuah has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letters and/or reports and/or valuation certificates and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominee persons to subscribe for securities in any member of our Group.

## 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Boardroom Share Registrars (HK) Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

**10. Material adverse change**

Our Directors confirm, save for the matters disclosed in "Summary – Material adverse change", that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 January 2018 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

**11. Taxation of holders of Shares****(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) Consultation with professional advisers**

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**12. Miscellaneous**

1. Save as disclosed in this prospectus:
  - (a) Within the two years immediately preceding the date of this prospectus:
    - (i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration than cash;
    - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
    - (iii) no commission has been paid or is payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
    - (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
    - (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (b) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
  - (c) none of the experts:
    - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
    - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including our Shares;
  - (d) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

- (e) our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Group has no outstanding convertible debt securities; and
- (h) the English text of this prospectus shall prevail over the Chinese text.

**13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the written consents referred in “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (c) copies of the material contracts referred to in “B. Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (d) copies of the statement of adjustments relating to the Accountants’ Report prepared by Deloitte Touche Tohmatsu.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu in respect of the historical financial information for each of the two years ended 30 September 2016 and 30 September 2017 and the four months ended 31 January 2018, the text of which is set out in Appendix I to this prospectus together with the relevant statement of adjustments;
- (c) the report on the unaudited pro forma financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of the companies comprising our Group for the two years ended 30 September 2016 and 30 September 2017 and the four months ended 31 January 2018;
- (e) the industry report prepared by China Insights Industry Consultancy Limited;
- (f) the legal opinion and tenancy report issued by Dentons Rodyk & Davidson LLP, our legal advisers as to Singapore law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in Singapore;

- (g) the legal opinion issued by Bae, Kim & Lee LLC, our legal advisers as to Korean law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in Korea;
- (h) the legal opinion issued by Foong & Partners, our legal advisers as to Malaysia law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in Malaysia;
- (i) the legal opinion issued by Dau & Tuah, our legal advisers as to Indonesia law, in respect to the compliance of applicable laws and regulations in respect of certain aspects of our Group in Indonesia;
- (j) the material contracts referred to in “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme;
- (l) the written consents referred to in “E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (m) the service agreements referred to in “Statutory and General Information – Further information about substantial shareholders, directors and experts – 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (n) the Companies Law; and
- (o) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus.



**K**Group Holdings Limited  
千盛集團控股有限公司