



THIRD QUARTERLY REPORT 2019/20

KGroup Holdings Limited
千盛集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8475



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*This report, for which the directors (the “**Directors**” and each a “**Director**”) of K Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*



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THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 31 May 2020 (the “**Period**” and the “**Unaudited Condensed Consolidated Financial Statements**”, respectively) together with comparative unaudited figures for the corresponding three months and nine months period in 2019 (the “**Last Corresponding Period**”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MAY 2020

	Notes	Three months ended		Nine months ended	
		31 May		31 May	
		2020	2019	2020	2019
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		SGD'000	SGD'000	SGD'000	SGD'000
Revenue	4	2,604	4,396	11,802	11,974
Other income	5	1,009	14	1,024	115
Other gains and losses, net	5	9	(4)	29	(340)
Cost of inventories consumed		(887)	(1,194)	(3,204)	(3,149)
Staff costs		(977)	(1,298)	(4,105)	(3,788)
Depreciation and amortisation		(1,463)	(321)	(4,129)	(883)
Rental and related expenses		(159)	(1,162)	(517)	(3,124)
Utility expenses		(119)	(137)	(393)	(361)
Marketing and advertising expenses		(79)	(168)	(292)	(387)
Franchise and licensing fees		(18)	(35)	(116)	(86)
Other expenses		(571)	(669)	(2,057)	(1,906)
Finance costs	6	(152)	(21)	(407)	(99)
Loss before tax	7	(803)	(599)	(2,365)	(2,034)
Income tax expense	8	-	(8)	(10)	(20)
Loss for the period		(803)	(607)	(2,375)	(2,054)
Loss per share	10				
Basic (SGD cents)		0.17	0.16	0.54	0.50

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MAY 2020

	Three months ended		Nine months ended	
	31 May		31 May	
	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000
Other comprehensive income				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	6	1	4	–
Total comprehensive loss for the period	(797)	(606)	(2,371)	(2,054)
Loss for the period attributable to:				
Owners of the Company	(731)	(624)	(2,277)	(2,002)
Non-controlling interests	(72)	17	(98)	(52)
	(803)	(607)	(2,375)	(2,054)
Total comprehensive loss attributable to:				
Owners of the Company	(728)	(623)	(2,274)	(2,002)
Non-controlling interests	(69)	17	(97)	(52)
	(797)	(606)	(2,371)	(2,054)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MAY 2020

	Attributable to owners of the Company					Sub-total SGD'000	Non- controlling interests SGD'000	Total SGD'000
	Share capital SGD'000	Share premium SGD'000	Capital reserve SGD'000	Accumulated losses SGD'000	Translation reserve SGD'000			
As at 1 September 2019 (audited)	694	9,316	4,507	(6,002)	1	8,516	(136)	8,380
Loss for the period	-	-	-	(2,277)	-	(2,277)	(98)	(2,375)
Exchange differences arising on translation of foreign operations	-	-	-	-	3	3	1	4
Total comprehensive (loss) /income for the period	-	-	-	(2,277)	3	(2,274)	(97)	(2,371)
Capital contributions from non-controlling interests of a subsidiary	-	-	-	-	-	-	-*	-*
Issuance of Shares (Note)	70	2,594	(54)	-	-	2,610	-	2,610
As at 31 May 2020 (unaudited)	764	11,910	4,453	(8,279)	4	8,852	(233)	8,619
As at 1 September 2018 (unaudited)	694	9,316	4,507	(1,947)	(2)	12,572	6	12,578
Loss and total comprehensive loss for the period	-	-	-	(2,002)	-	(2,002)	(52)	(2,054)
As at 31 May 2019 (unaudited)	694	9,316	4,507	(3,949)	(2)	10,570	(46)	10,524

* Balance is below SGD1,000

Note:

On 16 January 2020, a total of 40,000,000 new shares of the Company (the "Shares") have been successfully placed at the placing price of HK\$0.38 per placing share (the "Placing Shares") to not fewer than six placees (the "Placing"). The 40,000,000 Placing Shares represent (i) 10% of the existing issued share capital of the Company immediately before completion of the Placing; and (ii) approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. Details of the Placing of Shares was set out in the Company's announcements dated 13 December 2019, 16 December 2019 and 16 January 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 24 January 2018 and the Shares in issue have been initially listed on GEM since 13 August 2018 (the "**Listing Date**"). Its parent and ultimate holding company is Canola Investment Holdings Limited ("**Canola**"). The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in the Republic of Singapore ("**Singapore**") is situated at 1 Grange Road, Orchard Building, #12-01, Singapore, 239693.

The Company is an investment holding company. Its subsidiaries are principally engaged in restaurant operations, sale of food and food ingredients and sub-franchising, licensing/sublicensing businesses in Singapore, the Federation of Malaysia ("**Malaysia**") and the Republic of Indonesia ("**Indonesia**").

No statutory financial statements have been prepared for the Company as it is incorporated in a jurisdiction where there is no statutory audit requirement.

2. BASIS OF PREPARATION AND PRESENTATION

The Unaudited Condensed Consolidated Financial Statements together with the comparative unaudited figures for the Corresponding Period (the "**Financial Information**") have been prepared in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of these Unaudited Condensed Consolidated Financial Statements are consistent with those adopted in the preparation of audited consolidated financial statements included in the annual report for the year ended 31 August 2019, except for the adoption of the new and revised HKFRSs (the "**New and Revised HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA that are adopted for the first time for the Unaudited Condensed Consolidated Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The adoption of the New and Revised HKFRSs has had no significant effect on the Unaudited Condensed Consolidated Financial Statements and there have been no significant changes to the accounting policies applied in the Unaudited Condensed Consolidated Financial Statements, except below:

The adoption of HKFRS 16 Leases for the Period resulted in changes in accounting policies and adjustments to the amounts recognised in the Unaudited Condensed Consolidated Financial Statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 September 2019 without restating comparative information.

Before the application of HKFRS 16, commitments under operating leases for future periods were not recognized by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

Upon application of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined.

At the inception of a contract that contain a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease component from lease components for certain classes of assets if the non-lease components are material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Depreciation is charged on a straight-line basis with interest on lease liabilities being charged to profit or loss over the shorter of the lease term or the asset's useful life.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These Unaudited Condensed Consolidated Financial Statements have been prepared on the historical cost basis.

The Financial Information is presented in Singapore dollars (“**SGD**”) which is also the functional currency of the Company.

The Unaudited Condensed Consolidated Financial Statements have not been audited by the Company’s independent auditor (the “**Independent Auditor**”), but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

3. 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 (the “**CODMs**”), Mr. Lai Weijie, Terence (“**Mr. Terence Lai**”), an executive Director and the chairman of the Board, and Mr. Ho Zhi Yi, Levi (“**Mr. Ho**”), an executive Director and the Chief Executive Officer, review the results of the Group as a whole, as the CODMs consider that the sale of food and food ingredients and royalty income from sub-franchising and licensing/sublicensing businesses are relatively insignificant and are ancillary to the restaurant operations. Accordingly, no segmental analysis is presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

	Three months ended		Nine months ended	
	31 May		31 May	
	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000
Restaurant operations	2,534	4,167	11,384	11,553
Sales of food and food ingredients	7	165	229	231
Royalty income	63	64	189	190
	2,604	4,396	11,802	11,974

The following table presents revenue from external customers for the three months and nine months ended 31 May 2020 and 2019 by geographic area:

	Three months ended		Nine months ended	
	31 May		31 May	
	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000	2020 (unaudited) SGD'000	2019 (unaudited) SGD'000
Singapore	2,569	4,156	11,508	11,372
Malaysia	20	224	249	556
Indonesia	15	16	45	46
	2,604	4,396	11,802	11,974

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

5a. Other income

	Three months ended		Nine months ended	
	31 May		31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000
Government grants (Note 1)	190	12	204	87
Rental rebate (Note 2)	798	–	798	–
Others	21	2	22	28
	1,009	14	1,024	115

Notes:

- (1) Singapore Government had introduced the Jobs Support Scheme (“JSS”) and its enhancement over four budgets to help enterprises retain their local employees (Singapore citizens and permanent residents) during the Covid-19 pandemic and Circuit Breaker (as defined in Note Events After The Reporting Period). The Singapore Government will co-fund the employee gross monthly wages paid by the employers to each local employee for nine months capped at a regulated amount stipulated by the government’s scheme. Employers will receive three main JSS payouts in April, July and October 2020 and an additional payout in May 2020.

The amount represents rewards or subsidies which were received in Singapore.

- (2) The Singapore Government gave 2 months’ relief of the rental costs of SME tenants (i.e. with not more than SGD100 million in annual turnover) with qualifying leases or licences commencing before 25 March 2020. This rental waiver applied to April and May 2020 for SME tenants in qualifying commercial properties.

The Singapore Government had further introduce of additional 2 months rental relief to be provided by landlords. These additional rental waivers will be borne by the landlords, and will be applied to June and July 2020 for SMEs in qualifying commercial properties, and May 2020 for SMEs in industrial/ office properties, as long as their leases or licences are in force on 1 April 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5b. Other gains and losses, net

	Three months ended		Nine months ended	
	31 May		31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000
Exchange gain/(loss), net	9	(4)	29	(175)
Loss on written off of plant and equipment	-	-	-	(122)
Impairment loss of plant and equipment	-	-	-	(43)
	9	(4)	29	(340)

6. FINANCE COST

	Three months ended		Nine months ended	
	31 May		31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000
Interest on bank loans	6	14	24	42
Interest on early redemption of a bank loan	-	-	-	32
Interest on trust receipt loans	6	6	19	22
Interest on hire purchase	1	1	3	3
Interest on lease liabilities	139	-	361	-
	152	21	407	99

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS BEFORE TAX

	Three months ended		Nine months ended	
	31 May		31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000
Loss before tax has been arrived at after charging:				
Auditor's remuneration	30	20	119	116
Amortisation of intangible assets	19	19	54	52
Depreciation of plant and equipment	382	270	1,002	799
Depreciation of right-of-use assets	1,063	–	3,074	–
Directors' remuneration	186	218	589	608
Other staff costs				
– Salaries and allowances	732	1,006	3,298	2,970
– Retirement benefit contributions	59	74	218	210
	791	1,080	3,516	3,180

8. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	31 May		31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000
Current tax				
– Singapore Corporate Income	–	–	10	13
Deferred taxation	–	8	–	7
	–	8	10	20

Singapore Corporate Income Tax is calculated at 17% of the estimated assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDEND

The Board has resolved not to declare the payment of a dividend for the Period (2019: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 May		Nine months ended 31 May	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	SGD'000	SGD'000	SGD'000	SGD'000

Loss:

Loss for the purpose of basic loss per share attributable to owners of the Company

(731)	(624)	(2,277)	(2,002)
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Number of shares:

Weighted average number of ordinary Shares for the purpose of basic loss per share

440,000,000	400,000,000	420,000,000	400,000,000
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No diluted loss per share for the respective periods were presented as there were no potential dilutive ordinary Shares in issue for the Period and the Last Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is headquartered in Singapore and has multi-branded restaurants that are mainly operated under a franchise model. The Group offers Korean, Japanese and Malaysian cuisines with casual dining concepts that target the middle-income mass market in Singapore, Malaysia and Indonesia.

As at the date of this report, the Group had 16 self-operated restaurants and one central kitchen in total, including:

- three restaurants in Singapore and one restaurant in Malaysia under the brand “Chir Chir” pursuant to an exclusive franchise the Group obtained from the franchisor which owns a Korean fried chicken restaurant chain;
- two restaurants in Singapore under the brand “Masizzim” pursuant to an exclusive franchise the Group obtained from the franchisor which owns a Korean stew dish restaurant chain;
- two restaurants in Singapore under the self-developed brand “Kogane Yama” which offers Japanese premium tendon bowls and Japanese rice bowls;
- two restaurants in Singapore under the brand “Nipong Naepong” pursuant to an exclusive franchise the Group obtained from the franchisor which owns a Korean fusion noodle restaurant chain;
- two restaurants in Singapore under the brand “NY Night Market” pursuant to an exclusive franchise the Group obtained from the franchisor of the brand “Chir Chir”, which also owns a restaurant chain offering Korean fusion western food;
- two restaurants in Singapore under the self-developed brand “Sora Boru” which is a fast-casual restaurant offering Japanese one bowl meal and donburi;
- two restaurants in Singapore under the brand “Kota Zheng Zhong” under a cooperation arrangement with the owner which owns a Malaysian-style claypot herbal bak kut the restaurant chain; and
- one central kitchen in Singapore under the self-developed brand “Gangnam Kitchen” and “Tora Kitchen” which offers catering and delivery services of Korean and Japanese food in Singapore and serves as the central kitchen to the Group’s restaurants in Singapore.

As at the date of this report, the Group had also licensed the brand “Chir Chir” to the licensee in Indonesia (the “**Indonesian Licensee**”) for operation of restaurants in Indonesia.

MANAGEMENT DISCUSSION AND ANALYSIS

The restaurant and catering market in Singapore, Malaysia and Indonesia are intensively competitive. However, the management of the Company (the **"Management"**) believes that the Group possesses the following key strengths which contributed to its success, as well as distinguishing itself and positioning itself for significant further growth in the future: (i) proven abilities to select franchised brands which appeal to the customers; (ii) the strategic locations of the Group's restaurants in good and convenient locations; (iii) a relentless commitment to food quality and hygiene as well as dining experience; and (iv) a passionate and dynamic management team.

Looking forward, the Group intends to become a leading restaurant operator in Singapore and extend its network to other Southeast Asian countries. The Group plans to achieve the goals by implementing the following key strategies: (i) continue to grow the 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 its regional presence, marketing efforts and information technology system.

FINANCIAL REVIEW

Revenue

The Group's revenue was mainly generated from (i) restaurant operations; (ii) sales of food and food ingredients; and (iii) royalty income.

The majority of the revenue was derived from the operations of self-operated restaurants in Singapore and Malaysia. The revenue generated from restaurant operations amounted to approximately SGD11.4 million and SGD11.6 million for the Period and Last Corresponding Period, respectively. During the Period, (i) there are commencement of two self-operated restaurants under the brand "Kota Zheng Zhong Bak Kut Teh" which are located at 15A Lorong Liput Singapore 277730 (Kota Zheng Zhong Bak Kut Teh (Holland Village)) and 68 Serangoon Garden Way Singapore 555964 (Kota Zheng Zhong Bak Kut Teh (Serangoon)); and (ii) the full period operation of NY Night Market (Vivo), Sora Boru (313) and Chir Chir (JB). The revenue contributed by these new self-operated restaurants are offset by the significant decrease in sales due to the suspension of operation and restrictions on dining out in Singapore during the Covid-19 lock down period from 7 April 2020 to 4 May 2020, which further extended to 1 June 2020. It is also further offset by the cessation of operation of a self-operated restaurant under the brand "Chir Chir" was located at Lot 1.108.00, Level 1 Pavilion Kuala Lumpur, 168 Jalan Bukit Bintang, Kuala Lumpur 55100 on 15 September 2019. With these, sale had significantly decrease SGD1.5 million for these three months ended 31 May 2020, representing a decrease of 35.7% as compared to the Last Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from sales of food and food ingredients mainly represented revenue from (i) sales of food through the operation of Gangnam Kitchen which provides catering and delivery services of Korean and Japanese food to the customers in Singapore; and (ii) sales of food ingredients to the Indonesian Licensee. The revenue from sales of food and food ingredients remained constant as sales contributed from the previous months in current nine months period is offset by the significant decrease of sales for the current three months ended due to the lockdown under Covid-19 whereby social gatherings of any size, in homes or public spaces is prohibited in Singapore.

Royalty income represented the royalties from the Indonesian Licensee, Jaesan Food Holdings Sdn. Bhd. (“**Jaesan Food Holdings**”) and Mr. Peh Kian Ghee (“**Mr. Peh**”) pursuant to respective business partnership arrangements and sub-license arrangements which the Group has entered into. The revenue from royalty income remained constant for both period.

Cost of inventories consumed

Cost of inventories consumed primarily consisted of the cost of the food ingredients and beverages used in the operations of the Group’s self-operated restaurants and central kitchen in Singapore and Malaysia. Cost of inventories consumed remained constant of SGD3.2 million for both the current and Last Corresponding Period.

Staff costs

Staff costs increased from approximately SGD3.8 million for the Last Corresponding Period to approximately SGD4.1 million for the Period, representing an increase of approximately 7.9% as compared to that of the Last Corresponding Period. The increase was mainly attributable to an increase in headcount of staff in view of the expansion of the Group’s network of two new self-operated restaurants which was not operated in the Last Corresponding Period and the full period operation of three restaurants during the Period. The increase in staff costs is partially offset by the significant pay reduction measures implemented by the management of the Group across all level including the Directors, as well as stringent manpower arrangement to cope with the Covid-19 pandemic.

Rental and related expenses

Rental and related expenses decreased from approximately SGD3.1 million for the Last Corresponding Period to approximately SGD0.5 million for the Period, representing a decrease of approximately 83.9% as compared to those of the Last Corresponding Period. The decrease in rental and related expenses was mainly attributable to the different accounting treatment of the new accounting standard HKFRS 16 Leases which became effective during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

The other expenses primarily consisted of external online sales commissions, credit card commissions, cleaning expenses, professional fee, travelling expenses etc. Other expenses increase from approximately SGD1.9 million for Last Corresponding Period to approximately SGD2.1 million for the Period, representing an increase of approximately SGD0.2 million. The increase of such expenses was mainly attributable to the opening of new shops during the Period.

Finance costs

The finance costs primarily consisted of interest expenses on bank loans, trust receipts loans, hire purchase and the lease liabilities. Finance costs increased from approximately SGD99,000 for Last Corresponding Period to approximately SGD407,000 for the Period, representing an increase of approximately 4.1 times. The increase was mainly arising from the interest on the lease liabilities which amounting to SGD361,000 during the Period due to the new accounting standard HKFRS 16 Leases which became effective during the Period.

Loss for the period

The Group recognised a loss of approximately SGD2.4 million for the Period, which increased as compared to that of approximately SGD2.1 million for the Last Corresponding Period. Such increase in loss was mainly attributable to: (i) decrease in revenue as a result of lockdown under Covid-19; (ii) increase in number of staffs and depreciation in view of certain new restaurants opened; (iii) increase in cost of inventories consumed due to full operation of more restaurants; (iv) increase in rental and related expenses due to the full operation of more restaurants and renewals of the lease agreements of certain restaurants. The increase in cost is partially offset by the JSS government grant and rental rebate received by the government and the landlord during this pandemic which amounted to SGD190,000 and SGD798,000, respectively as disclosed under the note other income.

Contingent liabilities and pledge of assets

As at 31 May 2020, the Group did not have any significant contingent liabilities and pledge of assets.

Significant investments held

During the Period, except for investments in subsidiaries, the Group did not make any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 May 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register referred to therein pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long position in the Shares

Name of Directors/ Chief executive	Capacity/ Nature of interest	Number of Shares/ underlying Shares interested <i>(Note 1)</i>	Approximate percentage of the Company's issued Shares*
Mr. Terence Lai <i>(Note 2)</i>	Interest of a controlled corporation/interest held jointly with another person	216,990,000	49.32%
Mr. Yeap <i>(Note 2)</i>	Interest held jointly with another person	216,990,000	49.32%
Mr. Ho <i>(Note 2)</i>	Interest held jointly with another person	216,990,000	49.32%
Mr. Tan <i>(Note 2)</i>	Interest held jointly with another person	216,990,000	49.32%
Mr. Ng <i>(Note 2)</i>	Interest held jointly with another person	216,990,000	49.32%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) All interests stated are long positions.
- (2) These Shares were held by Canola which was in turn 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. Lai Weikang, Derek ("**Mr. Derek Lai**"). On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai (collectively the "**Controlling Shareholders**") entered into an acting-in-concert confirmation (the "**Confirmation**"), pursuant to which they had confirmed that they had been parties acting in concert in the operation and management of the Group since 1 October 2015. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other party(ies) under such concert party arrangement is/are interested under the SFO.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 440,000,000 as at 31 May 2020.

(ii) Long position in the ordinary shares of associated corporation

Name of Directors/ Chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of shareholding
Mr. Terence Lai	Canola (Note 2)	Beneficial owner	3,369	33.69%
Mr. Yeap	Canola (Note 2)	Beneficial owner	2,317	23.17%
Mr. Ho	Canola (Note 2)	Beneficial owner	1,685	16.85%
Mr. Tan	Canola (Note 2)	Beneficial owner	1,264	12.64%
Mr. Ng	Canola (Note 2)	Beneficial owner	1,264	12.64%

Notes:

- (1) All interests stated are long positions.
- (2) Canola is a direct shareholder of the Company (the "**Shareholder**") and is an associated corporation within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 May 2020, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register referred to therein pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 May 2020, so far as is known to the Directors, the following entity or persons, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held (Note 1)	Approximate percentage of the Company's issued Shares*
Canola	Beneficial owner	216,990,000	49.32%
Ms. Ong Hui Hui ("Ms. Ong") (Note 3)	Interest of spouse	216,990,000	49.32%
Ms. Teo Yan Qi Sharon ("Ms. Teo") (Note 4)	Interest of spouse	216,990,000	49.32%
Mr. Derek Lai (Note 5)	Interest held jointly with another person	216,990,000	49.32%
Mr. Lam Wing Chak Victor	Beneficial owner	31,221,470	7.10%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Terence Lai, Mr Yeap, Mr. Ho, Mr. Tan and Mr. Ng are directors of Canola.
- (3) Ms. Ong is the spouse of Mr. Ho and she is deemed to be interested in all the Shares which are beneficially owned and deemed to be held by Mr. Ho under the SFO.
- (4) Ms. Teo is the spouse of Mr. Tan and she is deemed to be interested in all the Shares which are beneficially owned and deemed to be held by Mr. Tan under the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(5) On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai entered into the Confirmation, whereby they confirmed that among other things, since 1 October 2015, they had 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 the Group. Details of the acting in concert arrangement are set out in the section headed "History, Reorganisation and Corporate Structure – Acting-in-concert Confirmation" of the Prospectus. 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 approximately 54.25% to 49.32% after the new shares issued on 16 January 2020.

* The percentage represents the number of Shares interested divided by the number of issued Shares of 440,000,000 as at 31 May 2020.

Interests in issued voting shares of other members of the Group

Name of shareholders	Name of members of the Group	Capacity/ Nature of interest	Number of ordinary share(s) (Note 1)	Percentage of shareholding
Mr. Peh	Kogane Yama Restaurants Pte. Ltd.	Beneficial owner	400	40%
Jaesan Food Holding (Note 2)	K Food Master Holdings Sdn. Bhd.	Beneficial owner	200,000	40%
Southern Enterprise (Note 3)	Kota Bak Kut Teh (SG) Pte. Ltd.	Beneficial owner	10	10%
Mr. Tan	Kota Bak Kut Teh (SRG) Pte. Ltd.	Beneficial owner	20	20%

Notes:

- (1) All interests stated are long positions.
- (2) Jaesan Food Holdings is owned as to 27.83% by Mr. Lawrence Tan Wee Ee, 22.32% by Mr. Rodney Tay Peng-Liang, 22.32% by Mr. Shenton Yap Wen-Howe, 14.88% by Ms. Alisa Khoo, 4.65% by Mr. Kenneth Kok Tsing Kuan and 8% by Low Teck Hoe.
- (3) Southern Enterprise is owned as to 100% by Ms. Hong BingMei.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 31 May 2020, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

SHARE OPTION SCHEME

The Company had conditionally adopted a share option scheme (the **"Share Option Scheme"**) on 23 July 2018 (the **"Adoption Date"**), which became effective upon the commencement of dealings of the Shares on the Stock Exchange on the Listing Date. Under the Share Option Scheme, the Company may grant options to eligible participants, including Directors and full-time employees of and advisers and consultants to the Group. No share option has been granted by the Company or agreed to be granted under the Share Option Scheme since the Adoption Date and up to the date of this report. Therefore, no share options lapsed or were exercised or cancelled during the Period and there were no outstanding share options as at 31 May 2020.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company or any of its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the Directors or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the **"Required Standard of Dealings"**) as rules governing securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during the Period.

CORPORATE GOVERNANCE CODE

The Board considers that the Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the **"CG Code"**) during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

During the Period, none of the Directors or the Controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any such person or entity had or might have with the Group.

INTEREST OF THE COMPLIANCE ADVISER

Company has appointed Lego Corporate Finance Limited ("**Lego**") as the compliance adviser of the Company (the "**Compliance Adviser**") pursuant to Rule 6A.19 of the GEM Listing Rule. As at 31 May 2020, as notified by Lego, save for the compliance adviser agreement dated 10 February 2018 and entered into between the Company and Lego regarding the receipt of fees for acting as the Compliance Adviser, neither Lego nor its directors or employees or close associates (as defined under the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group (including options and rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On the 3 April 2020, the Singapore Government announced a partially lockdown, called a "Circuit Breaker", which came into effect from 7 April 2020 to 4 May 2020, which was later extended to 1 June 2020. Due to this Circuit Breaker, Singapore Government had successful stemming the spread and the infection rate remained stable over the time.

Singapore Government had announced phase two of its reopening to be on 19 June 2020, where more activities can resume with a series of measurement and restriction being adhere with by the business. All shops of the Group in Singapore had resumed its operation since 19 June 2020.

When phase two of the post-circuit breaker measures kicks in, people are allowed to dine in at food and beverage outlets. People are allowed to do so in groups of only five or fewer. Tables at these establishments will also have to be placed at heat 1metae apart from one another.

The Group has continuously monitored the situation and take appropriate actions as and when necessary.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee was established on 23 July 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions C.3.3 and C.3.7 of the CG Code. The Audit Committee comprises all the three independent non-executive Directors (the “INEDs”), namely Mr. Chow Wai San (“**Mr. Chow**”), Mr. Law Chung Lam, Nelson and Mr. Choo Zheng Xi, and the non-executive Director (the “**NED**”), Mr. Ng. Mr. Chow is the chairman of the Audit Committee. The principal duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of the Independent Auditor, to review and supervise the financial reporting process and internal control system of the Group, and to review the Group’s financial information and the relationship with the Independent Auditor.

The Audit Committee has reviewed the Unaudited Condensed Consolidated Financial Statements and this report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosures have been made.

APPRECIATIONS

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

By Order of the Board
K Group Holdings Limited
Lai Weijie, Terence
Chairman and Executive Director

Singapore, 13 July 2020

As at the date of this report, the executive Directors are Mr. Lai Weijie, Terence (Chairman), Mr. Ho Zhi Yi, Levi (Chief Executive Officer), Mr. Yeap Wei Han, Melvyn (Chief Financial Officer) and Mr. Tan Chien Fong; the NED is Mr. Ng Yook Tim; and the INEDs are Mr. Chow Wai San, Mr. Law Chung Lam, Nelson and Mr. Choo Zheng Xi.