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## **K GROUP HOLDINGS LIMITED**

**千盛集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8475)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2021**

Reference is made to the annual report of the Group for the year ended 31 August 2021 (“FY2021”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the FY2021 Annual Report.

#### **AUDIT COMMITTEE’S VIEW ON THE DISCLAIMER OF OPINION**

The Audit Committee has reviewed the consolidated financial statement of the Company for the year ended 31 August 2021 which are prepared in accordance with Hong Kong Financial Reporting Standards and agreed with the Management’s position for preparation of the consolidated financial statement for the year ended 31 August 2021 on a going concern basis. The Audit Committee felt comfortable in light of the Action Plan implemented that the Company will have sufficient working capital within next 12 months to meet its funding requirements.

#### **ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION**

According to the latest adoption of the advice and suggestions, the Company has implemented or intends to carry out the followings:

- (i) Taking into consideration business costs and operational efficiency, the self-operated restaurant in Malaysia, the under-performed restaurant has been ceased operation during FY2020 as a result of negative impact of COVID-19.
- (ii) Implemented cost control measures including cutting the salaries of all executive directors significantly, of which the total directors’ salaries reduced 31% from Singapore Dollar (SGD)976,000 to SGD678,000 annually beginning September 2020, and compressed operations expenses by 10% from SGD424,000 to SGD392,000 per month since September 2020.

- (iii) The Board believes that it is important for the Company to ensure sufficient funding through fund-raising alternatives. The Directors are of the view in the best interests of the Company and the Shareholders as a whole, an appropriate fund-raising method to strengthen the capital base of the Company and support the Company's continuing business development and growth.
- (iv) Apart from on 29 April 2021, the Company has entered into the Placing Agreement with the Placing Agent, on a best effort basis, for the purpose of procuring independent Placees to subscribe for the Bonds up to an aggregate principal amount of HK\$200 million that was held back, the Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period.
- (v) As at the date of this announcement, the Company has engaged financial adviser and legal adviser and is the course of organizing certain fund-raising activities.

#### **DETAILS OF THE DISCLAIMER OF OPINION AND MANAGEMENT'S VIEW ON THE DISCLAIMER OF OPINION**

- (i) For the year ended 31 August 2020 (“**FY2020**”), Canola Investment Holdings Limited (“**Canola**”)(*Note*), a shareholder of the Company, has signed a letter of support and promised an unlimited financial support to the Company will be provided and have confirmed to obtain a term loan and have provided financial support amounting to SGD0.45 million with themselves placed as personal guarantors for general working capital purposes under normal commercial terms and is fully exempt from connected transaction under Chapter 14A of the Listing Rules.
- (ii) Due to the overall adverse effect of the COVID-19 to the food and beverage industry in Singapore which resulted in impairment loss on plant and equipment, intangible assets and right-of-use assets of restaurants recognised in FY2020 & FY2021, Canola at first takes a wait and see approach toward the spread of COVID-19 with a positive look for the turnaround of the business. Therefore, they did not provide any financial support to the Company regardless of its adverse financial performance in the FY2020 until 30 June 2021.

*Note: As at the date of this announcement, Canola held 30,499,000 shares of the Company which represented a shareholding of approximately 6.93% of the issued share capital of the Company. Canola was owned as to approximately 33.69% by Mr. Lai Weijie, Terence (“**Mr. Terence Lai**”)(a former director of the Company), 23.17% by Mr. Yeap Wei Han Melvyn (“**Mr. Yeap**”)(an executive director of the Company), 16.85% by Mr. Ho (“**Mr. Ho**”)(a former director of the Company), 12.64% by Mr. Tan Chien Fong (“**Mr. Tan**”) (a former director of the Company), 12.64% by Mr. Ng Yook Tim (“**Mr. Ng**”)(a former director of the Company) and 1.01% by Mr. Derek Lai Weikang (“**Mr. Derek Lai**”)(the general operation manager of the Group). On 10 February 2018, Mr. Terence Lai, Mr. Yeap, Mr. Ho, Mr. Tan, Mr. Ng and Mr. Derek Lai entered into an acting-in-concert 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.*

In the opinion of the directors of the Company, in light of the measures implemented or to be implemented by the Company to improve its liquidity (“**the Action Plan**”) and the cost control, the Directors are confident that the Company will have sufficient financial resources for the next 12 months.

In view of the cost control on staff costs, the total staff cost for FY2020 and FY2021 are recorded as SGD5.673 million and SGD5.297 million respectively. There is an approximate decrease of SGD0.376 million (6.63%) in FY2021. The Company has cut full-time headcount and given increment hired part-time employees to minimize costs. Making references to Governing Authorities of Singapore in FY2020, which have issued various mandates at various intervals including restricting the number of customers allowed to the dine-in during easing COVID-19 measures and restriction of no dine-in during tightened measures. The approximate duration for restricting the number of customers allowed to the dine-in and no dining-in is 1.7 months and 2.3 months respectively. Onwards with gradual resumption of activities and loosen restrictions placed on no dining-in period, the subsidiaries continued restaurants operations offering takeaways and delivery options together with the adjustment of business operations keeping in line with fewer employees by cutting down full-time employees with replacement by part-time employees resulting the staff cost saving of SGD376,000 in FY2021, the Company has strong confidence for assessing the Singapore restaurants’ ability to continue as a going concern.

In FY2021, similar mandates were imposed with a collective duration of 4.5 months for restricted dine-in and 1.8 months for no dining-in, the no dining in restriction in FY2021 was way shorter than those imposed in FY2020. During the no dining in restrictions, non essential staff was placed on unpaid leave. Therefore, since the no dining in restrictions in FY2021 was shorter than those imposed in FY2020 and recorded wages over FY2020 has decreased by 0.376 million (6.63%) in FY2021, that demonstrated cost control in terms of wages by the Company being fully reflected in this instance.

Total operating expenses for FY2020 and FY2021 are also recorded as SGD3.127 million and SGD2.865 million respectively. This reflects a decrease of SGD0.262 million (8.38%) in FY2021 over FY2020.

Total comprehensive loss attributable to the Company for FY2020 and FY2021 were recorded as SGD7.960 million and SGD6.922 million respectively. The company has reported a decrease in losses of SGD1.038 million (13.04%) in FY2021 over FY2020.

## **TIMETABLE AND CONCRETE DETAILS TO RESOLVED THE DISCLAIMER OF OPINION**

According to the latest adoption of the advice and suggestions, the Company has implemented or intends to carry out the followings in the coming twelve months:

- (i) Continue to implement cost control measures including cutting the salaries of all directors significantly, and compressed operations expenses by another 10% to less than SGD300,000 per month.
- (ii) The Group faces various challenges especially the sluggish and uncertain food and beverage market and the weak consumption sentiments. To address the situation, the Group takes proactive measures to tighten operational expenses including cost control, rent reduction and closure of underperforming restaurants during coming 12 months from the latest practicable date.
- (iii) The Company has engaged financial adviser and legal adviser to organize fund-raising activities and would publish relevant announcement in timely manner.
- (iv) Since 22nd Nov 2021, Governing Authorities of Singapore have also lifted restricted dining measures allowing up to 5 fully vaccinated headcount for dining-in. The company has also seen an approximate 15%–25% growth in revenue on weekdays and weekends and is confident that revenue will continue to recover to pre-COVID 19 levels on end of June 2022.
- (v) Further into the latest development of COVID-19 epidemic in Singapore, the directors of the Company has strong confidence for assessing the Group's ability to continue as a going concern that operations of Singapore restaurants have been resumed to 80% before the occurrence of COVID-19 and that within six months the net liabilities of SGD3.9 million will be reduced to less than SGD0.8 million (a reduction of 80%).

## REMOVAL OF THE DISCLAIMER OF OPINION

With the close discussion by our management with the auditors of the Company, depending of the successful implementation of the Action Plan, it is expected that the Disclaimer of Opinion would be able to remove in the consolidated financial statements of the Group for the financial year ending 31 August 2022.

By order of the Board of  
**K Group Holdings Limited**  
**Zhou Junqi**  
*Chairman and Executive Director*

Hog Kong, 27 January 2022

*As at the date of this announcement, the executive Directors are Mr. Zhou Junqi (Chairman), Mr. Yeap Wei Han, Melvyn (Chief Financial Officer), Ms. Wong Pui Kei Peggy and Mr. Xie Jianlong; the non-executive Director is Mr. Liu Junjie (Vice-Chairman) and the independent non-executive Directors are Mr. Ong King Keung, Mr. Law Chung Lam, Nelson and Mr. Lee Ming Yeung, Michael.*

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

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at [www.kgroup.com.hk](http://www.kgroup.com.hk).*