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KGroup

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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 December 2019 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 40,000,000 Placing Shares at the Placing Price of HK\$0.38 per Placing Share.

The maximum of 40,000,000 Placing Shares represent (i) 10% of the existing issued share capital of the Company as at the date of this announcement; 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 upon Completion.

The Placing Price of HK\$0.38 per Placing Share represents: (i) a discount of approximately 11.6% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 13 December 2019, being the date of the Placing Agreement; and (ii) a discount of approximately 12.4% to the average closing price of approximately HK\$0.434 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

Upon Completion, the Placing Shares will be allotted and issued pursuant to the General Mandate. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$15.2 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately HK\$0.4 million, are estimated to be approximately HK\$14.8 million. On such basis, the net issue price will be approximately HK\$0.37 per Placing Share. The Company intends to apply the net proceeds from the Placing primarily for (i) refurbishing and converting of old stores; (ii) enhancing the capital for developing and bringing in new brands; and (iii) replenishing general working capital of the Company.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 December 2019 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 40,000,000 Placing Shares at the Placing Price of HK\$0.38 per Placing Share. Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 13 December 2019 (after trading hours of the Stock Exchange)

Parties: (i) the Company (as issuer); and
(ii) Quasar Securities Co., Limited (as Placing Agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of 2% of the aggregate Placing Price for the Placing Shares successfully placed by the Placing Agent. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The Directors consider that the placing commission in respect of the Placing are fair and reasonable based on the current market conditions.

Placees

The Placing Shares will be placed to not less than six Placees who shall be individuals, corporate, institutional or other investors who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder (within the meaning of GEM Listing Rules).

Placing Shares

The maximum of 40,000,000 Placing Shares represent (i) 10% of the existing issued share capital of the Company as at the date of this announcement; 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.

The aggregate nominal value of the maximum of 40,000,000 Placing Shares is HK\$400,000.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.38 per Placing Share represents: (i) a discount of approximately 11.6% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 13 December 2019, being the date of the Placing Agreement; and (ii) a discount of approximately 12.4% to the average closing price of approximately HK\$0.434 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares on or before the Long Stop Date;
- (ii) the Placing Agreement not having been terminated in accordance with its terms; and
- (iii) if required, all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that any of the above conditions is not fulfilled on or before the Long Stop Date, all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and terminate and neither of the parties thereto shall have any claim against the other save for any antecedent breach under the Placing Agreement prior to such termination.

Completion of the Placing

Completion of the Placing shall take place on a date falling within five (5) Business Days after the day on which all the conditions set out in the Placing Agreement have been fulfilled (or such later date as may be agreed between the parties to the Placing Agreement in writing).

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 80,000,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares upon Completion. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to 50% upon the allotment and issue of all the Placing Shares.

Termination and force majeure

The Placing Agent may, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of Completion if in its reasonable opinion:

- (i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (ii) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Upon termination of the Placing Agreement, all liabilities of the parties thereto shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Group is a multi-brand restaurant group headquartered in Singapore, of which the restaurants are mainly operated under a franchise model.

As disclosed in the Company's annual report for the eleven months ended 31 August 2019, the Group recorded a loss of approximately SGD3.5 million for the period from 1 October 2018 to 31 August 2019. The loss of the Group was mainly attributable to inter alia: (i) increase in number of staffs and depreciation in view of certain new restaurants opened; and (ii) increase in cost of inventories consumed due to full operation of more restaurants; (iii) increase in rental and related expenses due to the full operation of more restaurants and renewals of the lease agreements of certain restaurants; (iv) additional expenses for launching new brands; and (v) increase in compliance cost of the Company after the listing of its shares on GEM of the Stock Exchange.

On this basis, the Company considers that from a prudent financial management point of view, it is necessary for the Group to raise further funds to strengthen its financial position and to replenish the general working and support its ongoing growth of the Group.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$15.2 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately HK\$0.4 million, are estimated to be approximately HK\$14.8 million. On such basis, the net issue price will be approximately HK\$0.37 per Placing Share. The Company intends to apply the net proceeds from the Placing primarily for:

- (i) refurbishing and converting certain existing stores. The Company plans to refurbish the store front of certain oldest stores the Company has been operating, such as Chir Chir, in order to remain competitive in the market. The Company also intends to convert certain existing stores for a new brand, Sora Bora, recently launched by the Company, and potentially expand halal food presentation to the Muslim community, as well as our new brand “Kota Zheng Zhong” in such stores in Singapore;
- (ii) enhancing the capital for developing and bringing in new brands. The Company has identified at least two brands which appear to be popular in the PRC which offers Chinese food and Malaysia which offers Malaysian food and the Company is in discussion with these brand owners and exploring the opportunities to introduce them into the Singapore market. The Directors expect the introduction of these new brands, once successful, can enhance future earning capability and potential of the Company; and
- (iii) replenishing general working capital of the Company.

The Directors consider that the Placing represents an opportunity (i) to broaden the shareholders base and the capital base of the Company; and (ii) to strengthen the financial position of the Group.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately upon issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the completion of the Placing (other than as a result of the allotment and issue of the Placing Shares)):

	As at the date of this announcement		Immediately after completion of the Placing (assuming all the Placing Shares are fully placed)	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Canola Investment Holdings Limited (<i>Note</i>)	216,990,000	54.25%	216,990,000	49.32%
Public Shareholders				
The Placees	–	–	40,000,000	9.09%
Other public Shareholders	183,010,000	45.75%	183,010,000	41.59%
	<u>400,000,000</u>	<u>100%</u>	<u>440,000,000</u>	<u>100%</u>

Note: 216,990,000 shares of the Company are held by Canola Investment Holdings Limited (“**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. Derek Lai. 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. Accordingly, each person under the concert party arrangement is taken to be interested in the Shares the other part(ies) under such concert party arrangement is/are interested under the SFO.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of this announcement.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“acting in concert”	has the meaning as ascribed to it in the Code on Takeovers and Mergers of Hong Kong
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday and public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	K Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“Completion”	completion of the Placing
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 1 March 2019 to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of issued Shares as at the date of passing of such resolution, pursuant to which a maximum of 80,000,000 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with nor acting in concert with, the Company or any of its connected persons or any of their respective associates
“Long Stop Date”	20 Business days after the date of the Placing Agreement, or such later date as the parties hereto may agree in writing
“Mr. Derek Lai”	Mr. Lai Weikang, Derek, a younger brother of Mr. Terence Lai and the general operation manager of the Group
“Mr. Ho”	Mr. Ho Zhi Yi, Levi, an executive Director and the chief executive officer of the Company
“Mr. Ng Yook Tim”	Mr. Ng Yook Tim, a non-executive Director
“Mr. Tan”	Mr. Tan Chien Fong, an executive Director and the marketing manager of the Company
“Mr. Terence Lai”	Mr. Lai Weijie, Terence, an executive Director and the chairman of the Board
“Mr. Yeap”	Mr. Yeap Wei Han, Melvyn, an executive Director and the chief financial officer of the Company

“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best effort basis, of up to 40,000,000 Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agent”	Quasar Securities Co., Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 13 December 2019 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.38 per Placing Share (exclusive of any brokerage (if any), SFC transaction levy and Stock Exchange trading fee as may be payable)
“Placing Share(s)”	a total of up to 40,000,000 new Shares to be placed pursuant to the Placing Agreement and to be issued under the General Mandate, each a “Placing Share”
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For and on behalf of
K Group Holdings Limited
Lai Weijie, Terence
Chairman and Executive Director

Singapore, 13 December 2019

As at the date of this announcement, 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 non-executive Director is Mr. Ng Yook Tim and the independent non-executive Directors are Mr. Chow Wai San, Mr. Law Chung Lam, Nelson and Mr. Choo Zheng Xi.

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 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 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.