

Katzina GROUP LTD.

2018 ANNUAL REPORT



SO PHỐ

RENNthai

streats



Bayang









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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (65) 6415 9886.

CORPORATE

With an established history since 1995, Katrina Group Ltd. ("Katrina" or the "Group") is a Food & Beverage (F&B) group that specialises in multi-cuisine concepts and restaurant operations. The Group owns and operates 45 restaurants in Singapore, 4 restaurants in the People's Republic of China ("PRC") and 1 maiden restaurant in Indonesia under 10 different F&B brands, namely, Bali Thai, Honguo, Indobox, So Pho, Streats, Bayang, Hutong, Muchos, RENNthai, and Tomo Izakaya. These brands serve authentic cuisines of 8 different ethnicities, namely Hong Kong, Indonesian, Japanese, Mexican, northern Chinese, Thai, Vietnamese and Yunnan.

Katrina prides itself on the identification of consumer trends and creating concepts that meet the demand of a wide spectrum of patrons from different market segments. Of the Group's ten brands, 5 are casual dining brands and 5 are mid-ranged dining brands, all strategically located in convenient and high foot traffic locations. In addition, 4 of the Katrina Group's brands – Bali Thai, Indobox, So Pho and Streats – are Halal-certified.

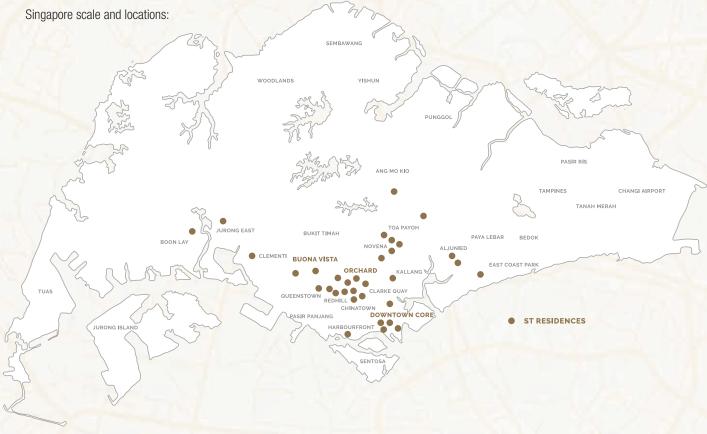
affordable Katrina also acquired accommodation provider, Straits Organization Pte. Ltd. ("SOPL") in December 2018. SOPL currently manages 202 units in 33 different apartments and condominiums located in the central business district area, central, east and west of Singapore and 15 serviced apartments in Hong Kong.

CORPORATE



HOSPITALITY BUSINESS

SOPL seeks to provide an affordable, accessible and comfortable option for leisure travellers and corporate expatriates seeking serviced apartments in Singapore under the brand of ST Residences. It offers chic fully furnished apartments equipped with all utilities including cable TV, fast internet and utilities allowance, as well as facilities like pools, gyms and outdoor BBQ areas. It also offers other services, such as airport transfer, food and groceries delivery, gym memberships, co-working spaces, insurance etc.















F&B **BUSINESS**

Mid-Ranged Dining Brands

Bayang

Indonesian cuisine

Singapore outlet:

Clarke Quay

Our Bayang restaurant serves authentic Balinese favourites within a warm-Balinese décor that features inlays inspired by traditional Balinese shadow puppets.





RENNthai

traditional Thai cuisine. The restaurant's intimate indoor seating is furnished with exotic embellishments, while the alfresco area offers a refreshing waterfront view.

Thai Cuisine

Singapore outlet: Clarke Quay





Mexican Cuisine

Singapore outlets:

- Clarke Quay
- Plaza Singapura

Muchos Mexican Bar and Restaurant serves classic Mexican









Northern Chinese Cuisine

Singapore outlet:

Clarke Quay

Hutong offers traditional Northern Chinese cuisine with a contemporary twist to cater to Chinese expatriates and tourists in Singapore.

Its décor is designed to exude the charm of old China with antique dark-wooded screens and tables, billowing Chinese silk drapes and red lanterns, to create a sentimental vibe of reminiscence of the beauty of ancient Beijing.





Japanese Cuisine

Singapore outlets:

- Clarke Quay
- Esplanade

Tomo Izakaya restaurant captures the essence of the traditional izakaya with its chic, minimalist Zen-like décor while injecting youthful fun in its overall vibe. In Japanese, 'tomo' means 'friend' and izakaya means 'to stay in a sake shop'. Hence, the focus of Tomo Izakaya is for friends and families to have a relaxing meal of fine Japanese food and drinks while entertained by jazz music.



Casual Dining **Brands**







BALL THAL

Indonesian & Thai cuisine

Singapore outlets:-

- Causeway Point
- IMM Building
- Ngee Ann City
- Resort World Sentosa
- Suntec City (2019)
- Waterway Point

Bali Thai is the first restaurant brand that we conceived. The concept was designed to house perennial favourites of both Indonesian and Thai cuisines under one roof. Bali Thai restaurants are furnished in a casual, modern feel to offer a cosy ambience to our patrons.







Vietnamese cuisine

So Pho offers authentic Vietnamese street food in a casual and contemporary setting at reasonable prices. Our So Pho cafes are decorated in simplicity, expressed with furnishings in neutral colours.



- Causeway Point
- Northpoint City
- Changi Airport T3
 Novena Square
- The Clementi Mall Paragon
- IMM (2019)
- Parkway Parade The Star Vista
- ION Orchard
- Tampines Mall
- JEM
- Jewel (2019) Marina One
- VivoCity
- Waterway Point
- NEX
- White Sands

CHINA

- · BaiLian Mall, Shanghai
- TeeMall, Guangzhou
- New Raffles City, Shanghai
- Huanmao IAPM Mall, Shanghai (2019)



INDONESIA

 Plaza Senayan, Jakarta (2019)





Hong Kong cuisine

Our Streats cafes serve contemporary Hong Kong cuisine. The layouts of our Streats cafes resemble that of a "Cha Chan Teng", which is casual and uncomplicated, creating an air of vibrancy for customers of all ages.

Singapore outlets:

- Bedok Mall
- City Square Mall
- E!Hub @ Downtown East
- IMM Building
- Resort World Sentosa
- Suntec City
- West Mall





- Bukit Panjang Plaza

- Tampines 1





CHAIRMAN AND **CEO'S STATEMENT**

DEAR SHAREHOLDERS,

In FY2018, we acted on our strategies to gain greater awareness for our brands across the region, as well as expand our revenue streams and long-term growth potential. With our efforts, we achieved several milestones during the year. We made our maiden foray into the Indonesian market, acquired a Japanese brand into our F&B portfolio, grew our presence in the PRC and entered into the hospitality segment. As a result, we ended the year with 10 F&B brands represented by 43 restaurants in Singapore and 3 in overseas markets, compared to 9 F&B brands with 38 restaurants in Singapore and 1 in PRC at the end of FY2017.

As we continued to expand, our revenue increased by 11.7% to S\$64.8 million for FY2018, supported by our online sales growth, dine-in revenue from both new and existing outlets and revenue from the acquisition of Tomo Izakaya Pte. Ltd. ("TIPL"). Understandably, as our business is still growing, costs related to expansion such as the gestation period for new outlets reduced our profits. Consequently, we reported net profit before tax of S\$0.6 million for FY2018.

The F&B in Singapore, and the restaurant sector in particular, continues to face pressure owing to slowing economic growth, rising operating costs, and labour shortage. However, we have continued to focus on efforts to mitigate these factors. Other than diversifying our revenue streams across brands, geographies and sectors, over the years we have invested into technological improvements to our operations. In FY2018, we commenced trials of E-Waiters and E-Menus at selected outlets and we are in the midst of integrating technology further into our business processes to reduce reliance on manpower, lower operation cost and improve productivity.

Overall, the aforesaid developments in FY2018 set the pace for future growth and improvements to the overall outlook for the Group.

NOURISHING OUR F&B BUSINESS

The F&B business remains the core business for the Group. Encountering muted consumer sentiments in Singapore over the last couple of years, we aimed our focus on revenue diversification and optimising our operations.



MR ALAN GOH KENG CHIAN Founder, Executive Chairman and CEO

With revenue diversification, we looked towards the expansion of brands and cuisines, as well as enlarging our geographical presence. In October 2018, we acquired 100% of TIPL for about S\$0.9 million, the first Japanese cuisine establishment for the Group. TIPL has two well-located restaurants at Clarke Quay and the Esplanade. With this acquisition, the Group's umbrella of brands and cuisine offerings were expanded, bolstering its suite of offerings and reach in the local market. In our efforts to diversify our revenue and simultaneously increase our presence in the region, together with Ajisen China, we opened two new So Pho outlets in PRC in FY2018, which are located in popular shopping malls New Raffles City, Shanghai and Tianhe Cheng, Guangzhou.

CHAIRMAN AND CEO'S STATEMENT

Furthering our plans, this year we were glad to report that a fourth So Pho outlet with Ajisen China was established in January 2019 in Huanmao IAPM Shopping Mall, Shanghai. We also made our maiden foray into the Indonesian market in February 2019 through our So Pho brand, securing an outlet in Plaza Senayan, Central Jakarta, Indonesia. The above developments have strengthened our brand equity in the region and we hope to continue our momentum, exploring other favourable overseas locations and opportunities.

With retail rental rates remaining weakened in Singapore, the Group took the opportunity to expand its operations, attaining strategic locations over the last two years. However, as consumer sentiments in Singapore remain weak, we kept a keen eye on developments to consumer trends and pressed on with regular business evaluations. This has served us well in the past as we identified the demand for greater convenience early, and broadened our online food delivery services, which has shown remarkable growth, almost tripling in revenue from FY2016 to S\$7.9 million for FY2018. In FY2018, seven new outlets were opened, two outlets were acquired and one outlet was closed due to mall refurbishment. As part of our evaluations, we assess the viability of each outlet periodically and three non-performing outlets were closed in FY2018.

In order to better integrate technology into our business processes, we have also engaged a Technology Officer. This will help smoothen incorporation of our systems such as Enterprising Resource Planning (ERP), Points-of-Sale (POS),

Bill-of-Materials (BOM), and Offline-Procurement-System (OPS), subsequently aiding to reduce reliance on manpower, maintain the consistency of food quality, and enhance overall workflow efficiency and productivity. This is an ongoing initiative which will be especially effective as labour policies to raise productivity and reduce reliance on foreign workers in the services sector come into effect over the next few years.

As the local F&B industry continued to be lacklustre, we explored new business opportunities with the purpose of revenue diversification.

A HOSPITABLE GROWTH **OPPORTUNITY**

We embarked on our first hospitality venture to bolster our growth prospects and broaden our stream of recurring income through the acquisition of the entire issued share capital of SOPL on 10 December 2018 at net tangible assets value as at 30 November 2018.

SOPL is a provider of affordable and diverse accommodation solutions targeted at corporate expatriates and millennial travellers. Under the brand name ST Residences, currently, SOPL manages 202 units in different apartments and condominiums in Singapore as well as 15 units in Hong Kong. SOPL has been steadily growing since it was acquired, and we continue to see good prospects from this business.

The acquisition will enable us to ride on the rising trends in business travel, especially in the Asia-Pacific region, which is the largest business travel market in the world.

SOPL will not only open the door to the hospitality segment for us, but it also brings the possibility of cross-sector collaboration for our core F&B business and further regional expansion.

OUTLOOK AND FUTURE PROSPECTS

We believe that sales is likely to remain lacklustre as consumer confidence remains below optimistic levels amidst a backdrop of slowing economic growth globally. The mitigating feature is rising real wage in Singapore, which could help improve consumer confidence.

As such, it is important for us to maintain focus on growing the business effectively and managing costs along the way. The Group has two new outlets in the pipeline for the local market located in IMM Building and Jewel Changi Airport but it also has identified three non-performing outlets to be closed in the next 12 months. Such strategic changes to the Group's operations are essential in improving profitability for the Group. We also expect to see the full effect of revenue from new outlets opened last year to kick in this year.

Additionally, tighter labour policies are expected to come into play over the next few years. Through further integration of technology, we aim to ease reliance on manpower and increase productivity.

A large part of our F&B business growth this year is expected to be focused on collaborations or acquisitions, especially in overseas markets. We entered the Indonesian market in 2019 and it is one of the markets that we will monitor closely for further expansion. We are also pleased

CHAIRMAN AND CEO'S STATEMENT

with the developments with Ajisen China in growing the So Pho Brand in PRC, and we are keen to see how we can extend on this partnership. Overall, we are open to new markets to further diversify our revenue streams and capture opportunities provided by a growing middle class in Asia.

Apart from our F&B business, we are also aggressively building up our hospitality business through SOPL. According to report by Allied Market Research, the business travel market size set to reach US\$1.7 trillion by 2023. The prospect of serviced residences looks promising and we aim to launch two additional apartment buildings comprising about 106 serviced apartments during the year which would bring units managed by SOPL to over 300. At the same time, we are also launching our ST Signature brand which will manage co-living hotel spaces, and seeks to provide guests with more diverse accommodation options at a lower premium compared to traditional hotels. We will be looking to establish our hotel portfolio during the year with three co-living hotels under construction which could add an estimated 180 rooms.

Sustainable growth remains a priority for the Group and we will explore suitable brands and businesses whether internally, through collaborations or acquisitions to add value to our operations both locally and overseas.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my gratitude to the Board for their guidance through the year. On behalf of the Board, I would like to express my appreciation to our management team and employees for their relentless commitment and hard work that has helped the Group in its path of growth. I would also like to thank all our customers, suppliers and shareholders for their unwavering support and faith in the Group. We will strive to build on the developments that we have achieved in FY2018 and gain momentum for a better and brighter FY2019.

FINANCIAL **REVIEW**





FY2015 4,262 FY2016 2,368 FY2017 1,002

FY2018

431

Sales revenue and gross profit is net of discounts

NET PROFIT (\$\$'000)

Financial Highlights	FY2015	FY2016	FY2017	FY2018
Sales Revenue (\$'000)	51,895	56,823	57,966	64,793
Gross profit (\$'000)	8,283	8,411	5,712	6,175
Net profit (\$'000)	4,262	2,368	1,002	431
EPS ¹ (cents)	2.18	1.12	0.43	0.19

EPS for FY2015 is computed based on the pre-IPO share capital comprising 195,721,000 shares.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

The Group's revenue rose by S\$6.8 million or 11.7% from S\$58.0 million for the year ended 31 December 2017 ("FY2017") to S\$64.8 million for the year ended 31 December 2018 ("FY2018"), mainly attributed to the overall increase in outlets opened and acquired, as well as added revenues from the newly acquired hospitality business, SOPL. The dine-in revenue for newly opened and newly acquired outlets increased revenue by S\$5.1 million, with another S\$0.4 million contributed from SOPL. Online delivery revenue and dine-in revenue from existing outlets also contributed to the increase, rising by S\$1.2 million and S\$0.8 million from FY2017 to FY2018 respectively. In addition, there was also a decrease in revenue of S\$0.7 million due to the closure of two outlets in Beijing in 2017.

Cost of sales, which comprised mainly food and beverage, employee benefits, utilities, leases of restaurants, online commissions and depreciation of property, plant and equipment increased by S\$6.4 million or 12.3% from \$\$52.2 million in FY2017 to \$\$58.6 million in FY2018. This was attributed to costs in relation to the opening of new outlets and two newly acquired outlets, as well as an increase in online sales commission in line with the online revenue gain.

The Group's gross profit increased by S\$0.5 million or 8.8% from S\$5.7 million in FY2017 to S\$6.2 million with gross profit margin at 9.5% for FY2018. Despite the improvements to operations such as the addition of E-Waiters and E-Menus at selected outlets, lower increase in gross profit in proportion to revenue was recorded as a result of the gestation period for the seven new outlets, and costs related to the expansion of the hospitality business.

Other income decreased by \$\$0.2 million or 28.6% from \$\$0.7 million in FY2017 to S\$0.5 million in FY2018, mainly attributed to lower government grants and bonuses from the productivity and innovation credit scheme.

The Group's operating expenses which comprises administrative expenses and selling and distribution expenses, increased by S\$1.0 million or 20.4% from S\$4.9 million in FY2017 to S\$5.9 million in FY2018. Administrative expenses increased by S\$0.9 million or 23.1% from S\$3.9 million in FY2017 to S\$4.8 million in FY2018, mainly due to higher value of fixed assets written off, higher recruitment costs, consultancy fees incurred for the acquisition of TIPL and SOPL, higher professional fees and salaries in respect of the hospitality business. Selling and distribution costs increased by S\$0.1 million or 10.0% from \$\$1.0 million in FY2017 to \$\$1.1 million in FY2018 as marketing efforts only focused on outlets with less customer traffic.

During the year, three non-performing outlets were closed in FY2018 and recorded losses of \$\$0.8 million in FY2018, while our newly acquired subsidiary in the hospitality business also contributed net loss of approximately \$\$60,000.

As a result, the Group reported a net profit before tax of S\$0.6 million for FY2018.

FINANCIAL POSITION

The Group's non-current assets increased from S\$12.2 million as at 31 December 2017 to S\$14.0 million as at 31 December 2018 due to intangible assets arising from the acquisition of TIPL, an increase in property, plant and equipment as well as refundable deposits for new and TIPL's outlets. These were partially offset by S\$2.7 million of depreciation and S\$0.2 million write-off of plant and equipment for outlets closed during the year. Investment property with carrying amount of S\$1.0 million as at 31 December 2018 was reclassified from property, plant and equipment as the property is now held for rental income.

Current assets increased from S\$10.6 million as at 31 December 2017 to S\$11.7 million as at 31 December 2018 mainly due to the increase in refundable deposits for the new outlets and serviced apartments for the hospitality business acquired in December 2018, increase in prepayments, an amount recoverable from director as a result of adjusting the purchase price on acquisition of SOPL based on the actual net tangible asset of S\$1, and increase in inventories and trade receivables from the new outlets and the two acquired TIPL's outlets.

The Group's current liabilities increased from \$\$7.3 million as at December 2017 to S\$9.8 million as at December 2018 as a result of (i) increase in trade and other payables of S\$1.2 million due to higher purchases and renovation cost payables, (ii) increase in provision of restoration cost of S\$0.1 million led by reclassification from non-current portion for outlets with lease expiring in 2019, (iii) refundable tenants deposits of S\$0.7 million from the hospitality business acquired in December 2018, and (iv) increase in contract liabilities of S\$0.5 million being advances received by the hospitality business.

The Group's non-current liabilities was S\$1.3 million as at December 2017 compared to S\$1.9 million as at December 2018, mainly due to a loan of S\$0.5 million from the director to fund the working capital of the hospitality business, additional provision for deferred tax liabilities and restoration costs for new outlets, which was offset by the reclassification of provision for restoration costs from non-current liabilities to current liabilities and decrease in deferred rental expense.

Net asset value per ordinary share as at 31 December 2018 was 6.04 cents compared to 6.12 cents as at 31 December 2017. As at 31 December 2018, the Group has cash and cash equivalents totalling S\$6.5 million, with no loans and borrowings.

The decrease in Group's total equity of S\$0.2 million as at 31 December 2018 was due to payment of final dividend of S\$0.6 million to its shareholders in respect of the financial year ended 31 December 2017, which was partially offset by the profit for the year of S\$0.4 million.

STATEMENT OF CASH FLOW

The Group generated net cash of S\$4.0 million from operating activities. This was mainly due to an increase in trade and other payables of S\$0.8 million and decrease in trade and other receivables of S\$0.3 million. This was offset by an increase in refundable deposits of S\$0.6 million and prepayments for the setup of new outlets of S\$0.2 million.

Net cash used in investing activities amounted to S\$4.2 million was due to purchase of property, plant and equipment for new outlets of S\$3.3 million, cash of S\$0.1 million paid for restoration of premises of outlets closed and purchase consideration for acquisition of subsidiaries of S\$0.8 million.

Net cash used in financing activities of S\$0.6 million in FY2018 was due to payment of dividends to the shareholders of the Company.

As a result of the above, the net decrease in cash and cash equivalents for FY2018 was S\$0.9 million.

BOARD OF DIRECTORS



MR. ALAN GOH KENG CHIAN

Founder, Executive Chairman and CEO

Mr. Goh is the Founder, Executive Chairman and CEO of the Group. He heads the formulation of the Group's strategic directions and expansion plans in Singapore and overseas markets, and manages the Group's overall business development. He is also responsible for implementing goals and objectives of the Group, identifying new business opportunities and sourcing for new strategic locations within Singapore and overseas. Mr. Goh obtained a Technician Diploma in Civil Engineering from Singapore Polytechnic in 1979 and a Diploma in Marketing Management from Ngee Ann Polytechnic in 1987. Thereafter, Mr. Goh attained his Masters of Business Administration (General Business Administration) from University of Hull in 1995.



MS. MADALINE CATHERINE TAN KIM WAH

Co-founder and Executive Director

Ms. Tan is the Co-founder and Executive Director of the Group. She is responsible for the formulation and introduction of the Group's new concept ideas and menus for new and existing brands. She assists the Executive Chairman and CEO in managing the Group's overall business development and operations and is actively involved in formulating strategies to improve the processes in the Group's restaurants and cafes.

Ms. Tan has more than 20 years of experience in F & B and restaurant operations.



MR. MAH HOW SOON

Lead Independent Director

Mr. Mah was appointed the Lead Independent Director of the Group on 21 April 2017 and chairs the Audit Committee. He is presently the Managing Director of RHT Capital Pte. Ltd. He has had many years of transactional and management experience in coporate finance in international and local financial insitutions, and boutique advisory firms. He has played a key role in advising companies for many industries and countries on a wide range of transactions relating to both equity capital markets, and mergers and acquisitions.

Mr. Mah is a Chartered Accountant (Singapore) and a Chartered Financial Analyst. He graduated with a Bachelor Degree in Accountancy with honours from Nanyang Business School, and a Master in Business Administration from The University of Chicago Booth School of Business.

He is also an Independent Director of 800 Super Holdings Limited and Clearbridge Health Limited.

BOARD OF DIRECTORS

MR. CHOW WEN KWAN

Independent Director

Mr. Chow is an Independent Director of the Group and was appointed to Katrina's Board on 29 June 2016. He is currently a partner of Bird & Bird ATMD LLP in Singapore. Mr. Chow has more than 15 years of experience in legal practice with his main focus on mergers and acquisitions, private equity, and equity and debt capital markets. He previously worked with various international firms in New York, Hong Kong and Singapore.

Mr. Chow graduated with a Bachelor of Laws from the National University of Singapore in 1998 and a Master of Laws from the University of Virginia in 1999. He also holds a Certificate in Governance as Leadership from Harvard Kennedy School. Mr. Chow is qualified to practise law in Singapore and New York, United States of America.

He is also an independent director of Versalink Holdings Limited and Hafary Holdings Limited.



MR. ERIC LOW SIAK MENG

Independent Director

Mr. Low is an Independent Director of the Group and was appointed to Katrina's Board on 29 June 2016. Mr. Low served as the Business Development Director of Overseas Assurance Corporation Ltd. from 1999 to 2001 and from 2001 to 2003, he was an Executive Director of Sim Lian Group Limited. In July 2003, he joined Guy Carpenter & Company Pte. Ltd. as a Consultant and from August 2003, he also served as the Chief Executive Officer of Marina Country Club Pte. Ltd.

Mr. Low is currently the Managing Director of Generic Consulting Pte. Ltd. He also serves as a Board Member and Internal Audit Committee Chairman for the People's Association (From 2011 -2018) and a Member of the Internal Audit Committee for the Singapore Red Cross. Mr. Low was conferred the Public Service Medal (PBM) in 1989, the Public Service Star (BBM) in 1999 and in 2008 the Public Service Star Bar – BBM(L). On 1 September 2015, Mr. Low was appointed a Justice of Peace for Singapore for a period of five years. He is appointed as a Chairman of Aces Crowdfund (SG) Pte Ltd. in 2017. Mr. Low has a Diploma in General Insurance from the Australian Insurance Institute and a Graduate Diploma in Christian Studies from the Singapore Bible College.



MANAGEMENT KEY



MR. ALAN GOH KENG CHIAN

Founder, Executive Chairman and CEO

See biography in Board of Directors.

MS. MADALINE CATHERINE TAN KIM WAH

Co-founder and Executive Director

See biography in Board of Directors.

MS WONG SIEW CHUAN

Chief Financial Officer

Ms Wong joined the Company as Chief Financial Officer on 2 May 2018. Her current duties include financial and management reporting as well as liaising with the Singapore Exchange Securities Trading Limited as the Company's authorized representative. She was a Chief Financial Officer of Shinvest Holding Ltd. for 6 years before joining the Company. She was the Finance Manager of Magnus Energy Group Ltd., in June 1999 and was re-designated as its Chief Financial Officer on 23 May 2006. She was with Magnus Energy Group Ltd for 10 years. Prior to this, she held several positions and had more than 20 years of experience in financial and management reporting, and 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions.

Ms Wong graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1988 and is a non-practising Fellow Chartered Accountant Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS

ALAN GOH KENG CHIAN (Executive Chairman and CEO)

MADALINE CATHERINE TAN KIM WAH (Executive Director)

MAH HOW SOON (Lead Independent Director)

CHOW WEN KWAN (Independent Director)

ERIC LOW SIAK MENG (Independent Director)

AUDIT COMMITTEE

MAH HOW SOON (CHAIRMAN) CHOW WEN KWAN ERIC LOW SIAK MENG

NOMINATING COMMITTEE

ERIC LOW SIAK MENG *(Chairman)*MAH HOW SOON
CHOW WEN KWAN

REMUNERATION COMMITTEE

CHOW WEN KWAN (Chairman)
MAH HOW SOON
ERIC LOW SIAK MENG

COMPANY SECRETARIES

WEE WOON HONG WONG SIEW CHUAN

REGISTERED OFFICE

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SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd. 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619

CONTINUING SPONSOR

Hong Leong Finance Limited 16 Raffles Quay #01-05 Hong Leong Building Singapore 048581

EXTERNAL AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Tan Peck Yen
(A practising member of the Institute of Singapore
Chartered Accountants)
(Appointed since the financial year ended 31 December 2015)

INVESTOR RELATIONS

Sino-Lion Communications Pte. Ltd. (Financial PR) 4 Robinson Road #04-01 The House of Eden Singapore 048543 (Appointed since January 2017)

BANKERS

DBS Bank Ltd Oversea-Chinese Banking Corporation Limited United Oversea Bank Limited Bank of China



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The Board of Directors (the "Board") of Katrina Group Ltd. (the "Company") are committed to maintaining the standard of corporate governance within the Company and its subsidiaries (the "Group").

This report outlines the Company's main corporate governance practices that were in place through the financial year ended 31 December 2018 ("FY2018") with reference to the principles set out in the Code of Corporate Governance 2012 (the "Code") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"). The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and the Guide.

Guidelines of the Code

Katrina Group Corporate Governance Practices

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

- 1.1 The Board's role is to:
 - provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
 - establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets:
 - review management performance; (C)
 - identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;
 - set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
 - consider sustainability issues, environmental and social factors, as part of its strategic formulation.

Apart from its statutory and fiduciary responsibilities, the primary functions of the Board are to perform their roles and responsibilities lay out under the Code and the Board's terms of reference.

Please refer to Table A set out on pages 52 and 53 of this Annual Report for the composition and primary functions of the Board.

Guidelines of the Code

- 1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.
- 1.3 The Board may delegate the authority to make decisions to any Board Committee but without abdicating its responsibility. Any such delegation should be disclosed.

1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.

Katrina Group Corporate Governance Practices

Every Director, in the course of carrying out his or her duties, acts in good faith and considers at all times, the interests of the Group.

The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("CEO"), Mr. Alan Goh Keng Chian and the Group's Management team.

The Board has established a Nominating Committee ("NC"), a Remuneration Committee ("RC") and an Audit Committee ("AC") (collectively, the "Board Committees") to facilitate the discharge of their respective responsibilities.

Each of the Board Committees has its own terms of reference setting out the scope of its duties and responsibilities, the rules and regulation and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board Committees are actively engaged and play an important role in ensuring good corporate governance of the Group. All recommendations of the Board Committees are subsequently reviewed by the Board.

Please refer to Table A set out on pages 53 to 56 of this Annual Report for the composition and primary functions of the Board Committees.

The Board meets regularly on a half-yearly basis. Additional meetings are also held from time to time as may be required to address any significant matters that may arise.

Dates of Board meetings, Board Committee meetings and annual general meeting are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend the meeting in person is invited to participate in the meeting via telephone or video conference.

The number of Board and Board Committee meetings and the record of attendance of each Director during FY2018 are set out in Table B on page 56 of this Annual Report.

The Company's constitution (the "Constitution") provides for meetings of the Directors to be held by means of telephone conference or other simultaneous communication methods in the event when Directors are unable to attend the meetings in person.

Guidelines of the Code

- Every company should prepare a document with guidelines setting forth:
 - the matters reserved for the Board's decision; (a) and
 - clear directions to Management on matters that must be approved by the Board.

The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.

Katrina Group Corporate Governance Practices

The matters which specifically require the Board's approval or guidance which are laid out under the terms of reference of the Board, are those involving:-

- Allotment and issuance of new shares of the Company;
- Grant of share options under Share Option Scheme, if any;
- Issuance of convertible bonds and warrants;
- Bank matters including opening of bank accounts, change of bank signatories, acceptance of banking facilities and issuance of corporate guarantees;
- Acquisition and realisation of shares in subsidiaries and any other companies;
- · Major acquisition and disposal of assets and any proposal for investment and divestment of interests:
- Incorporation of subsidiaries, subscription of shares in subsidiaries, capitalization of loan due from subsidiaries and appointment of corporate representative;
- Sales and purchase agreement and any other agreement entered on acquisition or disposal of assets outside ordinary course of business;
- Approving announcements, half-yearly and year-end financial results announcements for public release;
- Conducting general meetings;
- · Financial and secretarial matters including approval of audited financial statements, Directors' statements, approval of annual capital expenditure, change of registered office and any proposed alteration to the Constitution of the Company; and
- · Appointment of Directors; executive officers, auditors, Power of Attorney.

Guidelines of the Code

Incoming directors should receive comprehensive and 1.6 tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate.

It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.

Upon appointment of each director, the company 1.7 should provide a formal letter to the director, setting out the director's duties and obligations.

Katrina Group Corporate Governance Practices

All newly appointed Directors will undergo an orientation program to provide them with background information on the Group and industry-specific knowledge.

The Directors may, at any time, visit the Group's restaurants to gain a better understanding of the Group's business.

If regulatory changes have a material impact on either the Group or the Directors, the Management will update the Directors during the Board meetings. The Company Secretary (or her representatives) also briefs the Directors on key regulatory changes, while Ernst & Young LLP, the Company's external auditor (the "External Auditor") briefs the AC on key amendments to the accounting standards.

The Directors make an effort to update themselves on new laws, regulations and changing commercial risks. Every Director is also encouraged to seek additional training to further his/her skills in performing his/her duties, including attending classes and/or events organised by the Singapore Institute of Directors or other related professional organisations. Directors are also informed of upcoming conferences or seminars relevant to their roles as Directors of the Company.

The Company has issued a formal appointment letter and service agreement, to all non-executive directors and executive directors, respectively.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Board Composition and Guidance

Principle 2

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

As at the end of FY2018, the Board consisted of one Executive Chairman, one Executive Director and three Independent Directors.

The Board is able to exercise objective judgement on corporate affairs independently and constructively challenge key decisions, taking into consideration the long-term interests of the Group and its shareholders, as Independent Directors comprise 60% of the Board. Further, all Board Committees are chaired by Independent Directors and all members of the Board Committees are Independent Directors. Please refer to Table A set out on pages 52 to 55 of this Annual Report for the composition of the Board and Board Committees.

- The independent directors should make up at least half of the Board where:
 - the Chairman of the Board (the "Chairman") and the Chief Executive Officer (or equivalent) (the "CEO") is the same person;
 - the Chairman and the CEO are immediate family members;
 - the Chairman is part of the management team; ٥r
 - (d) the Chairman is not an independent director.

As the Chairman of the Board and the CEO is the same person, the Company has complied and ensured that at least half of the Board comprises Independent Directors.

Guidelines of the Code

2.3 An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

If the Board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.

2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

Katrina Group Corporate Governance Practices

The NC is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. The NC conducts the review annually and requires each Independent Director to submit a confirmation of independence based on the guidelines provided in the Code.

Based on the confirmation of independence submitted by the Independent Directors and the results of the NC's review, the NC was of the view that each Independent Director is independent in accordance with the Code and Catalist Rule 406(3) as the Independent Directors:

- are not employed by the Company or any of its related (i) corporations for the current or any of the past three financial years; or
- do not have an immediate family member who is (ii) employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship in the Code that would otherwise deem him/her not to be independent.

In view of the above, no individual or small group of individuals dominates the Board's decision making.

As at 31 December 2018, no Independent Directors on the Board had served for more than nine years from the date of their initial appointment.

Guidelines of the Code

- 2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board should not be so large as to be unwieldy.
- 2.6 The Board and its Board Committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

Katrina Group Corporate Governance Practices

The Board and the NC regularly examine the Board's size and, with a view to determine the impact of the number upon effectiveness, decide on an appropriate size for the Board, taking into account the scope and nature of the Group's operations.

The Board and NC take into account, *inter alia*, the Directors' contributions, areas of expertise and scope of work on an annual basis in evaluating whether the Board's composition is adequate.

The Board and NC are satisfied that the current Board's size and composition are appropriate for the Group to facilitate independent and effective decision-making.

The NC annually reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

The NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Directors are respected individuals drawn from a broad spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both Board and Board Committee meetings.

Each Director has been appointed based on his/her calibre and experience and is expected to bring his/her knowledge and experience in his/her field of expertise to contribute to the development of the Group's strategy and the performance of its business. The Board comprises 1 female and 4 male Directors with diverse backgrounds such as accounting, finance, foods and beverages, and business management.

Details of the Directors' academic and professional qualifications and other appointments are set out on pages 11 and 12 of this Annual Report.

Guidelines of the Code

Katrina Group Corporate Governance Practices

- Non-executive directors should: 2.7
 - constructively challenge and help develop proposals on strategy; and
 - review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- 2.8 To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.

The Independent Directors confer regularly with the Executive Directors and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters.

The Group's Independent Directors had held periodic and adhoc conference calls and/or meetings without the presence of Management in FY2018.

Chairman and Chief Executive Officer

Principle 3

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.

As the Chairman and the CEO is the same person, the Board has evaluated and is of the view that it is in the best interest of the Group to adopt a single leadership structure. This is to ensure the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions on the matters listed under Guideline 1.5, which are made by the Chairman and CEO are discussed and reviewed by the Board as a whole. The Board is of the view that there is adequate accountability and transparency as Independent Directors make up 60% of the Board. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision making.

Guidelines of the Code

3.2 The Chairman should:

- lead the Board to ensure its effectiveness on all (a) aspects of its role;
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and debate at the Board;
- ensure that the directors receive complete, (d) adequate and timely information;
- ensure effective communication with (e) shareholders;
- encourage constructive relations within the (f) Board and between the Board and Management;
- facilitate the effective contribution of non-(g) executive directors in particular; and
- (h) promote high standards of corporate governance.

Katrina Group Corporate Governance Practices

Although the Chairman and the CEO is the same person. the role of the Chairman is separate from that of the CEO and there is a clear division of responsibilities between the Chairman and CEO as stated in the terms of reference of the Board. In addition, the Board has laid out the matters which specifically require the Board's approval or guidance in the terms of reference of the Board. These are to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision making.

The Chairman is primarily responsible for effective working of the Board while overseeing the overall Management, strategic planning and business development of the Group.

The Chairman also plays a key role in scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings, ensuring adequate time is available for discussion, proper conduct of meetings and accurate documentation of the proceedings, encouraging constructive relation within the Board and between the Board and Management, ensuring smooth and timely flow of information between the Board and Management, ensuring effective communication with Shareholders, promoting a culture of openness and debate at the Board, and promoting good corporate governance.

The CEO has overall responsibility over the business operations of the Group and day-to-day management of the Company, organisational effectiveness and implementation of Board policies. The CEO may delegate aspects of his authority or power but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units.

Guidelines of the Code

- 3.3 Every company should appoint an independent director to be the lead independent director where:
 - the Chairman and the CEO is the same person; (a)
 - the Chairman and the CEO are immediate family (b) members;
 - the Chairman is part of the management team; (C) or
 - the Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.

3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.

Katrina Group Corporate Governance Practices

Mr. Mah How Soon is the Lead Independent Director of the Company as Mr. Alan Goh Keng Chian is acting as the Executive Chairman and CEO.

The Lead Independent Director avails himself to address shareholders' concerns and acts as a counterbalance in the decision-making process. Where necessary, the Lead Independent Director will chair meetings without involvement of the Executive Directors and provide feedback to the Chairman of the Board, to aid and facilitate well-balanced viewpoints on the Board.

The Lead Independent Director will meet up with the Independent Directors without the presence of the Executive Directors and the Management, where necessary, and the Lead Independent Director will provide feedback to the Chairman of the Board after such meetings. There was no formal meeting in FY2018.

Board Membership

Principle 4

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.

The NC, which terms of reference are approved by the Board, comprises three Independent Directors. The NC meets at least once a year.

Please refer to Table A set out on pages 54 and 55 of this Annual Report for the composition and responsibilities of the NC, based on written terms of reference. The Chairman and members of the NC are independent.

Guidelines of the Code

- 4.2 The NC should make recommendations to the Board on relevant matters relating to:
 - the review of board succession plans for directors, in particular, the Chairman and the CEO;
 - the development of a process for evaluation of the performance of the Board, its Board Committees and directors;
 - the review of training and professional development programs for the Board; and
 - the appointment and re-appointment of directors (including alternate directors, if applicable).

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.

4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.

Katrina Group Corporate Governance Practices

In accordance with the Company's Constitution, one-third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company. Any Director appointed by the Board during the financial year shall hold office only until the next annual general meeting. A retiring Director shall be eligible for reelection.

The NC makes recommendations to the Board on all Board appointments and on the composition of Executive and Independent Directors of the Board. It is also charged with re-nominating directors who are retiring by rotation as well as determining annually whether or not a director is independent.

Guideline 2.4 of the Code provides that the independence of Independent Directors serving for more than 9 years should be rigorously reviewed. The Board will take Guideline 2.4 of the Code into account when determining the re-appointment of the Independent Directors, if applicable.

Chow Wen Kwan is retiring and will not be seeking re-election.

The NC has recommended the re-election of Ms. Madaline Catherine Tan Kim Wah at the forthcoming annual general meeting ("AGM"), and the Board has accepted the NC's recommendation.

The details of the retiring Director seeking re-election are found in Table C set out on pages 57 to 60 of this Annual Report.

A Director who has no relationship with the Company, its related corporation, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere. with the exercise of the Director's independent business judgement, is considered to be independent.

The NC conducts an annual review of Directors' independence based on the guidelines set forth in the Code and is of the view that Mr. Mah How Soon, Mr. Chow Wen Kwan and Mr. Eric Low Siak Meng are independent.

Guidelines of the Code

When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.

4.5 Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.

Katrina Group Corporate Governance Practices

All Directors declare their board memberships as and when practicable. The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as Directors of the Group.

In accessing the capacity of the Directors, the NC takes into consideration the expected and/or competing time commitments of the Directors, size and composition of the Board, and nature and scope of the Group's operations and size.

The NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and their principal commitments. Currently, the NC does not determine the maximum number of listed company Board representations which a Director may hold as the NC is of the view that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

The Company does not have any alternate directors.

Guidelines of the Code

4.5 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.

- 4.7 Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, Board Committees served on (as a member or Chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:
 - any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;
 - a separate list of all current directorships in (b) other listed companies; and
 - details of other principal commitments.

Katrina Group Corporate Governance Practices

When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration.

The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

For the board nomination process for re-electing incumbent Directors, please refer to Guideline 5.3.

Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on pages 11 and 12 of this Annual Report and, in respect of the retiring Director who is standing for re-election, in Table C on pages 57 to 60 of this Annual Report.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Board Performance

Principle 5

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

- Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its Board Committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.
- The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board on an annual basis. Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Directors.

No external facilitator was engaged by the Company in FY2018.

5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.

The NC had conducted the Board's performance evaluation as a whole for FY2018 together with the performance evaluation of the AC, RC and NC. The performance criteria for the Board and Board Committees' evaluation, as determined by the NC, cover the following areas:-

- Board Composition and Structure; 1.
- 2. Conduct of Meetings;
- 3. Corporate Strategy and Planning;
- 4. Risk Management and Internal Control;
- 5. Measuring and Monitoring Performance;
- 6. Training and Recruitment;
- 7. Compensation;
- 8. Financial Reporting;
- 9. Chairman of the Board;
- 10. Board Committees; and
- 11. Communication with Shareholders.

Guidelines of the Code

Katrina Group Corporate Governance Practices

The abovementioned performance criteria do not change from year to year.

All Directors have completed the Board and Board Committees' evaluation forms mentioned above. The summary of the Board and Board Committees' evaluation was circulated to the members of NC for their review. Areas for improvement were suggested by the NC before submitting to the Board for discussion.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance and/or re-nomination as a Director.

The NC is satisfied that the Board as a whole and Board Committees had met its performance objectives for FY2018.

The NC also conducted individual Directors' assessment. All Directors have completed the individual Directors' assessment forms and the summary of the individual Directors' assessment was circulated to the members of NC for their review.

The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, the intensity and quality of participation at meetings, contribution to the decisionmaking procedures, compliance with the Company's policies and procedures, and disclosure of interests. The NC and the Board have relied on the abovementioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

The replacement of a Director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the needs of the Group.

5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Access to Information

Principle 6

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management has an obligation to supply the Board 6.1 with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.

The Directors have separate and independent access to the Management and all the Group's records at all times in carrying out their duties.

Detailed Board papers and files are prepared and circulated in advance for each meeting. This is to give Directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The Board papers and files include sufficient information from the Management on financial, operating and corporate issues for Directors to decide on issues presented at the Board and Board Committee meetings. Such information may also be in the form of presentations made by Management in attendance at the meetings or given by external advisors and consultants engaged on specific projects.

The Management provides the Board updates on the developments of the business on a half yearly basis, with financial information, the explanations on the financial information, and the rationale for the key decisions taken by Management.

6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

The Directors are regularly provided with complete, adequate and timely information prior to Board meetings to enable them to fulfil their duties. The Management provides the Board with half-yearly management accounts, as well as half yearly summary data comparing key financial metrics relative to the results from prior periods. In respect of budgets and financial results, any material variance between the projections and actual results are disclosed and explained.

Guidelines of the Code

6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.

- 6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.
- 6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.

Katrina Group Corporate Governance Practices

The Directors have separate and independent access to the Company Secretary.

The Company Secretary ensures that applicable rules and regulations are complied with and assists the Board in implementing corporate governance practices.

In addition, the Company Secretary (or her representatives), had attended all Board and Board Committee meetings of the Company in FY2018.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

All Directors have direct access to the Group's independent professional advisors, as and when necessary, to discharge his/her responsibilities effectively. In addition, the Directors, either individually or as a group, may seek separate independent professional advice, if necessary. The cost of all such professional advice is borne by the Company.

Guidelines of the Code

Katrina Group Corporate Governance Practices

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

7.1 The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.

The RC, which terms of reference are approved by the Board, comprises three members, all of whom are Independent Directors. It meets at least once a year.

Please refer to Table A set out on pages 55 and 56 for the composition and functions of the RC.

7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board.

The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.

The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, Directors and key management personnel.

The RC reviews the remuneration packages and respective service agreements or appointment letters of the CEO, Directors and key management personnel in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including Directors' fees, salaries, allowances, bonuses, benefits-inkind and specific remuneration packages for each Director, the CEO and key management personnel.

None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him/her or someone related to him/her.

Guidelines of the Code

- 7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.
- 7.4 The RC should review the company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.

Katrina Group Corporate Governance Practices

No remuneration consultants were engaged by the Company during FY2018. The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the key management personnel are based on their respective existing service agreements and appointment letters.

The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations.

The RC reviews the Company's obligations arising from termination clauses and termination processes in relation to the Executive Directors' service agreements and key management personnel's appointment letters to ensure that such clauses and processes are fair and reasonable.

Level and Mix of Remuneration

Principle 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

8.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.

In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of Shareholders.

The performance criteria for the Executive Directors and key management personnel have been met for FY2018.

Guidelines of the Code

strongly encouraged.

8.2 Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC should review whether executive directors and key management personnel should be eligible for benefits under longterm incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also

Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised.

The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.

Katrina Group Corporate Governance Practices

The Company had no long-term incentive schemes during FY2018.

No Independent Directors have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Directors are subject to approval by Shareholders at each AGM thereby ensuring that their independence is not compromised.

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him/her.

Please see Table D set out on page 60 for the detailed schedule of proposed annual fees payable to the Independent Directors. These fees are subject to approval by shareholders at the Annual General Meeting of the Company.

Guidelines of the Code

8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

Katrina Group Corporate Governance Practices

Based on the service agreements of the Executive Directors. the Board will use contractual provisions or other measures to reclaim the incentives or any related payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

There are currently no incentive schemes for the Executive Directors and key management personnel.

Disclosure on Remuneration

Principle 9

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).

Please refer to Table D set out on pages 60 and 61 for remuneration details for the Directors and key management personnel (who are not Directors or the CEO).

As the Company is maintaining a lean management team, the Company currently only has one key management personnel (who are not Directors or the CEO) during FY2018. The Company is in the process of developing the team involving in planning, directing and controlling the activities of the Company.

Guidelines of the Code

9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis.

There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives

9.3 The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands.

There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, sharebased incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel.

Katrina Group Corporate Governance Practices

Please refer to Table D set out on page 60 for remuneration details for the Directors and the CEO.

The Company has disclosed each Director's and the CEO's remuneration as a breakdown (in percentage terms) into fixed salary, variable or performance-related incentives/bonuses and benefit-in-kind. Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the Executive Directors on a named basis, the Board is of the opinion that it is not in the best interests of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent.

Please refer to Table D set out on pages 60 and 61 for remuneration bands and details for the key management personnel (who are not Directors or the CEO).

The Board believes that it is for the benefit of the Company and the Group that the remuneration of key management personnel (who are not Directors or the CEO) be kept confidential, due to its sensitive nature and concerns of poaching. As the Company operates with a lean management team, such disclosures would be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

Guidelines of the Code

applicable bands.

For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the

- 9.5 The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the company. The important terms of the share schemes should be disclosed, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted.
- 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to shortterm and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

Katrina Group Corporate Governance Practices

Please refer to Table D set out on page 61 for remuneration bands and details of employees who are immediate family members of a Director or the CEO and whose remuneration exceeded S\$50,000 during FY2018.

The Company had no employee share schemes in place during FY2018.

The Group's remuneration policy is one that seeks to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Executive Directors and key management personnel to achieve the Group's business vision and create sustainable value for its stakeholders.

The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary. The variable component is in the form of a bonus and depends on the Group's results and individual performance. Such performance-related remuneration is aligned with the interests of shareholders and promote the long-term success of the Company. The Executive Directors do not receive additional Directors' fees.

The Group has not implemented any share based compensation scheme or any long-term incentive schemes involving the offer of shares or grant of options in place or any other forms of deferred remuneration. In evaluating long-term incentives, the RC takes into consideration the costs and benefits of such schemes.

Guidelines of the Code

Katrina Group Corporate Governance Practices

The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on the profitability of the Group, leadership, as well as the Executive Directors' and key management personnel's compliance with all audit matters. The Executive Directors' and key management personnel's short term incentives (namely the performance-related variable component) are recommended by the RC and approved by the Board.

For FY2018, the RC is of the view that the performance conditions were met by each of the Executive Directors and the key management personnel.

Please refer to Guideline 8.1 and 8.2 for further details regarding the Executive Directors' and key management personnel's remuneration.

Each Independent Director receives a basic fee for serving on the Board. The fees are determined by the Board, taking into account the effort, time spent and responsibilities of the respective Directors. The Directors' fees are recommended by the RC and endorsed by the Board for approval by Shareholders of the Company at the AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised. Each member of RC abstains from making recommendation on his/her remuneration.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

The Board provides a balanced and understandable assessment of the Group's performance, position and prospects in its annual financial statements and half-yearly and full year results announcements to Shareholders.

Guidelines of the Code

10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Katrina Group Corporate Governance Practices

The Board reviews compliance issues, if any, with Management on a half-yearly basis and as and when required.

All the Directors and executive officers of the Group also signed a letter of undertaking pursuant to the amended Rule 720(1) of the Section B: Rules of the Catalist of the SGX-ST (the "Catalist Rules").

Management provides the Executive Directors with the management accounts on a monthly basis and Independent Directors are updated on half-yearly basis.

The Board is of the opinion that the Management provides relevant information on a timely basis, comprehensive half yearly financial results announcement and analysis of the results so that the Board can make a balanced and informed assessment of the Company's performance, position and prospects.

The Board also provides a negative assurance statement to the Shareholders in respect of the interim financial statements. For FY2018, the Executive Directors and the Chief Financial Officer ("CFO") have provided assurance to the Board on the integrity of the Group's financial statements.

Risk Management and Internal Controls

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas to the Group such as financial, operational, compliance and information technology risks based on the feedback of the Internal Auditor and External Auditor. The Board also oversees the Management in implementing the risk management and internal controls system.

Guidelines of the Code

Katrina Group Corporate Governance Practices

11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.

The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the External Auditor and Internal Auditor to determine the risk tolerance level and corresponding risk policies.

The statutory auditors carry out statutory audits annually in accordance with their audit plan. Control observations noted during their audits and the auditors' recommendations are reported to the AC.

The internal audit function is outsourced to an external organisation, BDO LLP for FY2018. They perform their work according to the detailed internal audit scope including focus on operational and financial risks, evaluation of the adequacy of internal control system and application of controls in practice, and making appropriate recommendations for improvements to the Group.

The internal controls of the Group provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also recognises that no system of internal control or risk management can provide absolute assurance against the occurrence of errors, poor judgement in decision-making, losses, frauds or other irregularities.

11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

Based on internal controls established and maintained by the Group, the works performed by the Internal and External Auditors, and the reviews performed by Management and the various Board Committees, the Board, with the concurrence of the AC, is of the opinion that, save for SOPL, the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2018. As the acquisition of SOPL was completed only in December 2018, the Board will ensure that the Management, with the advice from Internal and External Auditors, will put in place adequate and effective Internal controls and risk management system for SOPL.

Guidelines of the Code

The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- that the financial records have been properly (a) maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) regarding the effectiveness of the company's risk management and internal control systems.
- 11.4 The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.

Katrina Group Corporate Governance Practices

The Board met 2 times in FY2018 and have continuously updated the AC on the developments of the Company. The CEO and CFO have also assured the Board that internal controls are in place and updated the Board on the internal controls measures taken during FY2018.

The Board has also received assurance from the CFO and CEO in FY2018 that:-

- The financial records have been properly maintained (a) and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) The Company's risk management and internal control systems are effective.

The Company manages risks under an overall strategy determined by the Board and supported by the AC, RC and NC. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

Audit Committee

Principle 12

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors.

> The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.

The AC is chaired by Mr. Mah How Soon and comprises Mr Chow Wen Kwan and Mr. Eric Low Siak Meng. All the AC members, including the Chairman, are Independent Directors. It meets at least twice a year.

Please refer to Table A set out on pages 53 and 54 for the composition and the main functions of the AC.

Guidelines of the Code

Katrina Group Corporate Governance Practices

- 12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
- The members of the AC are appropriately qualified and possess the relevant accounting or related financial management expertise or experience to discharge their duties under the terms of reference approved by the Board.
- 12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or key management personnel to attend its meetings. The AC has reasonable resources to enable it to discharge its duties properly.

- 12.4 The duties of the AC should include:
- The AC meets at least on a half yearly basis to review the half yearly and full year results announcements of the Group and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before recommending the same to the Board for approval. In the process, the AC reviews the basis and reasoning of the Management in the preparation of the financial statements, critical accounting policies and any significant changes that would have an impact on the Company's financials.
- reviewing the significant financial reporting (a) issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- The AC evaluates on a yearly basis the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and its Internal and External Auditors.
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- Please refer to Guidelines 13.1 and 13.2.
- (C) reviewing the effectiveness of the company's internal audit function;
- The AC reviews the scope of the External Auditor's audit plan and the effectiveness of the results from the independent audit. The AC also reviews the independence and objectivity of the External Auditor as well as the Group's compliance with Catalist Rules, the Code, as well as interested person transactions and whistleblowing reports, if any.
- (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and

Guidelines of the Code

Katrina Group Corporate Governance Practices

- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.
- The AC recommends to the Board the appointment, re-appointment and removal of External Auditor, and approves the remuneration and terms of engagement of the External Auditor.
- 12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.
- The AC meets with the Internal Auditor and External Auditor separately, at least once a year, without the presence of the Management to review any matters that might have arisen.

12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report.

Audit and Non-audit fee paid to the Company's External Auditor in FY2018 are disclosed in Note 9 to the financial statements.

Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.

In compliance with Rule 1204(6)(b) of the Catalist Rules, the AC undertook the annual review of the independence and objectivity of the External Auditor by reviewing the nonaudit services provided and the fees paid to them. It is the opinion of the AC that the nature and extent of non-audit services provided by the External Auditor do not affect the independence and objectivity of the External Auditor.

Ernst & Young LLP is the auditor of all the Company's Singapore incorporated subsidiaries. The Board and AC are of the view that the Company has complied with Catalist Rules 712 and 715 in relation to its External Auditor.

Guidelines of the Code

12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

> The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.

- 12.8 The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.
- 12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.

Katrina Group Corporate Governance Practices

The Group has established a whistleblowing policy which provides the channel for employees of the Group and external parties to raise their concerns about improprieties in financial reporting or other matters to the AC Chairman, in good faith and in confidence. No whistle-blowing concerns were reported for FY2018.

The procedures for whistle blowing have been circulated to the employees in their handbook. The procedures for whistle blowing are also saved under the cloud-storage folders, which are accessible by the employees of the Company and its subsidiaries where they can call or email the AC Chairman directly on all matters. The follow up procedures regarding matters raised are also stated and whistleblowers are assured that all actions in good faith will not affect them in their work and staff appraisals.

Please refer to the Group's practices in Guidelines 1.6 and 12.4.

No former partner or director of the Company's current auditing firm and its member firms is a member of the AC.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Internal Audit

Principle 13

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

13.1 The Internal Auditor's primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO.

The AC, in consultation with Management, approves the hiring, removal, evaluation and the fees of the Internal Auditor. The Internal Auditor has unfettered access to all the Group's documents, records, personnel and the AC.

The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

The internal audit function of the Group was out-sourced to BDO LLP in FY2018. The Internal Auditor's report primarily to the Chairman of AC and has unrestricted access to documents, records, properties and personnel of the Group.

13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets. The Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. For example, the key features of the internal control environment include having clear and defined terms of reference for Board Committees, assigning authority and responsibility in accordance with an authority matrix and written internal control procedures.

The role of the Internal Auditor is to assist the AC in ensuring that the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Company to perform its function effectively.

13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals.

Guidelines of the Code

Katrina Group Corporate Governance Practices

- 13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.
- The internal audit work carried out is guided by the BDO Global International Audit methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.
- 13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the Internal Auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the Internal Auditor in specific areas of concerns. Please refer to Guidelines 13.1 and 13.2 above on the adequacy and effectiveness of the internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders' Rights

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.

The Company has adopted half-yearly results reporting since the half year ended 30 June 2016.

In line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore (the "Act") the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group via SGXNFT on an immediate basis.

Guidelines of the Code

14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.

14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Katrina Group Corporate Governance Practices

At general meetings, Shareholders are given the opportunity to raise questions to the Directors and the Management relating to the Company's business or performance. The Chairpersons of the AC, NC and RC, as well as the External Auditor, are present to assist the Directors in addressing any relevant queries raised by Shareholders.

Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.

The Company's Constitution also allows an individual Shareholder to appoint not more than two proxies to attend and vote on his or her behalf at the general meetings.

In line with the amendments to the Act, the Constitution allows corporate Shareholders of the Company which provide nominee or custodial services to third parties to appoint more than two proxies to attend and vote on their behalf at general meetings.

Communication with Shareholders

Principle 15

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

The Company does not have an Investor Relations Policy in place. However, the Company has engaged Sino-Lion Communications Pte. Ltd. (Financial PR) as investor relations team since January 2017.

However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Act.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Shareholders of the Company receive the annual reports and notices of AGMs which are also advertised in the newspapers within the prescribed deadlines prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with Shareholders through SGXNET throughout the financial year.

Similarly, Shareholders receive the circulars and notices of Extraordinary General Meetings ("EGMs") which are advertised in the newspapers within the prescribed deadlines prior to the EGMs.

15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.

The Company does not practice selective disclosure of material information.

The Group makes all necessary disclosures to Shareholders and the public via SGXNET.

The Company also communicates through its corporate website which provides the Shareholders with corporate communications, press release, annual reports and profile of the Group.

15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

Both Executive and Independent Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns.

15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings.

Please refer to the Group's practices set out in Guideline 15.3.

15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.

The Company does not have a fixed dividend policy at present. The issue of payment of dividends is deliberated by the Board annually, having regards to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate).

The Board has not declared dividend for FY2018 in order to conserve cash for future operations in view of prevailing business condition of the Group.

Guidelines of the Code

Katrina Group Corporate Governance Practices

Conduct of Shareholder Meetings

Principle 16

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.

Accompanying the notice of AGM and EGM, is a proxy form, so that (i) Shareholders who are individuals may appoint up to 2 proxies; and (ii) Shareholders which are intermediaries (such as banks and capital markets services licence holders) providing custodial services may appoint more than 2 proxies to attend on their behalf, should Shareholders be unable to personally attend the meetings.

The Company does not implement absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

- 16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.
- The Company has separate resolutions at general meetings for each distinct issue.
- 16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings.

The respective chairpersons of the Board, AC, RC and NC are present at the AGMs and EGMs to answer queries raised at the AGMs and EGMs.

The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The External Auditor, Ernst & Young LLP, is invited to attend the AGMs to address any Shareholders' queries about the conduct of their audits.

16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.

The Company prepares minutes of general meetings which incorporate substantial comments and queries from Shareholders and responses from the Board and Management. These minutes are made available upon request by Shareholders.

Guidelines of the Code

Katrina Group Corporate Governance Practices

16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

In line with the new Catalist Rule 730A, with effect from 1 August 2015, all the resolutions will be voted by way of poll and the Company will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the Shareholders and the public.

OTHER CORPORATE GOVERNANCE MATTERS

1. **Material Contracts**

[Catalist Rule 1204(8)]

The sale and purchase agreement dated 13 November 2018, not being a contract entered into in the ordinary course of business, has been entered into by the Company and a Director of the Company, Mr. Alan Goh Keng Chian, in relation to the acquisition of the entire issued shares of SOPL by the Company from Mr. Alan Goh Keng Chian.

Saved for the above, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders of the Company exist at the end of FY2018 or have been entered into since the end of the previous financial year.

2. **Interested Person Transactions**

[Catalist Rule 1204(17)]

The Group has adopted an internal policy in respect of any transactions with interested persons and required all such transaction, if any, to be at agreed and normal commercial terms, and not be prejudicial to the interest of the Company and its non-controlling Shareholders, and to be reviewed by the AC to ensure compliance with the requirements of the Catalist Rules on interested persons transactions.

If the Group enters into an interested persons transactions and potential conflict of interest arises, the Director concerned shall be abstained from any discussions and also refrained from exercising any influence over other members of the Board.

Other than as disclosed under the amount due from/to directors in the Statement of Financial Position as at 31 December 2018, the following are the interested person transactions for FY2018:

The Company is required to furnish to the MOM a security bond of \$\$5,000 for each foreign worker the Company engages. Our Group has made arrangements with certain insurers for the insurers to issue letters of guarantee in lieu of the security bonds. Our CEO and Executive Chairman, Alan Goh, and our Executive Director, Catherine Tan, have in turn provided indemnities to the insurers in respect of any amounts claimed under the letter of guarantee.

Details of the aggregate indemnities provided by these Interested Person in connection with the security bonds during FY2018 are as follows:

	As at 31 December 2018 (S'\$000)
Aggregate indemnity in connection with the security bonds	350

3. **Dealing in Securities**

[Catalist Rule 1204(19)]

In compliance with Rule 1204(19), the Group has adopted a Code of Conduct to provide guidance to Directors and executive officers with regards to dealing in the Company's securities.

The Company, Directors, officers and all staff of the Group and their associates are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing one month before the announcement of the Group's half-yearly and annual financial results and ending on the date of announcement of those results.

4. **Non-sponsor Fees**

[Catalist Rule 1204(21)]

No non-sponsor fees were paid to the Company's sponsor, Hong Leong Finance Limited in FY2018.

5. **Update on Use of Proceeds**

[Catalist Rule 1204(22)]

The Proceeds from Initial Public Offering ("IPO")

The Company had raised net proceeds amounting to \$\$6.1 million from the IPO.

In accordance to the announcements released on 18 November 2016, 8 February 2017, 24 February 2017, 3 May 2017, 14 July 2017, 17 July 2017 and 18 January 2018, the Company had fully utilised all the net proceeds from IPO in accordance with the stated uses as set out in the Offer Document dated 15 July 2016.

TABLE A

Board comprises:-

Alan Goh Keng Chian (Executive Chairman and CEO)

Madaline Catherine Tan Kim Wah (Executive Director)

Mah How Soon (Lead Independent Director) Chow Wen Kwan (Independent Director) Eric Low Siak Meng (Independent Director)

The primary functions of the Board include:-

- 1. provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- 2. establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- 3. review management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; 4.
- 5. set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- 6. consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board's approval is also required on matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, share issuance and dividends.

Audit Committee comprises:-

Mah How Soon (Chairman, Independent) Chow Wen Kwan (Member, Independent) Eric Low Siak Meng (Member, Independent)

The AC performs the following main functions:-

- 1. review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- 2. review the audit plan of the External Auditor;
- 3. review with the Internal Auditor, his evaluation of the system of internal accounting controls;
- 4. review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the External Auditor, and to review with the External Auditor, his audit report;
- 5. review the nature and extent of non-audit services rendered by the External Auditor to the Company;
- 6. review the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval;
- 7. review the assistance given by the Company's officers to the External Auditor and Internal Auditor;
- 8. review the independence of the External Auditor annually;

- 9. consider the appointment and re-appointment of the External Auditor and approve the remuneration and terms of engagement of the External Auditors;
- 10. review and discuss with the External Auditor any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Company's response;
- 11. ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. For the avoidance of doubt, the internal audit function can be either in-house, outsourced to a reputable accounting/auditing firm or performed by major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;
- 12. review the scope and results of the internal audit procedures;
- 13. annually ensure the adequacy of the audit function;
- ensure that a review of the adequacy and effectiveness of the Company's internal controls, including financial, operational 14. and compliance controls, and risk management is conducted at least annually;
- 15. meet with the External and Internal Auditors without the presence of the Management at least once a year;
- 16. commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal weakness (if any);
- 17. review interested person transactions and potential conflicts of interest;
- 18. commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position;
- 19. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ("Whistle Blowing") and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- 20. undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- 21. undertake such other functions and duties as may be required by the legislation, regulations or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

Nominating Committee comprises:

Eric Low Siak Meng (Chairman, Independent) Mah How Soon (Member, Independent) Chow Wen Kwan (Member, Independent)

The responsibilities of the NC, based on the written terms of reference, are as follows:-

- 1. regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendation to the Board with regard to any changes;
- 2. make recommendations to the Board on all board appointments having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);
- 3. determine annually whether a director is independent;
- 4. decide whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations. Where possible, the NC shall formulate internal guidelines that can address the competing time commitments that are faced when directors serve on multiple boards;
- 5. decide on how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, that allow comparison with its industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value. These performance criteria should not be changed from year to year and where circumstances deem necessary for any of the criteria to be changed, the onus should be on the Board to justify such changes:
- 6. give full consideration to succession planning for directors, in particular, the Chairman and CEO and recommend to the Board;
- 7. review the results on board performance evaluation process that relate to the composition of the Board;
- 8. review and make recommendation to the Board concerning membership of the various Board committees, in consultation with the Chairmen of those committees; and
- 9. review training and professional development programs for the Board.

Remuneration Committee comprises:-

Chow Wen Kwan (Chairman, Independent) Mah How Soon (Member, Independent) Eric Low Siak Meng (Member, Independent)

The functions of the RC are as follows:-

- 1. review and recommend the framework of remuneration for the Executive Directors and key management personnel with a view to structure the remuneration for the executive directors and key management personnel so as to link rewards to group or corporate and individual performance, to align their interests with those of shareholders and give these directors keen incentives to perform at the highest levels;
- 2. review the terms of appointment and remuneration of the Executive Directors and key management personnel of the Company and when deem appropriate to make any recommendation in relation thereto;

- 3. review and recommend to the Board the terms of renewal for those executive directors and key management personnel whose current employment will expire or had expired;
- 4. review the remuneration of employees who are related to directors or substantial shareholders annually to ensure that their remuneration packages are in line with the Company staff remuneration guideline and are commensurate with their respective job scope and level of responsibility;
- 5. review the compensation package of the Non-Executive Directors;
- 6. consider the various disclosure requirements for director's remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;
- 7. retain such professional consultancy firm as the committee may deem necessary to enable it to discharge its duties hereunder satisfactorily;
- 8. consider long-term incentives schemes for executive directors and key management personnel and review eligibility for benefits of Executive Directors and key management personnel under long-term incentive schemes; and
- 9. carry out such other duties as may be agreed to by the RC and the Board.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each individual director and key management personnel of the Group. The recommendations of the RC are submitted for endorsement by the Board. Each member of the RC shall abstain from voting on any resolution in respect of his or her own remuneration package.

TABLE B

		Board of Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
Name of Director	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	
Alan Goh Keng Chian	2	2	N/A	N/A	N/A	N/A	N/A	N/A	
Madaline Catherine Tan Kim Wah	2	1	N/A	N/A	N/A	N/A	N/A	N/A	
Mah How Soon	2	2	2	2	1	1	1	1	
Chow Wen Kwan	2	2	2	2	1	1	1	1	
Eric Low Siak Meng	2	2	2	2	1	1	1	1	

TABLE C

Name of Director	Date of Appointment	Date of Last Election
Alan Goh Keng Chian	31 March 2016	20 April 2018
Madaline Catherine Tan Kim Wah	31 March 2016	21 April 2017
Mah How Soon	21 April 2017	20 April 2018
Chow Wen Kwan	29 June 2016	21 April 2017
Eric Low Siak Meng	29 June 2016	20 April 2018

Chow Wen Kwan is retiring and will not be seeking re-election.

The Director named below is retiring and being eligible, offer herself for re-election at the upcoming AGM:-

Name of Director	Madaline Catherine Tan Kim Wah
Date of appointment	31 March 2016
Date of last election	21 April 2017
Age	58
Country of principal residence	Singapore
The Board's comments on this re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Ms Tan's performance as an Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Ms Tan is responsible for the formulation and introduction of the Group's new concept ideas and menus for the new and existing brands. She assists the CEO in managing the Group's overall business development and operations.
Job title	Executive Director
Professional qualifications	N/A
Working experience and occupation(s) during past 10 years	N/A
Shareholdings interest in the listed issuer and its subsidiaries	Ms Tan holds 97,860,504 ordinary shares (42.27%) in the share capital of the Company.
	Ms Tan is also deemed to be interested in 104,794,404 ordinary shares (45.26%) held by her spouse, Mr Alan Goh Keng Chian in the share capital of the Company.

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Alan Goh Keng Chian, the Executive Chairman and CEO, is the spouse of Ms Tan
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	Past (for the last 5 years) Group corporations Hutong (CQ) Pte. Ltd.*
	Present Group corporations
	Katrina Holdings Pte Ltd
	Katrina International Pte. Ltd.
	Bali Thai Food Catering Pte. Ltd.
	Bayang At the Quay Pte. Ltd. Renn Thai Pte Ltd
	Katrina Holdings Sdn. Bhd
	PT. SoPho Food Indonesia as Commissioner

^{*} This company has been struck off

	Question	Madaline Catherine Tan Kim Wah
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No

(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Disclosure applicable to the appointment of Director only.				
Any prior experience as a director of an issuer listed on the Exchange?	No			
If yes, please provide details of prior experience.	NA			
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Yes			

TABLE D

The tables below show the remuneration bands of the Directors and the key management personnel of the Group, who are not directors as well as the approximate percentage breakdown of the remuneration during FY2018.

Remuneration of Directors of the Company (a)

		_ 1	Directors'	Allowance and	
	Salary ¹	Bonus ¹	Fees	other benefits	Total
Name of Director	(%)	(%)	(%)	(%)	(%)
S\$500,000 to S\$750,000					
Alan Goh	73	23	_	4	100
S\$250,000 to S\$500,000					
Madaline Catherine Tan Kim Wah	74	24	_	2	100
Below S\$250,000					
Mah How Soon	_	_	100	_	100
Chow Wen Kwan	_	_	100	_	100
Eric Low Siak Meng	_	_	100	_	100

 $^{^{\}mbox{\scriptsize 1}}$ The salary and bonus amounts shown are inclusive of Central Provident Fund (" $\mbox{\it CPF}$ ").

(b) **Remuneration of Key Management Personnel**

			Directors'	Allowance and	
Name of	Salary ¹	Bonus ¹	Fees	other benefits	Total
Key Management Personnel	(%)	(%)	(%)	(%)	(%)
Below S\$250,000					
Yong Mew Peng Victoria ²	100	_	_	_	100
Heng Hock Kiong @					
Heng Hang Siong Danny ³	100	_	_	_	100
Wong Siew Chuan ⁴	91	9	_	_	100

¹ The salary and bonus amounts shown are inclusive of CPF.

 $^{^{2}\,\,}$ Resigned on 19 January 2018 as Chief Financial Officer.

³ Resigned on 27 April 2018 as Chief Financial Officer.

 $^{^{\}rm 4}$ $\,$ Joined on 2 May 2018 as Chief Financial Officer.

The total remuneration of each Director and key management personnel has not been disclosed in dollar terms given the sensitivity of remuneration matters and competitive reasons.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel in FY2018.

No stock options were granted in FY2018 as the Company has no employees shares option scheme in place. Please refer to the disclosure under Guideline 9.5 for more details.

(c) Remuneration of employee related to Director

			Directors'	Allowance and	
Name of Employee who are family	Salary ¹	Bonus ¹	Fees	other benefits	Total
members of a Director	(%)	(%)	(%)	(%)	(%)
\$\$50,000 – \$\$100,000					
Krystal Goh Shu Yan	96	4	_	_	100

¹ The salary and bonus amounts shown are inclusive of CPF.

Krystal Goh Shu Yan is the daughter of Alan Goh, CEO and Executive Chairman of the Company and Catherine Tan, Executive Director of the Company. Krystal Goh Shu Yan was appointed as a project manager on 2 October 2017 in Katrina Holdings Pte Ltd, a wholly-owned subsidiary of the Company.

Save as disclosed above, there was no employee of the Group who is an immediate family member of any Director or the CEO whose remuneration exceeds \$\$50,000 in FY2018.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Katrina Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Alan Goh Keng Chian Madaline Catherine Tan Kim Wah Eric Low Siak Meng Chow Wen Kwan Mah How Soon

Pursuant to Regulation 117 of the Company's Constitution, Madaline Catherine Tan Kim Wah and Chow Wen Kwan shall retire at the upcoming Annual General Meeting ("AGM"). Being eligible for reelection, Madaline Catherine Tan Kim Wah has consented to be re-elected at the upcoming AGM. Chow Wen Kwan will not be seeking for re-election.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.



Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

Name of directors	At the beginning of financial year	At the end of financial year
Katrina Group Ltd Ordinary shares		
Alan Goh Keng Chian Madaline Catherine Tan Kim Wah	98,160,504 97,860,504	104,672,404 97,860,504

By virtue of section 7 of the Singapore Companies Act, Chapter 50, both Alan Goh Keng Chian and Madaline Catherine Tan Kim Wah are deemed to have interests in shares of all the subsidiaries to the extent held by the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no other director who held office at the end of the financial year had interests in shares, shares options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Options

No options were issued by the Company during the financial year. As at 31 December 2018, there were no options on the unissued shares of the Company or any other body corporate which were outstanding.

Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Aud	itor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Alan Goh Keng Chian Director

Madaline Catherine Tan Kim Wah Director

Singapore 8 April 2019



Report on the audit of the financial statements

Opinion

We have audited the financial statements of Katrina Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of plant, property and equipment of non-performing restaurants

At 31 December 2018, the carrying value of property, plant and equipment was \$7,681,000, which represented 30% of the Group's total assets. The Group operates restaurants in Singapore and has certain restaurant outlets that incurred losses during the financial year ended 31 December 2018. Management performed impairment tests on the plant, property and equipment of these outlets and determined their recoverable amounts based on value in use calculations. This area was significant to our audit because the impairment assessment involved significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts.

INDEPENDENT

Key Audit Matters (cont'd)

Impairment of plant, property and equipment of non-performing restaurants (cont'd)

We reviewed management's identification of impairment indicators relating to the outlets that incurred losses by assessing management's review of the financial performance on the individual outlet basis. Where an impairment indicator is identified, we assessed the valuation method used by the management and evaluated the key assumptions used in the impairment analysis, in particular the sales growth rates and discount rates. We tested the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and assessed reasonableness of growth rate forecasted by management. We also reviewed management's sensitivity analysis of the discounted cashflows to changes in certain key assumptions based on the overall industry outlook as well as historical operating results of the outlets. Based on the outcome of this impairment test, the Group has recognised an impairment charge of \$88,000.

In addition, we assessed the adequacy of the disclosures on the property, plant and equipment, and the assumptions used in the impairment tests and the outcome of the impairment test in Note 3.2 Key sources of estimation uncertainty and Note 13 Property, plant and equipment of the financial statements.

Acquisition of Tomo Izakaya Pte. Ltd.

On 1 October 2018, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Tomo Izakaya Pte. Ltd. ("TIPL") for a total cash consideration of \$934,000.

The acquisition of TIPL was accounted for using the acquisition method. The Group performed a Purchase Price Allocation ("PPA") exercise as disclosed in Note 16 of the financial statements. Given the quantitative materiality of this acquisition and the significant management judgement involved in the identification and valuation of intangible assets, we considered the accounting for the acquisition of subsidiary to be a key audit matter.

The significant judgement and estimates mainly relates to the identification and valuation of TIPL's intangible assets. As management has engaged an external valuation expert to assist them with the valuation, we have assessed the competence, objectivity and the relevant experience of the external expert.

Our audit procedures included, amongst others, reading the sale and purchase agreement to obtain an understanding of the key terms. An important element of our audit relates to the management's identification of the acquired assets, ascertaining the respective fair values based on valuation models and estimating the residual goodwill. We involved our internal specialists in reviewing the valuation methodologies used by management and the external valuation expert in the valuation of acquired assets and liabilities. We assessed the nature and basis of the valuation adjustments and whether the assumptions used in valuing the acquired intangible assets were consistent with what a market participant would use.

The disclosures relating to the acquisition are included in Note 16 to the financial statements.



Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP Public Accountants and **Chartered Accountants** Singapore 8 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Revenue	4	64,793	57,966
Cost of sales	5	(58,618)	(52,254)
Gross profit	-	6,175	5,712
Other income Selling and distribution costs Administrative expenses Finance (costs)/income Other expenses	6 7 8	516 (1,139) (4,791) (32) (130)	679 (1,034) (3,936) 24 (353)
Profit before tax	9	599	1,092
Income tax expense	11	(168)	(90)
Profit for the year, representing profit attributable to the owners of the Company Other comprehensive income:	-	431	1,002
Items that may be reclassified subsequently to profit or loss Foreign currency translation		(21)	10
Other comprehensive income for the year, net of tax	·-	(21)	10
Total comprehensive income for the year, representing total comprehensive income attributable to the owners of the Company	-	410	1,012
Earnings per share (cents per share) Basic and diluted	12	0.19	0.43

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018 3 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
ASSETS							
Non-current assets							
Property, plant and							
equipment Intangible assets	13 14	7,681 579	7,982	6,868 2	_	_	_
Investment in	14	319	_	2	_	_	_
subsidiaries	16	_	_	_	6,061	1,165	1,165
Investment in joint	17						
venture Investment property	17	1,034	_	_	_	_	_
Refundable deposits	18	4,705	4,170	4,087	_	_	_
Deferred tax assets	11		_	62	_	_	_
		13,999	12,152	11,019	6,061	1,165	1,165
Current assets							
Inventories	19	203	162	_	_	_	_
Trade receivables Other receivables	20 21	837 750	788 408	553 232	358	_	_
Refundable deposits	18	2,575	1,435	1,148	330	_	_
Prepayments	. •	688	302	249	8	13	60
Amount due from a	04	400	400				
joint venture Amount due from	21	103	103	_	_	_	_
subsidiaries	21	_	_	_	2,466	7,257	5,535
Cash and cash	20	C E20	7 405	44.007	044	1 101	0.474
equivalents	22	6,538	7,405	11,367	241	1,164	3,471
		11,694	10,603	13,549	3,073	8,434	9,066
Total assets		25,693	22,755	24,568	9,134	9,599	10,231
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other	00	0.405	4.000	4.000	0.40	050	
payables Other liabilities	23 25	6,105 2,567	4,869 1,933	4,669 1,354	319 361	258 352	- 63
Provision	26	414	277	211	-	-	-
Amounts due to							
directors	4	-	-	1,713	_	_	_
Contract liabilities Provision for taxation	4	498 242	10 191	966	_ 14	_ 18	_
		9,826	7,280	8,913	694	628	63
Net current assets		1,868	3,323	4,636	2,379	7,806	9,003

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018 3 \$'000	Group 1.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
Non-current liabilities							
Contract liabilities	4	77	88	_	_	_	_
Other payables	23	257	311	313	_	_	_
Provision Amounts due to	26	953	848	767	_	_	-
director	24	455	_	_	_	_	_
Deferred tax liabilities	11	142	53	-	_	-	_
		1,884	1,300	1,080	_	_	_
Total liabilities		11,710	8,580	9,993	694	628	63
Net assets		13,983	14,175	14,575	8,440	8,971	10,168
Equity attributable to the owners of the Company							
Share capital	27	8,192	8,192	8,192	8,192	8,192	8,192
Other reserves	28	(1)	21	11	_	_	_
Retained earnings		5,792	5,962	6,372	248	779	1,976
Total equity		13,983	14,175	14,575	8,440	8,971	10,168
Total equity and liabilities		25,693	22,755	24,568	9,134	9,599	10,231

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Attributable	to	owners	of the	Company
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	Share capital (Note 27) \$'000	Statutory reserve fund (Note 28) \$'000	Foreign currency translation reserve (Note 28) \$'000	Retained earnings	Total equity \$'000
Group					
Opening balance at 1 January 2017	8,192	1	10	6,372	14,575
Profit for the year Other comprehensive income:	_	_	-	1,002	1,002
Foreign currency translation	_	_	10	_	10
Total comprehensive income for the year	_	-	10	1,002	1,012
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 29)	_	_	-	(1,412)	(1,412)
	_	_	_	(1,412)	(1,412)
Closing balance at 31 December 2017	8,192	1	20	5,962	14,175
Opening balance at 1 January 2018	8,192	1	20	5,962	14,175
Profit for the year Other comprehensive income:	_	_	-	431	431
Relating to disposal of a subsidiary: Foreign currency translation Reversal of reserve	_ _	_ (1)	(21) -	_ 1	(21)
Total comprehensive income for the year	_	(1)	(21)	432	410
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 29)	_	_	_	(602)	(602)
	_	_	_	(602)	(602)
Closing balance at 31 December 2018	8,192	_	(1)	5,792	13,983

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company Opening balance at 1 January 2017	Share capital (Note 27) \$'000	Retained earnings \$'000	Total \$'000
Profit for the year, representing total comprehensive income for the year	_	215	215
Dividend on ordinary shares (Note 29)	_	(1,412)	(1,412)
Closing balance at 31 December 2017	8,192	779	8,971
Opening balance at 1 January 2018	8,192	779	8,971
Profit for the year, representing total comprehensive income for the year	_	71	71
Dividend on ordinary shares (Note 29)		(602)	(602)
Closing balance at 31 December 2018	8,192	248	8,440

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Operating activities			
Profit before tax Adjustments for:	_	599	1,092
Depreciation of property, plant and equipment Depreciation of investment property Write-off of intangible assets Write-off of property, plant and equipment Impairment loss on property, plant and equipment Provision for lease liability of loss-making outlets Finance costs/(income) Interest income Currency realignment	9 15 9 9 7 6	2,670 39 - 220 88 42 32 (12) (4)	2,398 - 2 67 353 - (24) (3) 27
Total adjustments	_	3,075	2,820
Operating cash flows before changes in working capital <u>Changes in working capital</u>		3,674	3,912
Increase in inventories Decrease/(increase) in trade and other receivables Increase in refundable deposits Increase in amount due from a joint venture Increase in prepayments Increase in trade and other payables (Decrease)/increase in other liabilities Decrease in amounts due to directors Increase in contract liabilities		(6) 318 (620) - (202) 820 (85) - 84	(162) (411) (433) (103) (53) 198 579 (213) 98
Total changes in working capital	L	309	(500)
Cash flows from operations Income taxes paid Interest received	-	3,983 (16) 12	3,412 (750) 3
Net cash flows generated from operating activities		3,979	2,665
Investing activities Purchase of property, plant and equipment Cash paid for restoration cost Net cash outflow on acquisition of subsidiaries	A	(3,326) (95) (823)	(3,629) (71) -
Net cash flows used in investing activities	_	(4,244)	(3,700)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018	2017
		\$'000	\$'000
Financing activities			
Dividend paid on ordinary shares Dividends paid to the then existing shareholders of a subsidiary	_	(602) -	(1,412) (1,500)
Net cash flows used in financing activities	_	(602)	(2,912)
Net decrease in cash and cash equivalents		(867)	(3,947)
Effects of exchange rate changes on cash and cash equivalents		_	(15)
Cash and cash equivalents at 1 January		7,405	11,367
Cash and cash equivalents at 31 December	22	6,538	7,405

A. Property, plant and equipment

	Note	2018	2017
		\$'000	\$'000
Current year additions to property, plant and equipment Less: Provision for restoration cost	13 26	(3,593) 267	(3,934) 305
Net cash outflow for purchase of property, plant and equipment	=	(3,326)	(3,629)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

1. Corporate information

1.1 The Company

Katrina Group Ltd. ("the Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 100 Beach Road, Shaw Tower, #16-09/13 Singapore 189702.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

2. Summary of significant accounting policies

21 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal reclassification made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 is disclosed below.

NOTES TO THE NANCIAL STATEMENTS

- 2. Summary of significant accounting policies (cont'd)
- 2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

Exemption applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

The comparative information does not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemption applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I)9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Classification and measurement (cont'd)

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not de-recognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

There is no significant impact arising from measurement of the instruments above under SFRS(I) 9. The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The loss allowances on trade receivables arising from the adoption of SFRS(I) 9 did not have any material effect on the financial statements of the Group and the Company.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 January 2018.

The Group has applied SFRS(I) 15 retrospectively and has assessed that there was no material impact with the adoption of SFRS(I) 15.

The adoption of SFRS(I) including the application of new accounting standards did not have any material impact on the financial statements of the Group and the Company.

NOTES TO THE IANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following FRSs applicable to the Group that have been issued but not yet effective:

Effective for

Description	annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

In addition, the Group plans to elect the following practical expedients:-

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and quantifying the impact of adoption. This is expected to increase its assets, liabilities and EBITDA.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;

NOTES TO THE NANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

- (a) Basis of consolidation (cont'd)
 - recognises any surplus or deficit in profit or loss; and
 - reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquire, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.



2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Computers	3 years
Furniture and fittings	3 - 5 years
Kitchen, office and restaurant equipment	3 - 5 years
Renovation	3 - 5 years
Motor vehicle	5 years
Freehold property	25 years

Construction in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

NOTES TO THE NANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial yearend, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.7 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Propeties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Depreciation of an asset begins when it is available for use and is computed on a straightline basis over the estimated useful life of the asset as follows:

Investment properties

25 years



2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 **Subsidiaries**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Joint venture

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

NOTES TO THE NANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.10 Joint venture (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture is prepared at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEM

2. Summary of significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE NANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

The Group considers a financial asset in default when contractual payments exceed a prescribed number of days past due, as established within the Group's credit risk management practices. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs accounted for on a first-in-first out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 **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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. Summary of significant accounting policies (cont'd)

2.17 Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The undiscounted estimated liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.18 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straightline basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19(c). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE IANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group has satisfied a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sales of food and beverages

Revenue is recognised when the food and beverages are delivered to the customer and all criteria for acceptance have been satisfied at a point in time.

(b) Licence fee

Licence fee is recognised over the licence period of 10 years upon completion of transfer of know-how to the licensee in accordance with the terms stated in the trademark licence agreement.

(c) Rental income

Rental income from (i) hospitality segment arising from operating leases and (ii) investment property is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Interest income

Interest income is recognised using the effective interest method.

2.20 **Taxes**

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE IANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.21 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 **Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - It is not probable that an outflow of resources embodying economic benefits will (i) be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.



2. Summary of significant accounting policies (cont'd)

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the opinion that there is no significant judgement made in applying accounting policies.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Provision for restoration costs

The Group recognises provision for restoration costs when the Group enters into lease agreements for its restaurant premises. In determining the amount of the provision for restoration costs, estimates are made in relation to the expected costs to reinstate the premises back to their original state upon the expiration of the lease terms based on quotations provided by a third-party contractor. The carrying amount of the discounted provision for restoration costs of the Group as at 31 December 2018 were \$1,367,000 (2017: \$1,125,000). If the estimated provision had been 5% higher/lower than management's estimate, the carrying amount of the provision would have been \$68,000 (2017: \$56,000) higher/ lower for the Group.

NOTES TO THE IANCIAL STATEMENTS

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In particular, management assesses impairment of property, plant and equipment of loss making outlets by considering factors such as the maturity of the outlets and operational strategies. Impairment loss on property, plant and equipment recorded for the financial year ended 31 December 2018 was \$88,000 (2017: \$353,000).

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit, including estimating the revenue growth rate for the restaurants and using a suitable discount rate in order to calculate the present value of the cash flows. If the growth rate of forecasted revenue for the restaurant outlets identified as having indications of impairment had been reduced to 0% (2017: lowered by 7%), the impairment amount would have been \$3,000 (2017: \$76,000) higher.

(c) Valuation of intangible assets

The Group has recognised intangible assets as a result of acquisition of subsidiaries. Purchase Price Allocation ("PPA") exercise, which involved identification and valuation of the acquired assets and liabilities as well as estimating the residual goodwill, was performed. The carrying amount of the intangible assets recognised as at 31 December 2018 was \$579,000 (2017: \$nil). Further details of the intangible assets recognised are disclosed in Note 14.

Revenue 4.

Disaggregation of revenue

	Gro	Group		
	2018	2017		
	\$'000	\$'000		
Sales of food and beverage, net of discount Rental income from hospitality segment	64,308 485	57,966 -		
	64,793	57,966		

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for the hospitality segment.

Contract liabilities are recognised as revenue as the Group performs its obligations under the contract.

NOTES TO THE FINANCIAL STATEMEN

Cost of sales 5.

Cost of sales mainly comprises food and beverages cost, payroll cost of restaurant employees, rental of premises and utilities expenses for both restaurants outlets and residential service apartments and other restaurant support costs.

6. Other income

	Gro	up
	2018	2017
	\$'000	\$'000
Government grant		
- PIC bonus	_	62
- SME cash grant	5	50
- Special employment credit	77	63
- Wage credit scheme	87	89
- Work-life grant	20	_
- Workplace health promotion grant	_	15
- Temporary employment credit	1	40
- Skills Development Fund	127	148
- Global company partnership grant	_	49
Interest income	12	3
Rental income from investment property	26	_
Licence fee	10	5
Marketing incentive from beverage suppliers	56	83
Others	95	72
	516	679

The Skills Development Fund ("SDF") is a financing arrangement given by the Workforce Development Authority (WDA) that funds the staff training requirements for employees who are either Singapore Citizens or Singapore Permanent Residents.

7. Finance (costs)/income

	Gro	up
	2018	2017
	\$'000	\$'000
Interest expense on director's loan	(1)	_
Refundable deposit discount adjustment (Note 18) Provisions discount adjustment (Note 26)	(30)	(63) 87
Provisions discount adjustment (Note 26)	(1)	01
	(32)	24

NOTES TO THE FINANCIAL STATEMENTS

8. Other expenses

	Gro	up
	2018	2017
	\$'000	\$'000
Impairment loss on property, plant and equipment	88	353
Provision for lease liability of loss-making outlets	42	_
	130	353

9. Profit before tax

The following expense items have been included in arriving at profit before tax:

	Gro	up
	2018	2017
	\$'000	\$'000
Audit fees:		
- Auditor of the Company	198	158
- Other auditors	22	42
Non-audit fees:		
- Auditor of the Company	34	43
Depreciation of property, plant and equipment (Note 13)	2,670	2,398
Depreciation of investment property (Note 15)	39	_
Employee benefits (Note 10)	22,343	20,581
Commission fees	2,386	1,882
Professional fees	161	380
Fixed rental expense on operating leases	16,805	14,072
Contingent rental expense on operating leases	775	750
Write-off of property, plant and equipment (Note 13)	220	67
Impairment loss on property, plant and equipment	88	353
Provision for lease liability of loss-making outlets	42	

Employee benefits 10.

	Gro	up
	2018	2017
	\$'000	\$'000
Employee benefits expenses (including director's remuneration):		
Salaries, bonuses and other costs Central Provident Fund and other pension costs Other personnel costs	18,759 1,355 2,229	17,162 1,212 2,207
	22,343	20,581

Other personnel costs include staff allowances, housing benefits, training and other employee welfare.

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Gro	up
	2018	2017
	\$'000	\$'000
Consolidated statement of comprehensive income:		
Current income tax - Current year - Over provision in respect of previous years	234 (150)	32 (57)
Deferred income tax - Current year - Under provision in respect of previous years	81 3	74 41
Income tax expense recognised in the consolidated statement of comprehensive income	168	90

Relationship between tax expense and profit before tax

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Gro	up
	2018	2017
	\$'000	\$'000
Profit before tax	599	1,092
Tax at the domestic rates applicable to profits in the countries where the Group operates	146	185
Adjustments:	140	103
Non-deductible items	542	273
Income not subject to taxation	(261)	(69)
Effects of partial tax exemption	(101)	(301)
Over provision in respect of previous years	(147)	(16)
Deferred tax assets not recognised	7	18
Benefits from previously unrecognised tax losses	(18)	_
Total income tax expense	168	90

The Company and its Singapore subsidiaries are subjected to a tax rate of 17%. Katrina Holdings Sdn. Bhd. and PT So Pho International are subjected to tax rates of 24% and 25% respectively.

NOTES TO THE FINANCIAL STATEMENTS

11. Income tax expense (cont'd)

Relationship between tax expense and profit before tax (cont'd)

Deferred tax

Deferred tax as at 31 December relates to the following:

	Consolidate	ed statement position	of financial	Consolio stateme comprehensi	ent of
	31.12.2018		1.1.2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Deferred tax (assets)/liabilities					
Differences in					
depreciation for tax	395	283	175	112	108
purposes Deferred rental	393	203	173	112	100
expense	(78)	(90)	(154)	12	64
Provision for restoration	(450)	(404)	(00)	(0.4)	(44)
cost Deferred revenue	(158) (22)	(124) (16)	(83)	(34) (6)	(41) (16)
Deletted revenue	(22)	(10)		(0)	(10)
	137	53	(62)	84	115
Fair value adjustments					
on acquisition of subsidiaries	5	_	_	_	_
	142	53	(62)	84	115

Unrecognised tax losses

As at 31 December 2018, the Group has tax losses of approximately \$40,000 (2017: \$106,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of Singapore.



12. Earnings per share

Basic earnings per share are calculated by dividing the Group's profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Gro	oup
	2018	2017
	\$'000	\$'000
Profit for the year attributable to owners of the Company	431	1,002
	No. of shares	No. of shares '000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	231,521	231,521

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares during the respective financial years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Computers \$'000	Freehold property \$'000	Furniture and fittings \$'000	Kitchen and restaurant equipment \$'000	Motor vehicle \$'000	Office equipment \$'000	Renovation \$'000	Office Construction equipment Renovation in progress \$'000 \$'000	Total \$'000
Cost									
At 1 January 2017	704	1,450	975	2,228	09	15	10,484	I	15,916
Additions	455	I	479	909	I	I	2,185	209	3,934
Written-off	(64)	I	(53)	(145)	I	(1)	(775)	I	(1,038)
Currency alignment	(1)	I	()	(3)	I	I	(8)	I	(13)
At 31 December 2017 and									
1 January 2018	1,094	1,450	1,400	2,686	09	14	11,886	209	18,799
Additions	221	I	627	638	15	14	1,918	160	3,593
Acquisition of subsidiaries	11	I	24	10	I	2	က	107	157
Transfer to investment property	I	(1,450)	I	I	I	I	I	I	(1,450)
Reclassification	I	I	I	I	I	I	187	(187)	I
Written-off	(61)	I	(15)	(170)	I	I	(1,311)	`I	(1,557)
At 31 December 2018	1,265	I	2,036	3,164	75	30	12,683	289	19,542

Property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

			Furniture	Kitchen and					
Group	Computers \$'000	Freehold property \$'000	and fittings \$'000	restaurant equipment \$'000	Motor vehicle \$'000	Office equipment \$'000	Renovation \$'000	Office Construction equipment Renovation in progress \$'000 \$'000	Total \$'000
Accumulated depreciation:									
At 1 January 2017	538	300	624	1,274	09	41	6,238	I	9,048
Charge for the year	151	28	155	383	I	I	1,651	I	2,398
Written-off	(61)	I	(46)	(123)	I	(1)	(740)	I	(971)
Impairment loss	I	I	I	1	I	I	353	I	353
Currency alignment	(1)	I	(1)	(2)	Ι	I	(7)	I	(11)
At 31 December 2017 and	203	260	707	2007	Ċ.	2	7 405		7 0 0 7
Charge for the year	02/	338 40 40	757	1,332	00	<u>5</u> c	7,495 1705	I	10,817
	707	1 - 0	707	000	-	7	1,703	I	2,070
I ranster to investment property	I	(3/7)	I	I	I	I	I	I	(377)
Written-off	(27)	I	(12)	(124)	I	I	(1,174)	I	(1,337)
Impairment loss	1	I	I	I	I	I	88	Ι	88
At 31 December 2018	832	I	981	1,858	61	15	8,114	1	11,861
Net carrying amount:									
At 31 December 2018	433	ı	1,055	1,306	14	15	4,569	289	7,681
At 31 December 2017	467	1,092	899	1,154	I	_	4,391	500	7,982
At 1 January 2017	166	1,150	351	954	I	_	4,246	ı	6,868

Property, plant and equipment (cont'd)

NOTES TO THE IANCIAL STATEMENTS

13. Property, plant and equipment (cont'd)

Restoration costs

Included in the carrying amount of renovation is provision for restoration costs of \$525,000 (2017: \$455,000).

Impairment of assets

Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In particular, management assesses impairment of property, plant and equipment of loss making restaurants by considering factors such as the maturity of the restaurants and operational strategies.

The recoverable amounts of the property, plant and equipment relating to restaurants with indicators of impairment were determined based on their value in use and the pre-tax discount rate used was between 22% to 24% (2017: 26% to 28%). The management has assessed that the growth rates of the relevant restaurants ranged from 3% to 7% (2017: 3% to 13%) per annum.

An impairment loss of \$88,000 (2017: \$353,000), representing the write down of these plant and equipment to the recoverable amount was recognised in "Other expenses" (Note 8) line item of profit and loss.

Assets written off

Property, plant and equipment amounting to \$220,000 (2017: \$67,000) were written off mainly due to closure of restaurants. These amounts are included in "Administrative expenses".

Construction in progress

Construction in progress mainly comprises renovation costs for outlets which have not commenced operations.

Transfer to investment property

During the year ended 31 December 2018, the Group transferred the freehold property that was held as property, plant and equipment to investment property. The Group has commenced leasing out the unit to third party in October 2018.

NOTES TO THE FINANCIAL STATEME

14. Intangible assets

Group	Goodwill \$'000	Favourable agreement \$'000		Total \$'000
Cost At 31 December 2017 and 1 January 2018 Additions	_ 480	_ 57	- 42	– 579
At 31 December 2018	480	57	42	579
Accumulated amortisation At 31 December 2017 and 1 January 2018 Amortisation	_ _	-	- -	<u>-</u>
At 31 December 2018	_	_	_	_
Net carrying amount: At 31 December 2018	480	57	42	579
At 31 December 2017	_	_		

Goodwill recognised is as a result of acquisition of Tomo Izakaya Pte Ltd ("Tomo") and Straits Organization Pte Ltd ("SOPL") during the year (Note 16).

As at 31 December 2018, the intangible assets (including goodwill) in respect of the acquisition of SOPL on 10 December 2018 have been provisionally determined as the final results of the independent valuation have not been received by the date the financial statements were authorised for issue. The Group has engaged an independent valuer to determine the fair values of the assets and liabilities of Tomo and SOPL acquired.

Accordingly, adjustments will be made on a retrospective basis upon finalisation of the purchase price allocation exercise within one year from the acquisition date.

NOTES TO THE NANCIAL STATEMENTS

15. **Investment property**

Statement of financial position:	\$'000
Cost At 1 January 2017, 31 December 2017, 1 January 2018	_
Transfer from property, plant and equipment	1,450
At 31 December 2018	1,450
Accumulated depreciation At 1 January 2017, 31 December 2017, 1 January 2018	_
Transfer from property, plant and equipment Depreciation charge	377 39
At 31 December 2018	416
Net book value At 31 December 2018	1,034
At 31 December 2017	
At 1 January 2017	_
Statement of comprehensive income:	\$'000
Rental income from investment property	10

Valuation of investment property

The fair value of the freehold properties as of 31 December 2018, based on estimated indicative valuations by accredited independent valuer with recent experience in the location and category of the properties being valued, is \$1,800,000. The valuation is based on the Direct Comparison Method which makes reference to sales of comparable properties with the consideration of their location, tenure, age, floor area, floor level, condition and standard of finishes.

The investment property held by the Group as at 31 December 2018 is as follows:

<u>Description and location</u>	Existing Use	<u>Tenure</u>	
1 Sims Lane, #05-05 One Sims Lane, Singapore 387355	Tenanted	Freehold	

NOTES TO THE **FINANCIAL STATEMENTS**

16. Investment in subsidiaries

		Company		
	31.12.2018	31.12.2017	1.1.2017	
	\$'000	\$'000	\$'000	
Shares, at cost	1,165	1,165	1,165	
Amount due from subsidiary (non-trade)	4,896	_	_	
	6,061	1,165	1,165	

The amount due from subsidiary represents part of net investment are unsecured and noninterest bearing. Settlement of the amount due is neither planned nor likely to occur in the foreseeable future and they are repayable only when the cash flows of the subsidiary permit.

Composition of the Group

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31.12.18 31.12.17 1.1.17		erest
	Held by the Company					
(1)	Katrina Holdings Pte.Ltd. ("KHPL")	Singapore	Investment holding and restaurants operator	100	100	100
(1)	Straits Organization Pte Ltd	Singapore	Residential real estate management	100	_	_
	Held by Katrina Holdings Pte. Ltd.					
(1)	Bali Thai Food Catering Pte. Ltd.	Singapore	Provision of services to related companies	100	100	100
(1), (4	Bayang At The Quay Pte. Ltd.	Singapore	Dormant	100	100	100
(1), (5	Renn Thai Pte Ltd	Singapore	Dormant	100	100	100
(2)	Beijing BaliThai Restaurants Co., Ltd. ("BJBT")	People's Republic of China	Restaurant operator	_	100	100
(1)	Katrina International Pte. Ltd. ("KIPL")	Singapore	Investment holding and manufacturing and distribution of food	100	100	100
(1)	Tomo Izakaya Pte Ltd	Singapore	Restaurant operator	100	_	_

NOTES TO THE FINANCIAL STATEMENTS

16. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

	Name	Country of incorporation	Principal activities	Proportion owners 31.12.183	hip int	erest
	Held by the Company					
(1)	Katrina Holdings Pte.Ltd. ("KHPL")	Singapore	Investment holding and restaurants operator	100	100	100
(1)	Straits Organization Pte Ltd	Singapore	Residential real estate management	100	_	_
Held by Katrina International Pte. Ltd.						
(3)	Katrina Holdings Sdn. Bhd. ("KHSB")	Malaysia	Dormant	100	100	100
(6)	PT So Pho International	Indonesia	Restaurant operator	100	_	_

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

Liquidated in June 2018.

The entire equity interest, previously held in trust by Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah, was transferred to KIPL on 13 February 2018 for a consideration of RM100.

Operation was transferred to KHPL with effect from 1 December 2018.

Operation was transferred to KHPL with effect from 1 September 2018.

Incorporated on 24 September 2018 with a share capital of IDR11,600,000,000.

16. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries

(a) Tomo Izakaya Pte Ltd ("TIPL")

On 1 October 2018, Katrina Holdings Pte Ltd, acquired 100% equity interest in TIPL, a restaurant operator in Singapore. Upon the acquisition, TIPL became a wholly-owned subsidiary of the Group.

The fair value of the identifiable assets and liabilities of TIPL as at the acquisition date were:

were.	Fair value recognised on acquisition \$'000
Property, plant and equipment Favourable agreement (Intangible asset) Tax recoverable Trade and other receivables Refundable deposits Prepayments Inventories Cash and cash equivalents	25 57 17 34 373 11 35 268
	820
Trade and other payables Accruals Provision Deferred tax liabilities	(220) (77) (50) (7)
	(354)
Total identifiable net assets at fair value Goodwill arising from acquisition	466 468
Total cash consideration	934
Effect of the acquisition of TIPL on cash flow: Total consideration for 100% equity interest acquired Less: Cash and cash equivalents of subsidiary acquired	934 (268)
Net cash outflow on acquisition	666

16. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Straits Organizations Pte Ltd ("SOPL")

On 10 December 2018, the Group acquired 100% equity interest in SOPL. SOPL is in the hospitality segment, providing residential apartments to customers in Singapore.

The provisional fair value of the identifiable assets and liabilities of SOPL as at the acquisition date were:

	Fair value recognised on acquisition \$'000
Property, plant and equipment Customer contracts (intangible asset) Deferred tax assets Trade and other receivables Refundable deposits Prepayments Cash and cash equivalents	132 42 2 316 712 173 201
	1,578
Trade and other payables Other liabilities Contract liabilities Shareholder loan (Note A)	(142) (600) (393) (455)
	(1,590)
Total identifiable net assets at fair value Goodwill arising from acquisition	(12) 12
Total cash consideration paid based on Estimated NTA (Note A) Adjustment of purchase consideration due from	(358)
director (Note A) (Note 21)	358
Adjusted cash consideration (Note A)	*
Effect of the acquisition of SOPL on cash flow:	
Total consideration for 100% equity interest acquired Less: Cash and cash equivalents of subsidiary acquired	358 (201)
Net cash outflow on acquisition	157

denotes amount less than \$1,000

16. Investment in subsidiaries (cont'd)

Note A

In accordance with the sales and purchase agreement ("SPA") dated 13 November 2018 entered between the Group and Mr Alan Goh Keng Chian (the "Director"), the purchase price for the acquisition of SOPL and its subsidiaries ("SOPL group") was ascertained to be \$358,000 based on the estimated net tangible assets of SOPL group as at 30 November 2018 ("Estimated NTA"). If the actual net tangible asset of SOPL group as at 30 November 2018 differs from the Estimated NTA, both parties have agreed that the purchase price shall be adjusted proportionately.

As at 30 November 2018, SOPL group was in a net tangible liabilities position of \$50,494.

In accordance with the SPA, the purchase price is adjusted to \$1.

Accordingly, the Director will refund to the Group an amount of \$357,999 being the purchase consideration paid based on the Estimated NTA.

Subsequent to the financial year end, the Director has entered into a mutual agreement with SOPL on 8 April 2019 (the "Agreement") to waive the principal amount of \$50,495 (out of shareholder loan of \$455,000 as at 31 December 2018), to satisfy the consequential adjustment of the purchase price of the acquisition to \$1.

17. Investment in joint venture

The Group has 30% (2017: 30%) interest in the ownership and voting rights in a joint venture, So Pho International Limited ("SIPL") that is held through a subsidiary. This joint venture is incorporated in British Virgin Islands.

The Group has not recognised losses relating to SIPL as its share of losses exceeds the Group's cost of investment of \$48 in the joint venture. The Group's cumulative share of unrecognised losses at 31 December 2018 was \$22,000. The Group has no obligation in respect of these losses. As at 31 December 2017, the joint venture has not commenced operations.

18. Refundable deposits

	Group		
	31.12.2018	31.12.2017	1.1.2017
Current	\$'000	\$'000	\$'000
Refundable rental deposits Utilities deposits	2,260 153	1,336 94	1,067 65
Other refundable deposits	162	5	16
	2,575	1,435	1,148
Non-current			
Refundable rental deposits	4,375	3,806	3,754
Utilities deposits	243	231	231
Other refundable deposits	87	133	102
	4,705	4,170	4,087
Total refundable deposits	7,280	5,605	5,235

Included in the refundable rental deposits is an impact arising from discounting to present value of \$30,000 (2017: \$63,000), recognised as a finance cost.

Other refundable deposits of the Group mainly comprise design and fittings deposits placed with landlords.

19. **Inventories**

	31.12.2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
Consolidated statement of financial position: Raw materials (at cost)	203	162	_
		Gro 2018	2017
Consolidated statement of comprehensive income inventories recognised as an expense in profit or loss	e <i>:</i>	\$'000 13,100	\$'000 11,489

20. Trade receivables

Trade receivables – food and beverage sector

Trade receivables are non-interest bearing and are generally within 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables – hospitality sector

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

As at 31 December 2018, 31 December 2017 and 1 January 2017, the Group has no trade receivables that are past due but not impaired at the end of each of the reporting period.

21. Other receivables

	Group			Company		
	31.12.2018 \$'000	31.1.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	31.1.2017 \$'000	1.1.2017 \$'000
Grants receivables	133	224	221	_	_	_
Other debtors Amount due	209	82	11	_	_	_
from a director Amount recoverable	358	102	-	358	_	_
from a director	50	_	_	_	_	_
Total other receivables Add:	750	408	232	358	-	-
Trade receivables (Note 20)Refundable deposit	837	788	553	-	-	-
(Note 18) - Amount due from a joint	7,350	5,605	5,235	-	-	_
venture - Amount due from	103	103	-	-	-	_
subsidiaries - Cash and cash equivalents	-	-	-	2,466	7,257	5,535
(Note 22)	6,538	7,405	11,367	241	1,164	3,471
Total loans and receivables	15,578	14,309	17,387	3,065	8,421	9,006

21. Other receivables (cont'd)

Grants receivables of the Group mainly relate to payroll-related grants.

Amount due from a director

Amount due from a director is related to the purchase consideration for acquisition of SOPL group paid by the Company and is unsecured and non-interest bearing. It is repayable within seven days from the date of the Agreement (Note 16).

Amount recoverable from a director

Amount recoverable from a director is as a result of adjusting the purchase price on acquisition of Straits Organization Pte Ltd and its subsidiaries ("SOPL group") to \$1 due to SOPL group being in net liabilities position of \$50,494 on 30 November 2018. Subsequent to year end, this amount is settled via waiver of shareholder loan as disclosed in Note 16.

Amount due from a joint venture

Amount due from a joint venture is non-trade related, unsecured, non-interest bearing and repayable upon demand.

Amount due from subsidiaries

Amount due from subsidiaries are non-trade related, unsecured, non-interest bearing and are repayable upon demand. In the prior year, included in the balance was a loan due from a subsidiary of \$700,000 which was unsecured and non-interest bearing. The loan was repaid in full during the year.

22. Cash and cash equivalents

		Group	Group			
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand Short-term	6,538	6,404	11,367	241	163	3,471
deposits		1,001	_	_	1,001	_
Cash and short- term deposits	6,538	7,405	11,367	241	1,164	3,471
				_		

Cash at banks earn interest at floating rates based on daily bank deposits rates. In the prior year, short-term deposits were made for varying periods depending on the immediate cash requirements of the Group and the Company, and earned interests ranging from 0.79% to 0.86% per annum.

23. Trade and other payables

	31.12.2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
<i>Current</i> Trade payables	1,959	1,724	1,583	-	_	_
Other payables: CPF and salaries						
payables GST payable	1,980 431	1,755 406	1,826 489	231 34	221 32	-
Deferred rental expense	200	222	196	_	_	_
Other creditors	1,535	762	575	54	5	
	6,105	4,869	4,669	319	258	-
Non-current Deferred rental expense	257	311	313	_	_	_
Total trade and other payables Add:	6,362	5,180	4,982	319	258	-
- Other liabilities (Note 25) - Amounts due to	2,567	1,933	1,354	361	352	63
directors (Note 24) Less:	455	-	1,713		-	_
- GST payable - Deferred rental	(431)	(406)	(489)	(34)	(32)	-
expense	(457)	(533)	(509)	-	-	_
Total financial liabilities carried at amortised						
cost	8,496	6,174	7,051	646	578	63

Trade and other payables

These amounts are non-interest bearing and are normally settled on 30 to 60 days terms.

Deferred rental expense

The deferred rental balance represents a deferred rental liability resulting from the straightlining effect of the operating lease on restaurant premises.

24. Amounts due to directors

As at 31 December 2018, the amounts due to directors relate to a loan advanced by a director to a subsidiary for working capital purposes. The loan bears interest at 3% interest per annum and is repayable in 2021. The loan was fully repaid in January 2019.

25. Other liabilities

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued operating						
expenses	573	682	449	70	38	63
Accrued bonus Advances received from	982	979	679	282	309	-
customers Accrued unconsumed	676	7	15	-	_	-
leave	336	265	211	9	5	_
	2,567	1,933	1,354	361	352	63

26. **Provision**

Provision for restoration costs refer to the estimated cost to reinstate the leased restaurant premises to their original state upon the expiration of the lease terms.

Movements in provision for restoration costs:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
At 1 January	1,125	978	883
Additions	267	305	126
Acquisition of a subsidiary	69	-	-
Utilisation	(95)	(71)	(31)
Discount rate adjustment	1	(87)	
At 31 December	1,367	1,125	978
Current	414	277	211
Non-current	953	848	767
At 31 December	1,367	1,125	978

27. Share capital

	31.12.		Group and 31.12.		1.1.2	017
	No. of shares '000	\$'000	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:						
At 1 January and 31 December	231,521	8,192	231,521	8,192	231,521	8,192

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

28. Reserves

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Statutory reserve fund	_	1	1
Foreign currency translation reserve	(1)	20	10
	(1)	21	11

(a) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary was required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders. During the year, the subsidiary has been liquidated and the statutory reserve fund has been reclassed to retained earnings accordingly.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

29. **Dividends**

	Group and	Group and Company	
	2018	2017	
	\$'000	\$'000	
Declared and paid/payable during the financial year: Dividend on ordinary shares:			
- Final exempt dividend for 2017: 0.26 (2016: 0.61) cents			
per share	602	1,412	
	602	1,412	
Proposed but not recognised as liabilities as at 31 December:			
Dividend on ordinary shares, subject to shareholders' approval at AGM:			
- Final exempt dividend for 2018: Nil (2017: 0.26) cents			
per share		602	

30. Related party transactions

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) Significant related party transactions

	Gro	Group	
	2018	2017	
	\$'000	\$'000	
Joint venture			
Licence fee from a joint venture of a subsidiary		103	

30. Related party transactions (cont'd)

(b) Compensation of key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Group. The directors of the Group and the key management of the Group are considered as key management personnel of the Group.

	Group	
	2018	2017
	\$'000	\$'000
Directors' fees Salaries, bonuses and other costs Central Provident Fund and other pension costs Other short-term benefits	121 1,146 41 37	121 1,185 39 36
	1,345	1,381
Comprise amounts paid to: Directors of the Company Other key management personnel	1,143 202	1,192 189
	1,345	1,381

31. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

		Group		
	31.12.2018	31.12.2017	1.1.2017	
	\$'000	\$'000	\$'000	
Capital commitments in respect of property, plant and equipment	460	550	_	

(b) Operating lease commitments – as lessee

The Group has entered into commercial leases relating to the restaurant premises and residential apartments (hospitality segment). These non-cancellable leases have remaining non-cancellable lease terms of 1 to 3 years. Lease terms do not contain restriction on the Group's activities concerning dividends, additional debt or further leasing.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$16,805,000 (2017: \$14,072,000).

31. Commitments (cont'd)

(b) Operating lease commitments – as lessee

Future minimum rental payable under non-cancellable operating leases at the end of the reporting periods are as follows:

		Group		
	31.12.2018	31.12.2017	1.1.2017	
	\$'000	\$'000	\$'000	
Not later than one year Later than one year but not later than five	19,989	14,397	12,561	
years	15,188	14,161	14,056	
	35,177	28,558	26,617	

Under the terms of certain lease arrangements relating to restaurant premises, the Group is required to pay a monthly contingent rental expense on operating leases, computed based on a certain percentage of monthly gross revenue generated by the Group's operations at the leased premises. The base lease rental for 40 (2017: 33) lease arrangement increases over the lease terms. Contingent rental expenses on operating leases recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to \$775,000 (2017: \$750,000).

(c) Operating lease commitments – as lessor

The Group has entered into residential apartment leases and commercial property lease on its investment property. These non-cancellable leases have remaining lease terms of maximum 2 years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting periods are as follows:

	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Not later than one year Later than one year but not later than	1,190	_	_
five years	166	_	_
	1,356	_	_

32. Fair value of financial instruments

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follow:

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the assets or liability.

Fair value measurement that uses inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Except for the refundable deposits, the carrying amount of the remaining financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period. The Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

(b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Significant unobservable inputs (Level 3)		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Group Assets			
Refundable deposits	7,354	5,605	5,235

Determination of fair value

The fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements at the end of the reporting period.

32. Fair value of assets and liabilities (cont'd)

(c) Assets not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value at 31 December 2018 but for which fair value is disclosed:

	Significant unobservable inputs (Level 3)		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Group Asset			
Investment property (Note 15)	1,034	_	_

33. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The directors review and agree policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating:
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations:
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. In analysing the expected credit losses, the Group also incorporates forward looking information based on the forecasted gross domestic product and economic conditions. Accordingly, the expected credit losses for the Group is immaterial.

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Group has no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed trade receivables (Note 20).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

To manage liquidity risk, the Group monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less \$'000	One to five years \$'000	Total \$'000
Group	•		•
31.12.2018 Financial assets:			
Trade receivables	837	_	837
Other receivables	750	_	750
Refundable deposits	2,575	4,735	7,310
Amount due from a joint venture	103	_	103
Cash and cash equivalents	6,538	_	6,538
Total undiscounted financial assets	10,803	4,735	15,538
Financial liabilities:			
Trade and other payables	5,474	_	5,474
Other liabilities	2,567	_	2,567
Amounts due to directors		455	455
Total undiscounted financial liabilities	8,041	455	8,496
Total net undiscounted financial assets	2,762	4,280	7,042

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	One year or less	One to five vears	Total
	\$'000	\$'000	\$'000
Group	,	,	,
31.12.2017 Financial assets:			
Trade receivables	788	_	788
Other receivables	408	_	408
Refundable deposits	1,435 103	4,233	5,668 103
Amount due from a joint venture Cash and cash equivalents	7,405	_	7,405
Total undiscounted financial assets	10,139	4,233	14,372
Financial liabilities: Trade and other payables	4,241	_	4,241
Other liabilities	1,933	-	1,933
Total undiscounted financial liabilities	6,174	-	6,174
Total net undiscounted financial assets	3,965	4,233	8,198
	_		
	One year or		Total
	less	years	Total
Group	•		Total \$'000
Group 1.1.2017	less	years	
•	less	years	
1.1.2017 Financial assets: Trade receivables	less \$'000 553	years	\$'000 553
1.1.2017 Financial assets: Trade receivables Other receivables	less \$'000 553 232	years \$'000 - -	\$'000 553 232
1.1.2017 Financial assets: Trade receivables	less \$'000 553	years	\$'000 553
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits	553 232 1,148	years \$'000 - -	\$'000 553 232 5,235
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits Cash and cash equivalents Total undiscounted financial assets	553 232 1,148 11,367	years \$'000 - - 4,087 -	\$'000 553 232 5,235 11,367
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits Cash and cash equivalents Total undiscounted financial assets Financial liabilities:	553 232 1,148 11,367	years \$'000 - - 4,087 -	\$'000 553 232 5,235 11,367 17,387
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits Cash and cash equivalents Total undiscounted financial assets	553 232 1,148 11,367	years \$'000 - - 4,087 -	\$'000 553 232 5,235 11,367
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits Cash and cash equivalents Total undiscounted financial assets Financial liabilities: Trade and other payables	553 232 1,148 11,367 13,300	years \$'000 - - 4,087 -	\$'000 553 232 5,235 11,367 17,387
1.1.2017 Financial assets: Trade receivables Other receivables Refundable deposits Cash and cash equivalents Total undiscounted financial assets Financial liabilities: Trade and other payables Other liabilities	553 232 1,148 11,367 13,300	years \$'000 - - 4,087 -	\$'000 553 232 5,235 11,367 17,387 3,984 1,354

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	31.12.2018 One year or less	31.12.2017 One year or less	1.1.2017 One year or less
Company	\$'000	\$'000	\$'000
Company			
Financial assets: Amount due from director Amounts due from subsidiaries Cash and cash equivalents	358 2,466 241	- 7,257 1,164	5,535 3,471
Total undiscounted financial assets	3,065	8,421	9,006
Financial liabilities: Trade and other payables Other liabilities	285 361	226 352	- 63
Total undiscounted financial liability	646	578	63
Total net undiscounted financial assets	2,419	7,843	8,943

34. **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital comprises equity attributable to the owners of the Company.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

As at 31 December 2018 and 2017, the Group is in a net cash position.

35. **Segment information**

Business segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products sold and services rendered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, and serves different markets.

The Group is organised into four operating business segments, namely:

- Hospitality; and (a)
- (b) Food and beverage

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Geographical information

The Group operates in Singapore and Indonesia.

For the year ended 31 December 2018 and 2017, all revenue presented in the consolidated statement of comprehensive income is generated from the Singapore market.

As at 31 December 2018 and 2017, all property, plant and equipment and intangible assets presented in the consolidated statement of financial position pertains to the Singapore market.

36. Authorisation of financial statements for issue

The financial statements of the Group for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 8 April 2019.

SHAREHOLDINGS **STATISTICS**

Issued and Fully Paid-Up Capital \$\$8,683,006 No. of Ordinary Shares 231,521,008

No. of Treasury Shares and percentage Nil No. of Subsidiary Holdings Held and percentage Nil

Class of Shares **Ordinary Shares**

Voting Rights One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

	No. of		No. of	
Size of Shareholdings	Shareholders	%	Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	40	7.56	24,400	0.01
1,001 - 10,000	159	30.06	1,102,000	0.48
10,001 - 1,000,000	323	61.06	20,872,900	9.01
1,000,001 AND ABOVE	7	1.32	209,521,708	90.50
TOTAL	529	100.00	231,521,008	100.00

TWENTY LARGEST SHAREHOLDERS

S/No.	Name	No. of Shares	%
1	Alan Goh Keng Chian	104,732,404*	45.24
2	Madaline Catherine Tan Kim Wah	97,860,504	42.27
3	OCBC Securities Private Limited	1,723,100	0.74
4	DBS Nominees (Private) Limited	1,507,700	0.65
5	Soh Kian Thiam	1,300,000	0.56
6	Sasikumaran Pillai S/O Manmathan Pillai	1,214,000	0.52
7	Tan Kay Toh Or Yu Hea Ryeong	1,184,000	0.51
8	James Alvin Low Yiew Hock	800,000	0.35
9	Chong Kin Wai	740,000	0.32
10	CGS-CIMB Securities (Singapore) Pte. Ltd.	706,700	0.31
11	Tan Qianshan (Chen Qianshan)	600,000	0.26
12	Citibank Nominees Singapore Pte Ltd	540,000	0.23
13	Raffles Nominees (Pte.) Limited	437,600	0.19
14	Lim Boon Ker	400,000	0.17
15	Loh Hung Sing	400,000	0.17
16	UOB Kay Hian Private Limited	350,000	0.15
17	Hu Wenyuan	328,000	0.14
18	Goh Shen Shu Donovan	327,200	0.14
19	Ang Chai Cheng	280,000	0.12
20	Toh Sock Kuan	280,000	0.12
	TOTAL	215,711,208	93.16

^{*} This does not include the 62,000 ordinary shares purchased on 26 March 2019, which was yet to be credited as at 29 March 2019.

SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

As at 29 March 2019

	Direct Interest		Deemed Interest	
Substantial Shareholder	No. of Shares	%	No. of Shares	%
Alan Goh Keng Chian	104,794,404(3)	45.26	97,860,504	42.27
Madaline Catherine Tan Kim Wah	97,860,504	42.27	104,794,404(3)	45.26

Notes:

- (1) Mr Alan Goh Keng Chian is deemed to be interested in 97,860,504 shares held by his spouse, Ms Madaline Catherine Tan Kim Wah in the capital of the Company.
- (2) Ms Madaline Catherine Tan Kim Wah is deemed to be interested in 104,794,404 shares held by her spouse, Mr Alan Goh Keng Chian in the capital of the Company.\
- (3) This includes the 62,000 ordinary shares acquired on 26 March 2019 but yet to be credited as at 29 March 2019.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 29 March 2019 approximately 12.33% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with the Rule 723 (at least 10% held at public) of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Katrina Group Ltd. (the "Company") will be held at 4 Robinson Road, #04-01 The House of Eden, Singapore 048543 on Tuesday, 30 April 2019 at 2.00 p.m. (the "AGM") to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Independent Auditor's Report thereon.

Resolution 1

2. To note the retirement of Mr Chow Wen Kwan, a Director who is retiring pursuant to Regulation 117 of the Company's Constitution and who is not seeking re-election.

[See Explanatory Note (i)]

3. To re-elect Ms Madaline Catherine Tan Kim Wah, a Director of the Company retiring pursuant to Regulation 117 of the Company's Constitution.

Resolution 2

[See Explanatory Note (ii)]

4. To approve the payment of Directors' fees of S\$121,000 for the financial year ended 31 December 2018. (FY2017: S\$121,000)

Resolution 3

To re-appoint Messrs Ernst & Young LLP as the Auditor of the Company and authorise the Directors 5. of the Company to fix their remuneration.

Resolution 4

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolution, with or without any amendments:

7. Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of Singapore Exchange Securities Trading Limited ("SGX-ST")

Resolution 5

That pursuant to Section of 161 of the Companies Act and Rule 806 of Catalist Rules of the SGX-ST, authority be and is hereby given to the Directors of the Company:-

- allot and issue share in the capital of the Company ("Shares") (whether by way of (a) (i) rights, bonus or otherwise); and/or
 - make or grant offers, agreements or options (collectively, "Instruments") that (ii) might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force); issue Shares in pursuance of the Instruments made or granted by the Directors while this Resolution was in force.

provided that:

- the aggregate number of Shares to be issued pursuant to this Resolution (including Shares (1) to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 100 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 50 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with the sub-paragraph (2) below);
- (2)subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - new Shares arising from the conversion or exercise of convertible securities; (a)
 - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3)in exercising the authority conferred by this Resolution, the Company shall comply with the provision of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and
- (4) unless revoked or varied by the Company in general meeting, such authority conferred shall continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

By Order of the Board

Wong Siew Chuan Wee Woon Hong Company Secretaries

Singapore, 15 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- Mr Chow Wen Kwan will, upon retirement as a Director of the Company, be relinquishing his position as Independent Director of the Board, Chairman of Remuneration Committee and member of Audit and Nominating Committees.
- (ii) Ms Madaline Catherine Tan Kim Wah will, upon re-election as a Director of the Company, remain as an Executive Director. Please refer to Table C of the Corporate Governance Report on pages 57 to 60 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.
- (iii) The Ordinary Resolution 5 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next annual general meeting of the Company. or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares, excluding treasury shares. For issues of Shares other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued shares, excluding treasury shares at the time this resolution is passed.

Notes:-

- a. (1) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.
 - (2) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.
 - "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.
- A proxy needs not be a member of the Company.
- c. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Company's Registered Office at 100 Beach Road, #16-09/13 Shaw Tower, Singapore 189702 not less than 72 hours before the time appointed for holding the AGM.
- The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
- e. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

KATRINA GROUP LTD.

(Company Registration No. 201608344N) (Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT:

- 1. An Investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SPS Approved Nominees to appoint the Chairman of the AGM to act as their proxy. In which case, the CPF and SRS Investors shall be precluded from attending the AGM.
- This proxy form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purported to be used by them.

'l/We,		(Name)		(1	IRIC/Passport No.)	
of	a member/members of Katrina Group Ltd.				(Address	
being	a member/members of Katrina Group Ltd.	(the "Company"), hereby appoint:				
Nan	10	NRIC/Passport No.	Pro	Proportion of Shareholdings		
			No.	of Shares	%	
Add	ress					
and/d	or (delete as appropriate)					
Nan	16	NRIC/Passport No.	Pro	Proportion of Shareholdings		
			No.	No. of Shares		
Add	ress					
or abs	stain from voting at his/her discretion.	ny other matter arising at the AGM and at a	ny adjournment th	nereof, the pro	xy/proxies will vote	
directi or abs			ny adjournment th	Pereof, the pro	xy/proxies will vote Against	
directi or abs	stain from voting at his/her discretion. colutions put to the vote at the AGM shall b		ny adjournment th			
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No. 1. 2. 3. 4. Pleas	Resolutions ORDINARY BUSINESS Adoption of the Directors' Statement and the Group for the financial year ended 3' Report thereon Re-election of Ms Madaline Catherine Tal Approval of payment of Directors' Fees of Re-appointment of Messrs Ernst & Young remuneration SPECIAL BUSINESS Authority to allot and issue shares pursus Singapore e indicate your vote "For" or "Against" with solutions and the AGM shall be solved in the AGM	nd the Audited Financial Statements of the 1 December 2018 together with the Indeperan Kim Wah as a Director \$\$121,000 for the financial year ended 31 for the Auditor and authorise the Director authors the Auditor and authorise the Director to Section 161 of the Companies Act, with a tick [\forall] within the box provided. Alter	December 2018 ctors to fix their	For indicate the n	Against	
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Signature of Shareholder(s) or Common Seal of Corporate Shareholder

^{*} Delete where inapplicable

Notes:

- 1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
- 2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.
- 3. A proxy need not be a member of the Company.
- 4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 100 Beach Road, #16-09/13 Shaw Tower, Singapore 189702 not less than 72 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
- 5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
- 6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
- 7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50.
- 8. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 15 April 2019.



(Company Registration Number: 201608344N)
(Incorporated in the Republic of Singapore on 31 March 2016)

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