Katrina

GROUP LTD.

ANNUAL REPORT 2017

AN **ESTABLISHED** AND **RECOGNISED F&B GROUP** WITH **MULTI-CUISINE CONCEPTS**

CONTENTS

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"). The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by SGX-ST. SGX-ST and the Sponsor 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, Hong Leong Finance Limited, at 16 Raffles Quay, who can be contacted at 16 Raffles Quay, #02-05 Hong Leong Building, Singapore 048581, Telephone: +65 6415-9886.

CORPORATE PROFILE

With an established history since 1995, Katrina Group Ltd. ("Katrina Group" or the "Group") is a Food & Beverage Group that specialises in multi-cuisine concepts and restaurant operations. The Group owns and operates 39 restaurants in Singapore and one restaurant in the People's Republic of China (the "PRC") under nine different proprietary F&B brands, namely, Bali Thai, Streats, Honguo, So Pho, Indobox, Muchos, RENNthai, Bayang and Hutong. These brands serve a multitude of cuisines, namely Indonesian, Thai, Hong Kong, Yunnan, Northern Chinese, Mexican and Vietnamese.

Katrina Group 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 nine brands, five are casual dining brands and four are mid-ranged dining brands, all strategically located in convenient and high foot traffic locations. In addition, four of the Katrina Group's brands – Bali Thai, Streats, So Pho and Indobox – are Halal-certified.

MID-RANGED DINING BRANDS

Bayang

Indo Bar & Restaurant

www.bayang.com.sg

- Clarke Quay

RENNthai

Contemporary Thai Restaurant

www.rennthai.com.sg

- Clarke Quay

MUCHOS

Mexican Bar & Restaurant

www.muchos.com.sg

- Clarke Quay
- Plaza Singapura

胡 Hutong 同

Taste of China

www.hutong.com

- Clarke Quay

CASUAL DINING **BRANDS**

BALI THAI

Indonesian & Thai Restaurant

www.balithai.com.sg

- Causeway Point
- IMM Building
- NEX
- Resort World Sentosa
- The Seletar Mall
- Suntec City
- Waterway Point
- Ngee Ann City

streats

Asian Cafe

www.streats.com.sg

- Bukit Panjang Plaza
- City Square Mall
- E!Hub Downtown East
- IMM Building
- NEX
- Resort World Sentosa
- Bedok Mall
- West Mall
- Suntec City
- Tampines 1 (coming soon)

SO PHO

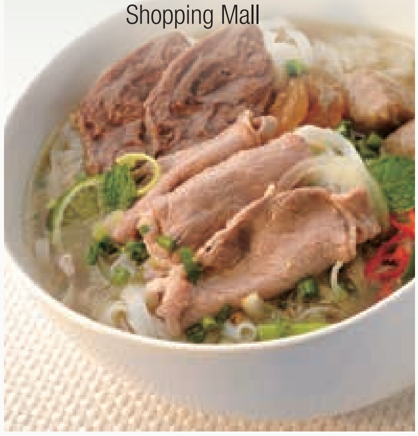
Vietnamese Cafe

www.sopho.com.sg

- JEM
- Tampines Mall
- Paragon
- Novena Square
- Parkway Parade
- NEX
- Waterway Point
- Marina One
- VivoCity
- The Clementi Mall
- Northpoint City
- Causeway Point
- Jewel Changi Airport (coming soon)

CHINA, SHANGHAI

- BaiLian Chuansha Shopping Mall



INDOBOX

Indonesian Cafe

www.indoboxcafe.com.sg

- ION Orchard
- JEM

红锅 HONGUO

Specialties from Yunnan

www.honguo.com.sg

- Bugis Junction
- NEX
- Raffles City

CHAIRMAN AND **CEO'S STATEMENT**

MR ALAN GOH KENG CHIAN
Founder, Executive Chairman and CEO

THE DIRECTORS HAVE PROPOSED A FINAL DIVIDEND OF 0.26 CENTS PER SHARE OR A 60% OF THE GROUP'S NET PROFITS FOR FY2017

FY 2017 REVENUE

$58.0 MILLION

DEAR SHAREHOLDERS,

FY2017 has been another productive year for Katrina Group despite it being a volatile year filled with many uncertainties brought about by the challenging economic environment across the Food & Beverage industry. We have made significant progress towards our strategic aims and objectives, along with further improvements to ensure resilience and long-term sustainable growth.

In the face of a lacklustre economic environment, consumer spending in the restaurant sector for the 12 months in 2017 saw an average decline of 5% month-on-month at constant prices, leading to a decrease in profitability to $1 million.

However, the Group remains steadfast in our commitment to all our stakeholders and in achieving our 2017 objectives. Our expansion initiatives this year has broadened our consumer reach, with revenue increasing 2% to $58 million, reflecting the increase of online sales and overall increase in revenue from our three main brands, namely Bali Thai, Streats and So Pho.

INVESTING FOR THE FUTURE

We set out FY2017 with a three-pronged strategy. Our first objective was to broaden our reach in Singapore by taking advantage of the softer demand to expand in strategic locations which would have been otherwise unavailable. As such, in addition to the following new outlets we now have 39 operating restaurants in shopping malls across Singapore, including the following new restaurants:-

So Pho Brand
- Causeway Point
- Clementi Mall
- Marine One
- Northpoint City
- VivoCity

Streats Brand
- Bedok Mall
- Suntec City
- West Mall

Simultaneously, we established the foundation for our regional expansion plans by entering into a strategic partnership with Ajisen China, setting up So Pho

International Limited (the "JV Company") to introduce the So Pho brand into the China and Hong Kong markets. The JV Company opened its first So Pho restaurant in January 2018, in BaiLian Chuansha Shopping Mall in Chuansha New Town, Shanghai and is expected to open the second in Tianhe Cheng Shopping Mall, the busiest district in Guangzhou in May 2018. We are optimistic that this partnership will extend our regional reach and bring the Group's brand equity to greater heights in the new financial year.

The online food delivery trend continues to grow in Singapore, with the Singapore market estimated to be worth $250 million in 2017 and $600 million by 2021. We saw this change in consumer trends as an opportunity to diversify service offerings to our customers and expand sales beyond the capacity of our restaurants. In addition to our existing proprietary delivery service, we have partnered up with more food delivery service providers. We are proud to announce that all of the Group's nine brands are now available on every leading food delivery platform. Coupled with efforts in online marketing, we saw a boost in revenue in this key segment, from $2.5 million in FY2016 to $6.3 million in FY2017.

As we continue to invest our resources for further growth, it is important to ensure that our staff and systems evolve together with the changes in company and market trends. We introduced the integration of technology into our business processes and operating system with the aim of increasing effectiveness and efficiency. The implementation of the Enterprise Resource Planning (ERP) and integration of Points Of Sale (POS) systems to the SAP system will allow the automation of back-office functions to reduce manpower in restaurants while maintaining food quality and lowering long term operating costs. In addition, we sent staff for training to ensure that they are well-equipped to adapt to changing environments and support the Group in its expansion goals.

OUTLOOK

As the F&B industry continues to face headwinds with shortages in the labour market, cautious consumer spending and tough competition, the year ahead is expected to remain fraught with challenges. Nevertheless, we are confident that our strategic direction, diverse portfolio and dedication will see Katrina Group ride through these difficulties as we take on opportunities in the midst of adversity.

We will continue to improve our efficiency and productivity across our businesses to prepare ourselves for an eventual turnaround in the industry. While we remain focused on delivering high quality and reliable services, we also look forward to a more aggressive approach for our expansion plans in the coming year.

FUTURE

While we continue to focus on building sustainable growth in our existing operations and stay competitive, we will build on working with strategic partners to create greater awareness for our brands across the region. China and Hong Kong present a multitude of possibilities for expansion and we look forward to assessing the viability of these markets as economic indicators improve. To support our growth, we are also increasing operating efficiency across the Group. We will explore a spectrum of dedicated solutions to counteract manpower constraints and delve further into managing costs through automation and information technology to achieve higher levels of productivity.

DIVIDENDS

The Group's achievements would not have been possible without the support of our valued shareholders. To express our gratitude, the Board proposes a final dividend of 0.26 cents per share for FY2017, which represent a payout ratio of approximately 60% of the Group's net profit for FY2017.

IN APPRECIATION

Katrina Group is a company that has been built on the experiences, hard work and commitment of its people.

I would like to express my sincere appreciation to our Board, for their invaluable guidance and contribution that has helped steer the Group through challenges faced during the year. I would like to express my deepest gratitude to our management team and our employees for their hard work, commitment and tenacity during challenging times. Their dedication drives our company day to day.

Last but not least, I would like to thank all our customers, suppliers and shareholders for their tremendous support.

Katrina Group will continue to grow and strengthen our position as the preferred choice for good quality casual dining. I look forward to updating you on our progress in 2018.

MR ALAN GOH KENG CHIAN

Founder, Executive Chairman and CEO

BOARD OF **DIRECTORS**

1. Alan Goh Keng Chian
2. Madaline Catherine Tan Kim Wah
3. Mah How Soon
4. Chow Wen Kwan
5. Eric Low Siak Meng

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 outlet 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 corporate finance in international and local financial institutions, and boutique advisory firms. He has played a key role in advising companies from 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.

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, SMJ International Holdings Ltd. and Hafary Holdings Limited. He was previously an Independent Director of Ley Choon Group 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 and a Board Member and Finance Committee Member 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.

KEY MANAGEMENT

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.

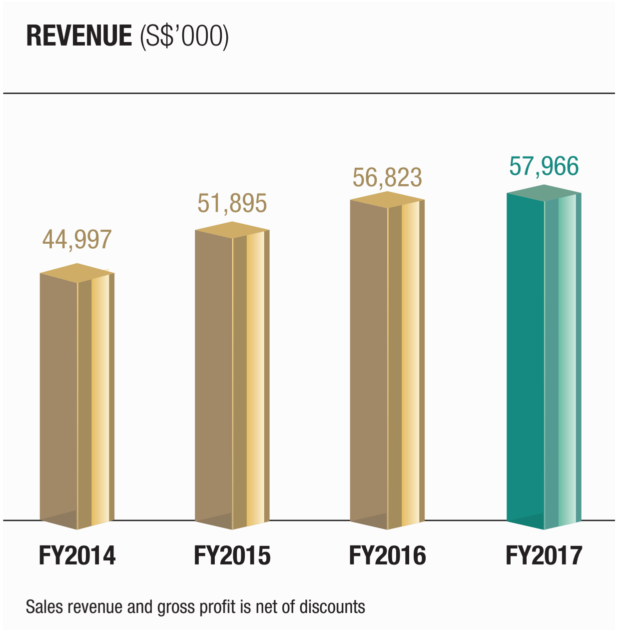
MR. DANNY HENG HOCK KIONG @ HENG HANG SIONG

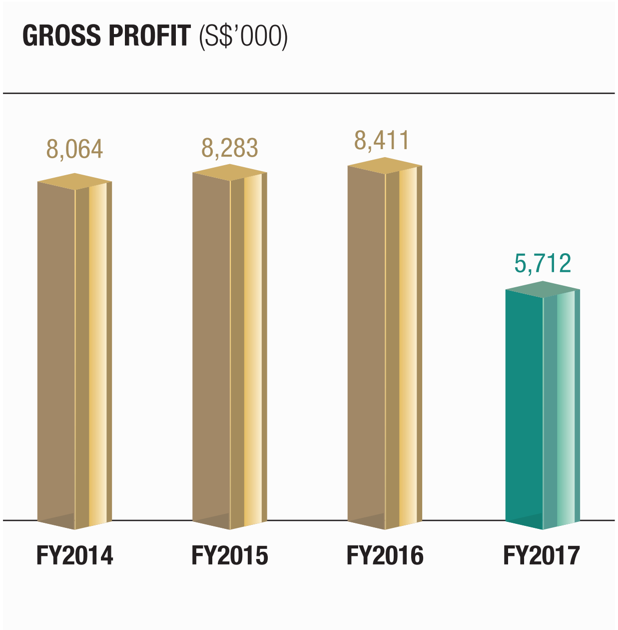
Chief Financial Officer

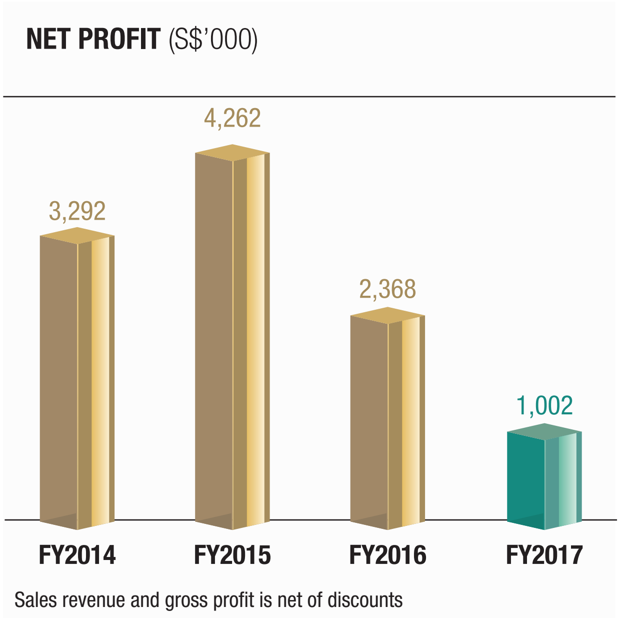
Mr. Heng joined the Group as the Chief Financial Officer (CFO) in January 2018 and is responsible for finance and corporate governance functions. Prior to joining the Group, Mr. Heng had over 20 years of experience as CFO and Finance Director in several listed companies and had held key executive and leadership positions in various industries ranging from Banking, Telecommunication, Food to Healthcare and Oil & Gas. Mr Heng graduated with a Bachelor of Business Administration (Finance and Investment Management) from the City University of New York and a Master of Science (Accounting and Information Management) from the Pace University, New York.

Mr. Heng also graduated with a graduate certificate in international arbitration from NUS Law school, National University of Singapore. He is a fellow member and a Chartered Accountant with the Institute of Singapore Chartered Accountants and a Certified Public Accountant with the American Institute of Certified Public Accountants. He is also a member of the Institute of Management Accountants, Institute of Certified Internal Auditors and Singapore Institute of Directors. Mr. Heng was also awarded best CFO of the year in 2011 by the Singapore Corporate Awards.

FINANCIAL REVIEW







Financial Highlights	FY 2014	FY 2015	FY 2016	FY2017
Sales Revenue ($'000)	44,997	51,895	56,823	57,966
Gross profit ($'000)	8,064	8,283	8,411	5,712
Net profit ($'000)	3,292	4,262	2,368	1,002
EPS[1] (cents)	1.68	2.18	1.12	0.43

[1] EPS for FY2014 and FY2015 is computed based on the pre-IPO share capital comprising 195,721,000 shares.

FINANCIAL **REVIEW**

FINANCIAL PERFORMANCE

The Group posted total revenue of S$58.0 million for FY2017, an increase of 2.0% year-on-year ("yoy"), as compared to S$56.8 million in FY2016. This was mainly attributed to higher online sales and overall increase in revenue from outlets branded under Bali Thai, Streats and So Pho. The Group mitigated the lacklustre industry conditions through more innovative online offerings and periodic reviews of outlet locations and concepts in relation to target customers.

Cost of sales, which mainly comprises food and beverage cost, rental of restaurants premises, staff costs and depreciation, increased by 7.9% or S$3.9 million from S$48.4 million in FY2016 to S$52.3 million in FY2017. The cost of sales as a percentage of revenue increased from 85.2% in FY2016 to 90.1% in FY2017 mainly due to higher staff costs and rental leases from four new outlets amounting to S$0.7 million and S$1.4 million, and higher commission paid and food costs of S$0.9 million and S$0.3 million respectively.

Due to an increase in cost of sales, the Group's gross profit reduced by 32.1% or S$2.7 million yoy to S$5.7 million in FY2017, with the Group's gross profit margin at 9.9% for FY2017.

The Group's operating expenses which comprised administrative expenses and selling and distribution expenses increased marginally by 2.2% or S$0.1 million yoy to S$5.0 million, as a result of the increased number of outlets. The Group will continue to take a three-pronged approach to its expansion plans, utilising technology to optimise productivity and manage operating expenses.

The Group also saw a decrease in other income by 12.7% or S$0.1 million yoy, mainly due to lower government grants accrued as a result of the decrease in payout rate during the current financial year.

Other expenses increased by 27.0% or S$0.1 million yoy mainly due to higher impairment loss on the property, plant and equipment of non-performing outlets in FY2017.

Overall, as a result of the above mentioned factors and weak consumer sentiments, the Group recorded a net profit of S$1.0 million for FY2017.

FINANCIAL POSITION

The Group's balance sheet recorded a total equity of S$14.2 million as at 31 December 2017. The Group's non-current assets increased from S$11.0 million as at 31 December 2016 to S$12.2 million as at 31 December 2017. The increase in non-current assets was mainly attributable to an increase in refundable deposits and property, plant and equipment acquired for the new outlets.

Current assets reduced from S$13.5 million as at 31 December 2016 to S$10.6 million as at 31 December 2017 mainly due to the decrease in cash and cash equivalents, which was used for business expansion and implementation of the new SAP and POS systems.

The Group's current liabilities decreased by S$1.6 million from S$8.9 million as at 31 December 2016 to S$7.3 million as at 31 December 2017. This was due to a decrease of S$1.7 million from amount due to directors, resulting from the payment of dividend declared in the previous year to the directors, who were then existing shareholders of a subsidiary. In addition, provision for taxation was lower at S$0.2 million compared to S$1.0 million for the previous corresponding period. These were partially offset by the increase in other liabilities due to accrual of staff bonus and unutilised leave of S$0.3 million, and the increase in trade payables of S$0.2 million, in line with the increase in sales.

Non-current liabilities increased slightly by S$0.2 million from S$1.1 million as at 31 December 2016 to S$1.3 million as at 31 December 2017, which was mainly attributed to additional provision for restoration costs for the new outlets.

Net asset value per ordinary share as at 31 December 2017 was recorded at 6.12 cents. Overall, the Group ended the year in a healthy cash position with cash and cash equivalents amounting to S$7.4 million and zero debts.

STATEMENT OF CASH FLOW

The Group generated net cash of S$3.9 million from operating activities before changes in working capital in FY2017. Net cash used in working capital amounted to S$0.5 million mainly due to an increase in trade and other receivables of S$0.4 million, and refundable deposits of S$0.4 million which were partially offset by increase in other liabilities of S$0.6 million. The Group also paid income tax of S$0.8 million. As a result, net cash generated from operating activities was S$2.7 million.

The Group used S$3.7 million in investing activities, mainly attributed to the acquisition of property, plant and equipment for the new outlets.

Net cash used in financing activities of S$2.9 million was mainly attributed to the net payment of dividends to directors of S$1.5 million and shareholders of S$1.4 million.

In view of the above, the Group recorded a net decrease in cash and cash equivalents of S$3.9 million for FY2017.

CORPORATE SOCIAL **RESPONSIBILITY**

STRIVING TO ACHIEVE A BALANCE BETWEEN ECONOMIC, SOCIAL AND ENVIRONMENTAL ACTIVITY IS IN THE LONG-TERM INTERESTS OF OUR COMPANY AND THE COMMUNITIES WHERE WE OPERATE.

Over the years, the Group has engaged in corporate social responsibilities ("CSR") efforts in a number of ways, seeking to touch the lives of many through its CSR efforts and bringing the community at large together in the common quest for a better tomorrow.

CARE FOR EMPLOYEES

Our people are our greatest assets as well as the ambassadors of our brand. Our ambition is to be the best employer for each of them and provide an environment through development and opportunity that allows them to flourish and craft their own career.

The Group believes strongly in equal opportunities for all employees and supports the development of skills, via trainings and rotation of different job roles. All our employees are given equal opportunities to achieve their full potential. They are recruited, developed, remunerated and promoted on the basis of their skills and suitability for the work performed.

Besides offering periodic training and on-job-training sessions to equip staff with better skills and knowledge in customer engagement and restaurant operations, the Group also promotes healthy living and employee welfare via quarterly recreational activities for our employees.

CARE FOR COMMUNITY

Metta School Charity Program

The Group participated in a charity program, "Care for Community Scheme", in which Katrina's restaurants are used as the training grounds for students from the Metta School to experience real-life on-the-job training. The program provided the Metta students with appropriate vocational knowledge and skills which they can put to great use in future. The Group takes great pride in being able to support this special program and remains confident that it will make a real difference to the lives of these students.

Yew Tee Nursing Home

As an established Food & Beverage Group, we have a unique opportunity to play an active role in the communities we serve and support good causes. On 20th November 2017, the Group participated in a fun-filled Christmas party with the residents of the Yew Tee Nursing home organised by the Methodist Welfare Services. The impact and reward of this event was not just felt by the residents but also by our employees. Not only has the event helped us to connect with our local communities, it also allowed our employees to building stronger relationships together.

CARE FOR ENVIRONMENT

At Katrina, we are continually looking at ways to make contributions to the environment. During the year, we also donated $10,000 and continued our support for SeaKeepers Society, a non-profit organisation which conducts outreach programs that promotes oceanographic education, research and conservation with focus on critical ocean and inland waterways issues in Asia.

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 SECRETARY

WEE WOON HONG

REGISTERED OFFICE

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One Sims Lane
Singapore 387355
Tel: (65) 6292 4748
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SHARE REGISTRAR

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CONTINUING SPONSOR

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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 Dec 2015)

INVESTOR RELATIONS

Financial PR Pte Ltd
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

FINANCIAL **CONTENTS**

CORPORATE **GOVERNANCE REPORT**

The Board of Directors (the "**Board**") of Katrina Group Ltd. (the "**Company**") is committed to maintaining a high 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 2017 ("**FY2017**") 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:

(a) 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;

(b) 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;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;

(e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. 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 laid out under the Code and the Board's terms of reference.

Please refer to Table A set out on page 44 to 47 of this Annual Report for the composition and primary functions of the Board.

CORPORATE **GOVERNANCE REPORT**

Guidelines of the Code	**Katrina Group Corporate Governance Practices**
1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	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.
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.	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 page 44 to 47 of this Annual Report for the composition and primary functions of the Board Committees.
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.	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 meetings 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 FY2017 are set out in Table B at page 47 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.

CORPORATE **GOVERNANCE REPORT**

Guidelines of the Code	Katrina Group Corporate Governance Practices
1.5 Every company should prepare a document with guidelines setting forth: (a) the matters reserved for the Board's decision; and (b) 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.	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, and Power of Attorney.
1.6 Incoming directors should receive comprehensive and 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.	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.

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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.	Mr. Mah How Soon was appointed on 21 April 2017 as the lead Independent Director. Mr. Mah How Soon visited some of the Group's restaurants to understand the Group's business operations. 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 auditors (the "**External Auditors**") briefs the AC on key amendments to the accounting standards. The Directors continuously 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. Directors are also informed of upcoming conferences or seminars relevant to their roles as Directors of the Company at the Company's expenses. Seminars and trainings attended by the Directors in FY2017: • Listed Company Director Essentials and Sustainability Roundtable
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	The Company has issued a formal appointment letter and service agreement, to all non-executive directors and executive directors, respectively.

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 FY2017, 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 of the members of the Board Committees are Independent Directors. Please refer to Table A set out on page 44 to 47 of this Annual Report for the composition of the Board and Board Committees.

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2.2 The independent directors should make up at least half of the Board where: (a) the Chairman of the Board (the "**Chairman**") and the Chief Executive Officer (or equivalent) (the "**CEO**") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (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.
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.	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. 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.
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.	As at 31 December 2017, no Independent Directors on the Board had served for more than nine years from the date of their initial appointment.

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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.	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.
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.	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 well-balanced view 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 page 6 and 7 of this Annual Report.
2.7 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	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.
2.8 To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.	The Group's Independent Directors had held periodic conference calls and/or meetings without the presence of Management in FY2017.

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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.

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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 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.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance.	Although the Chairman and the CEO is the same person, the Board has reserved the matters which specifically require the Board's approval or guidance which are laid out under 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 high standards of corporate governance.

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	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.
3.3 Every company should appoint an independent director to be the lead independent director where: (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) 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.	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.
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.	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.

Board Membership

Principle 4
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

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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 page 44 to 47 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.

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4.2 The NC should make recommendations to the Board on relevant matters relating to: (a) the review of board succession plans for directors, in particular, the Chairman and the CEO; (b) the development of a process for evaluation of the performance of the Board, its Board Committees and directors; (c) the review of training and professional development programs for the Board; and (d) 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.	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 re-election. 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. The NC has recommended the re-election of the following retiring Directors at the forthcoming AGM, and the Board has accepted the NC's recommendation: (i) Mr. Alan Goh Keng Chian (Resignation 177); (ii) Mr. Mah How Soon (Resignation 122); and (iii) Mr. Eric Low Siak Meng (Resignation 177).
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.	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.

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4.4 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.	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 assessing 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.
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.	The Company does not have any alternate directors.
4.6 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.	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.

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	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.
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: (a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders; (b) a separate list of all current directorships in other listed companies; and (c) details of other principal commitments.	Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on page 6 and 7 of this Annual Report as well as in Table C on page 47.

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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.

5.1 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 FY2017.

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 FY2017 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:–

1. Board Composition and Structure;
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.

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

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	All Directors have completed the Board and Board Committees' evaluation forms mentioned above. The summary of the Board and Board Committee's 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 FY2017.
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.	The NC also conducted individual Directors' self-assessment. All Directors have completed the individual Directors' self-assessment forms. The summary of the individual Directors' self-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 decision-making 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.

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.

6.1 Management has an obligation to supply the Board 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

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		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.
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.	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 FY2017.
6.4	The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary are subject to the Board's approval.
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.	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.

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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 page 44 to 47 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 employment contracts 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-in-kind and specific remuneration packages for each Director, the CEO and key management personnel.
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.	No remuneration consultants were engaged by the Company during FY2017. 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. The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations. 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.

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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.	The RC reviews the Company's obligations arising from termination clauses and termination processes in relation to the Executive Directors' and key management personnel's contracts of service 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 FY2017.
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 long-term 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 strongly encouraged. 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.	The Company had no long-term incentive schemes during FY2017.

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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.	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 48 and 49 for the detailed schedule of annual fees for Independent Directors being proposed to Shareholders.
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.	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 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 page 48 and 49 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 FY2017. The Company is in the process of developing the team involving in planning, directing and controlling the activities of the Company.

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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.	Please refer to Table D set out on page 48 and 49 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. The Company believes that it is not in the best interest of the Company to disclose the remuneration details for sensitivity and competitiveness reasons in the food and beverage industry.
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, share-based 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.	Please refer to Table D set out on page 48 and 49 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.
9.4 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 applicable bands.	Please refer to Table D set out on page 48 and 49 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 FY2017.

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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 companies. 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.	The Company had no employee share schemes in place during FY2017.
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 short-term 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.	The Company'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 Company'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 relative performance of the Company and the performance of each individual Executive Director and key management personnel, allowing for the alignment of their interests with that of Shareholders. The Executive Directors do not receive additional Directors' fees. 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 in all audit matters. There are currently no long-term incentives for the Executive Directors and key management personnel. 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 FY2017, the Executive Directors and key management personnel have met the relevant performance conditions. Please refer to Guideline 8.1 and 8.2 for further details regarding the Executive Directors' and key management personnel's remuneration. The Independent Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent and the individual 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. Each member of RC abstains from making recommendation on his/her remuneration.

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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.
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.	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 Singapore Exchange Securities Trading Limited (the "**Catalist Rules**").
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.	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 results announcement. For FY2017, the Executive Directors and the Chief Financial Officer ("**CFO**") have provided assurance to the Board on the integrity of the Group's financial statements.

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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 Auditors and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system. 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 Auditors and Internal Auditors to determine the risk tolerance level and corresponding risk policies.
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 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 FY2017. 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.

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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. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly 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.	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 the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at 31 December 2017. The Board met 2 times in FY2017 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 FY2017. The Board has also received assurance from the CFO and CEO in FY2017 that:– (a) The financial records have been properly maintained 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.
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.	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 comprises three members, all of whom are Independent Directors. The AC members are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. It meets at least twice a year. Please refer to Table A set out on page 44 to 47 for the composition and the main functions of the AC.

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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 Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The Chairman, Mr. Mah How Soon, together with Mr. Chow Wen Kwan and Mr. Eric Low Siak Meng, have relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
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: (a) reviewing the significant financial reporting 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 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.
(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);	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.
(c) reviewing the effectiveness of the company's internal audit function;	Please refer to Guidelines 13.1 and 13.2.
(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	The AC reviews the scope of the External Auditors' audit plan and the effectiveness of the results from the independent audit. The AC also reviews the independence and objectivity of the External Auditors as well as the Group's compliance with Catalist Rules, the Code, as well as interested person transactions and whistleblowing reports, if any.
(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 Auditors, and approves the remuneration and terms of engagement of the External Auditors.

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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 Auditors and External Auditors 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. 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.	Audit & non-audit fees paid to the Company's External Auditors in FY2017 are disclosed in Note 9 to the financial statements. 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 Auditors by reviewing the non-audit 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 Auditors do not affect the independence and objectivity of the External Auditors. Ernst & Young LLP act as the auditors 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 Auditors.
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.	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. There were no whistleblowing reports received in FY2017. 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.
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.	Please refer to the Group's practices in Guidelines 1.6 and 12.4.

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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.	None of the AC members were previous partners or directors of the existing auditing firms within the previous 12 months and none of the AC members hold any financial interest in the above-mentioned auditing firms.

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 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 AC, in consultation with Management, approves the hiring, removal, evaluation and the fees of the Internal Auditors. The Internal Auditors have unfettered access to all the Group's documents, records, personnel and the AC. The internal audit function of the Group was out-sourced to BDO LLP in FY2017. The Internal Auditors report primarily to the Chairman of AC and have 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 Auditors 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.

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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 Auditors may be involved in ad-hoc projects initiated by the Management which require the assurance of the Internal Auditors 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 SGXNET on an immediate basis.
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.	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 Auditors, 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.

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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.	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 Financial PR Pte Ltd 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. 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.

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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). As the Company generated profit in FY2017, the Board has declared a dividend of S$0.0026 per share for FY2017 which is subjected to the Shareholders' approval in the AGM.

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. Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.
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.

CORPORATE GOVERNANCE REPORT

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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 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 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, Ernst & Young LLP, are 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.
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)]

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 FY2017 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 transaction with interested persons and requires all such transactions, 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 transaction 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.

The Company has not entered into any interested person transaction with aggregate value of more than S$100,000 during FY2017 pursuant to Rule 907 of the Catalist Rule.

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 FY2017.

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 S$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.

Proceeds from IPO and use of proceeds as at date of announcement:

Use of proceeds	**Amount allocated (S$'000)**	**Amount utilised (S$'000)**	**Amount unutilised (S$'000)**
Business expansion	4,896	4,896	–
General working capital and corporate purposes	1,200	1,200	–
Net proceeds	6,096	6,096	–

An aggregate amount of S$1.2 million had been used for general working capital and corporate purposes of the Group and details of principal disbursements are set below:

	(S$'000)
Suppliers' payments	1,042
Salaries and related costs	6
Rental costs	33
Operating expenses	119
Total	**1,200**

The use of proceeds has been used in accordance with the stated use.

CORPORATE GOVERNANCE REPORT

TABLE A

Board comprises:–

Mr. Alan Goh Keng Chian	(Executive Chairman and CEO)
Ms. Madaline Catherine Tan Kim Wah	(Executive Director)
Mr. Mah How Soon	(Lead Independent Director)
Mr. Chow Wen Kwan	(Independent Director)
Mr. 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's performance;

4. identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

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:–

Mr. Mah How Soon	(Chairman, Independent)
Mr. Chow Wen Kwan	(Member, Independent)
Mr. 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 Internal Auditor and the External Auditor;

3. review the Internal Auditor's evaluation of the adequacy of the Company's 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 provided by the External Auditor;

6. review the financial statements and the auditor's report on the audited financial statements of the Group and the Company before submission to the Board for approval;

7. review the assistance given by the Company's officers to the Internal Auditor and the External Auditor;

8. review the independence of the External Auditor annually;

9. consider the appointment and re-appointment of the External Auditor and recommend such to the Board of Directors 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;

14. review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management via reviews carried out by the Internal Auditor;

15. meet with the External and Internal Auditors without the presence of the Management at least once a year;

16. review interested person transactions and potential conflicts of interest;

17. 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;

18. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangement are in place for the independent investigation of such matters and for appropriate follow up action; and

19. 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.

Nominating Committee comprises:–

Mr. Eric Low Siak Meng	(Chairman, Independent)
Mr. Mah How Soon	(Member, Independent)
Mr. 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);

CORPORATE **GOVERNANCE REPORT**

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:–

Mr. Chow Wen Kwan	(Chairman, Independent)
Mr. Mah How Soon	(Member, Independent)
Mr. 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 package are in line with the Company staff remuneration guideline and 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 Singapore Exchange Securities Trading Limited, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;

CORPORATE **GOVERNANCE REPORT**

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**
Mr. Alan Goh Keng Chian	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Madaline Catherine Tan Kim Wah	2	1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ang Miah Khiang[1]	2	1	2	1	1	1	1	1
Mr. Mah How Soon[2]	2	1	2	1	1	–	1	–
Mr. Chow Wen Kwan	2	2	2	2	1	1	1	1
Mr. Eric Low Siak Meng	2	2	2	2	1	1	1	1

N/A Not applicable as he or she is not a member of the respective Committees

1 Retired on 21 April 2017 as Lead Independent Director of the Company and ceased to be a Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee.

2 Appointed on 21 April 2017 as Lead Independent Director of the Company, as well as Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee.

TABLE C

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

CORPORATE GOVERNANCE REPORT

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 FY2017.

(a) Remuneration of Directors of the Company

Name of Director	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
Above S$500,000					
Mr. Alan Goh Keng Chian	70	26	–	4	100
S$250,000 to S$500,000					
Ms. Madaline Catherine Tan Kim Wah	70	28	–	2	100
Below S$250,000					
Mr. Ang Miah Kiang[2]	–	–	100	–	100
Mr. Mah How Soon[3]	–	–	100	–	100
Mr. Chow Wen Kwan	–	–	100	–	100
Mr. Eric Low Siak Meng	–	–	100	–	100

1 The salary and bonus amount shown is inclusive of Central Provident Fund ("**CPF**"), all fees other than directors' fees and other emoluments.

2 Retired on 21 April 2017 as Lead Independent Director of the Company and ceased to be Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee.

3 Appointed on 21 April 2017 as Lead Independent Director of the Company, as well as Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee.

(b) Remuneration of Key Management Personnel

Name of Key Management Personnel	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
Below S$250,000					
Ms. Yong Mew Peng Victoria[2]	100	–	–	–	100

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

2 Resigned on 19 January 2018 as Chief Financial Officer.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel in FY2017.

No stock options were granted in FY2017 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 employees related to a Director

Name of Employee who are family members of a Director	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
Below S$50,000					
Mr. Goh Keng Hwee	88	12	–	–	100
Ms. Krystal Goh Shu Yan	100	–	–	–	100

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

Mr. Goh Keng Hwee is the brother of Mr. Alan Goh Keng Chian, Executive Chairman and CEO of the Company and brother-in-law of Ms. Madaline Catherine Tan Kim Wah, Executive Director of the Company and he was the Restaurant Manager of Bali Thai at Serangoon NEX until 18 May 2017.

Ms. Krystal Goh Shu Yan is the daughter of Mr. Alan Goh Keng Chian Executive Chairman and CEO of the Company and Ms. Madaline Catherine Tan Kim Wah, Executive Director of the Company. Ms. Krystal Goh Shu Yan was appointed as a project manager on 2 October 2017.

The remuneration of Mr. Goh Keng Hwee and Ms. Krystal Goh Shu Yan in FY2017 was in the band of less than S$50,000.

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 S$50,000 in FY2017.

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 2017.

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 positions of the Group and of the Company as at 31 December 2017 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

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	97,860,504	98,160,504
Madaline Catherine Tan Kim Wah	97,860,504	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.

DIRECTORS' STATEMENT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this report, 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 2017, 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.

AUDITOR

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
27 March 2018

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KATRINA GROUP LTD.

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 2017, 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 Financial Reporting Standards in Singapore (FRSs) 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 2017 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 2017, the carrying value of property, plant and equipment was $7,982,000, which represents 35% 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 2017. 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.

KEY AUDIT MATTERS (CONTINUED)

Impairment of plant, property and equipment of non-performing restaurants (Continued)

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. We compared the sales growth rates to the industry growth rates. We also reviewed management's sensitivity analysis of the recoverable amounts to changes in certain key assumptions based on the overall industry outlook. Based on the outcome of this impairment test, the Group has recognised an impairment charge of $353,000.

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.

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 FRSs, 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.

INDEPENDENT **AUDITOR'S REPORT**

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.

- 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF KATRINA GROUP LTD.

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
27 March 2018

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**57,966**	56,823
Cost of sales	5	**(52,254)**	(48,412)
Gross profit		**5,712**	8,411
Other income	6	**679**	778
Selling and distribution costs		**(1,034)**	(1,058)
Administrative expenses		**(3,936)**	(3,807)
IPO expenses		**–**	(931)
Finance income/(costs)	7	**24**	(3)
Other expenses	8	**(353)**	(278)
Profit before tax	9	**1,092**	3,112
Income tax expense	11	**(90)**	(744)
Profit for the year, representing profit attributable to the owners of the Company		**1,002**	2,368
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**10**	11
Other comprehensive income for the year, net of tax		**10**	11
Total comprehensive income for the year, representing total comprehensive income attributable to the owners of the Company		**1,012**	2,379
Earnings per share (cents per share)			
Basic and diluted	12	**0.43**	1.12

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**7,982**	6,868	**–**	–
Intangible assets		**–**	2	**–**	–
Investment in subsidiary	14	**–**	–	**1,165**	1,165
Investment in joint venture	15	**–***	–	**–**	–
Refundable deposits	16	**4,170**	4,087	**–**	–
Deferred tax assets	11	**–**	62	**–**	–
		12,152	11,019	**1,165**	1,165
Current assets					
Inventories	17	**162**	–	**–**	–
Trade receivables	18	**788**	553	**–**	–
Other receivables	19	**408**	232	**–**	–
Refundable deposits	16	**1,435**	1,148	**–**	–
Prepayments		**302**	249	**13**	60
Amount due from a joint venture	19	**103**	–	**–**	–
Amount due from subsidiaries	19	**–**	–	**7,257**	5,535
Cash and cash equivalents	20	**7,405**	11,367	**1,164**	3,471
		10,603	13,549	**8,434**	9,066
Total assets		**22,755**	24,568	**9,599**	10,231
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	**4,869**	4,669	**258**	–
Other liabilities	23	**1,933**	1,354	**352**	63
Provision	24	**277**	211	**–**	–
Amounts due to directors	22	**–**	1,713	**–**	–
Deferred revenue		**10**	–	**–**	–
Provision for taxation		**191**	966	**18**	–
		7,280	8,913	**628**	63
Net current assets		**3,323**	4,636	**7,806**	9,003
Non-current liabilities					
Deferred revenue		**88**	–	**–**	–
Other payables	21	**311**	313	**–**	–
Provision	24	**848**	767	**–**	–
Deferred tax liabilities	11	**53**	–	**–**	–
		1,300	1,080	**–**	–
Total liabilities		**8,580**	9,993	**628**	63
Net assets		**14,175**	14,575	**8,971**	10,168
Equity attributable to the owners of the Company					
Share capital	25	**8,192**	8,192	**8,192**	8,192
Other reserves	26	**21**	11	**–**	–
Retained earnings		**5,962**	6,372	**779**	1,976
Total equity		**14,175**	14,575	**8,971**	10,168
Total equity and liabilities		**22,755**	24,568	**9,599**	10,231

* denotes amount less than $1,000

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 2017

	Attributable to owners of the Company				
	Share capital (Note 25) $'000	**Statutory reserve fund (Note 26) $'000**	**Foreign currency translation reserve (Note 26) $'000**	**Retained earnings $'000**	**Total equity $'000**
Group					
Opening balance at 1 January 2016	1,771	1	(1)	14,004	15,775
Profit for the year	–	–	–	2,368	2,368
Other comprehensive income:					
Foreign currency translation	–	–	11	–	11
Total comprehensive income for the year	–	–	11	2,368	2,379
Contributions by and distributions to owners					
New shares issued pursuant to the Initial Public Offering ("IPO")	7,518	–	–	–	7,518
IPO expenses capitalised	(491)	–	–	–	(491)
Adjustment arising from restructuring	(606)	–	–	–	(606)
Dividend paid/payable to the then existing shareholders of a subsidiary (Note 27)	–	–	–	(10,000)	(10,000)
	6,421	–	–	(10,000)	(3,579)
Closing balance at 31 December 2016	8,192	1	10	6,372	14,575
Opening balance at 1 January 2017	**8,192**	**1**	**10**	**6,372**	**14,575**
Profit for the year	**–**	**–**	**–**	**1,002**	**1,002**
Other comprehensive income:					
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 27)	**–**	**–**	**–**	**(1,412)**	**(1,412)**
	–	**–**	**–**	**(1,412)**	**(1,412)**
Closing balance at 31 December 2017	**8,192**	**1**	**20**	**5,962**	**14,175**

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 2017

	Share capital (Note 25) $'000	Retained earnings $'000	Total $'000
Company			
Opening balance at 31 March 2016 (date of incorporation)	–	–	–
Contributions by and distributions to owners			
Shares issued pursuant to restructuring exercise	1,165	–	1,165
New shares issued pursuant to the IPO	7,518	–	7,518
Capitalised of IPO expenses	(491)	–	(491)
Profit for the period, representing total comprehensive income for the period	–	1,976	1,976
Closing balance at 31 December 2016	8,192	1,976	10,168
Opening balance at 1 January 2017	8,192	1,976	10,168
Profit for the year, representing total comprehensive income for the year	–	215	215
Dividend on ordinary shares (Note 27)	–	(1,412)	(1,412)
Closing balance at 31 December 2017	8,192	779	8,971

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 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Profit before tax		**1,092**	3,112
Adjustments for:			
Depreciation of property, plant and equipment	9	**2,398**	2,263
Write-off of intangible assets		**2**	–
Write-off of property, plant and equipment	9	**67**	38
Impairment loss on property, plant and equipment	8	**353**	278
Provision for restoration cost		**(6)**	5
IPO expenses		**–**	931
Finance (income)/costs	7	**(24)**	3
Interest income	6	**(3)**	–
Currency realignment		**27**	30
Total adjustments		**2,814**	3,548
Operating cash flows before changes in working capital		**3,906**	6,660
Changes in working capital			
Increase in inventories		**(162)**	–
Increase in trade and other receivables		**(411)**	(125)
Increase in refundable deposits		**(433)**	(398)
Increase in amount due from a joint venture		**(103)**	–
(Increase)/decrease in prepayments		**(53)**	93
Increase in trade and other payables		**198**	341
Increase in other liabilities		**579**	358
(Decrease)/increase in amounts due to directors		**(213)**	213
Increase in deferred revenue		**98**	–
Total changes in working capital		**(500)**	482
Cash flows from operations		**3,406**	7,142
Income taxes paid		**(750)**	(854)
Interest paid		**–**	(3)
Interest received		**3**	–
Net cash flows generated from operating activities		**2,659**	6,285
Investing activities			
Purchase of property, plant and equipment	A	**(3,629)**	(1,985)
Cash paid for restoration cost		**(65)**	(36)
Acquisition of shares in a subsidiary		**–**	(602)
Net cash flows used in investing activities		**(3,694)**	(2,623)
Financing activities			
Repayment of loans and borrowings		**–**	(169)
Dividend paid on ordinary shares		**(1,412)**	–
Dividends paid to the then existing shareholders of a subsidiary		**(1,500)**	(8,500)
Gross proceeds from initial public offering	25	**–**	7,518
IPO expenses		**–**	(1,422)
Net cash flows used in financing activities		**(2,912)**	(2,573)
Net (decrease)/increase in cash and cash equivalents		**(3,947)**	1,089
Effects of exchange rate changes on cash and cash equivalents		**(15)**	(12)
Cash and cash equivalents at 1 January		**11,367**	10,290
Cash and cash equivalents at 31 December	20	**7,405**	11,367

A. Property, plant and equipment

	Note	2017 $'000	2016 $'000
Current year additions to property, plant and equipment	13	**(3,934)**	(2,111)
Less: Provision for restoration cost	24	**305**	126
Net cash outflow for purchase of property, plant and equipment		**(3,629)**	(1,985)

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 1 Sims Lane, #05-05 One Sims Lane, Singapore 387355.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

1.2 THE RESTRUCTURING EXERCISE

In the prior year, a restructuring exercise was carried out to streamline and rationalise the Group structure in connection with the placement (the "Restructuring Exercise"). The following steps were taken pursuant to the Restructuring Exercise:

(a) Incorporation of the Company

The Company was incorporated on 31 March 2016 with an initial share capital of $2 comprising one share held by each of Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah.

(b) Acquisition of Katrina Holdings Pte. Ltd. by the Company

Pursuant to a Restructuring Agreement dated 30 June 2016 entered into between the Company and the then shareholders of Katrina Holdings Pte. Ltd. ("KHPL"), namely Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah, the Company acquired the entire issued and paid-up share capital of KHPL for a consideration of $1,165,000 which was determined based on the amount of issued and paid-up capital of KHPL as at the date of the Restructuring Agreement. The consideration was satisfied by the allotment and issue of 1,165,004 new shares of the Company.

(c) Sub-division of shares

On 11 July 2016, 1,165,006 shares in the capital of the Company were sub-divided into 195,721,008 shares (the "Sub-Division").

Pursuant to the completion of the Restructuring Exercise, KHPL became a wholly owned subsidiary of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 ("FRS").

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.

For the annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). The Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the initial year of application.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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:

Description	**Effective for annual periods beginning on or after**
Improvements to FRSs (December 2016)	
– Amendments to FRS 28: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
– Amendments to FRS 101: First Time Adoption of Financial Reporting Standards	1 January 2018
FRS 115: Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Revenue from Contracts with Customers	1 January 2018
FRS 109: Financial Instruments	1 January 2018
INT FRS 122: Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123: Uncertainty over Income Tax Treatments	1 January 2019
FRS 116: Leases	1 January 2019
Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28: Long-term interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103: Business Combinations	1 January 2019
– Amendments to FRS 111: Joint Arrangements	1 January 2019
– Amendments to FRS 12: Income Taxes	1 January 2019
– Amendments to FRS 23: Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

On transition to the new financial reporting framework, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that SFRS(I) be applied on a retrospective basis, as if such accounting policies had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from specific transition provisions in individual FRSs currently applied. The Group, has performed preliminary assessment and does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements upon adoption of the new framework.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards 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) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

<u>SFRS(I) 9 Financial Instruments</u>

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified accordingly to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the SFRS(I) 39 incurred loss model.

The Group has performed a preliminary assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 9 in 2018.

(a) Classification and measurement

Debt instruments of the Group and the Company are expected to give rise to cash flows representing solely payments of principal and interest. The carrying amount of the loans and receivables of the Group and the Company is disclosed in Note 18 and 19. The Group and the Company intend to hold these loans and receivables to collect contractual cash flows, and accordingly expect to measure these loans and receivables at amortised cost when it applies SFRS(I) 9. The Group and the Company do not expect any significant impact to arise from adoption of SFRS(I) 9.

(b) Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all trade receivables. As there have been no history of default, the Group and the Company do not expect any significant impact to arise from the application of the expected credit loss model.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 established a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed an initial assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

The Group's revenue is largely generated from sales of food and beverages at restaurants and online delivery sales. As the Group's restaurant business does not have customer loyalty programme in place and has no rights of return terms, the adoption of SFRS(I) 15 is not expected to have significant impact to the Group.

The Group has entered into a licence agreement with its joint venture to grant exclusive right to use, sub-license and franchise the Group's trade name and the associated trademarks, logos, designs and trade names and know-how over a period of time to operate the business. Under SFRS(I) 15, revenue should be recognised when a performance obligation is satisfied, i.e., over the licence period. The Group currently recognises revenue over the licence period. Thus, on the adoption of SFRS(I) 15, no adjustment is required.

The Group currently operates online delivery sales. Food delivery to customers is performed via third party vendors. The Group is primarily responsible for fulfilling the contract with the customers and has established that it is acting as principal in such sales will recognise revenue at gross under SFRS(I) 15. This is consistent with the Group's current revenue recognition and thus, no adjustment is required on adoption of the new standard.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group enters into an operating lease agreement for each outlet it operates.

The Group will adopt the new standard on the required effective date. Based on preliminary impact assessment, the Group expects the adoption of SFRS(I) 16 will increase its total assets and total liabilities, EBITDA and gearing ratio.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

2.4 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 BASIS OF CONSOLIDATION (CONTINUED)

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.

Although the Company was incorporated on 31 March 2016 and the Restructuring Exercise was completed in July 2016, the consolidated financial statements of the Group for the financial year ended 31 December 2016 comprise that of the Company and its subsidiaries prepared in accordance with RAP 12 Merger Accounting for Common Control Combinations in the absence of a Standard or an Interpretation that specifically applies to the business combination of the Company and its subsidiaries. Accordingly, the prior year comparative figures of the Group have been presented as if the Group had been in existence since 1 January 2016:

– the assets and liabilities of the combining activities are brought into the group financial statements at their existing carrying amounts;

– the retained earnings recognised in the group financial statements as of 1 January 2016 is that of Katrina Holdings Pte.Ltd. (“KHPL”) and its subsidiaries; and

– any difference between the consideration paid/transferred and the share capital of KHPL is reflected within equity as merger reserve.

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;

– 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	5 years
Kitchen, office and restaurant equipment	5 years
Renovation	5 years
Motor vehicle	5 years
Freehold property	25 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 year-end, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 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.

2.9 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 ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures 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.

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 ventures are prepared as 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL INSTRUMENTS

(a) *Financial assets*

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the 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 is recognised in profit or loss.

(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 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 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.

2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.16 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.

The subsidiary incorporated in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC legislation and are contributed to a pension fund managed by government agencies, which are responsible for paying pensions to the PRC subsidiary's retired employees.

(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.

2.17 LEASES

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Revenue from restaurant operations*

Revenue from restaurant operations is recognised upon the transfer of significant risk and rewards of ownership, i.e. when the food and beverages are delivered.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *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.

2.19 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 TAXES (CONTINUED)

(b) *Deferred tax* (Continued)

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.

(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.

2.20 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.

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 2017 were $1,125,000 (2016: $978,000). If the estimated provision had been 5% higher/lower than management's estimate, the carrying amount of the provision would have been $56,000 (2016: $49,000) higher/lower for the Group.

(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 2017 was $353,000 (2016: $278,000).

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 forecasted revenue for the restaurants had been lowered by 10% (2016: 7%), the impairment amount would have been $76,000 (2016: $33,000) higher. If the estimated discount rate used in the calculation had been 1% higher (2016: 1%), the impairment would have been $9,000 (2016: $2,000) higher.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

Revenue represents sales of food and beverage, net of discount, in the normal course of business.

5. COST OF SALES

Cost of sales mainly comprises food and beverages cost, payroll cost of restaurant employees, rental of premises and utilities expenses and other restaurant support costs.

6. OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Government grant		
– PIC bonus	**62**	14
– SME cash grant	**50**	71
– Special employment credit	**63**	102
– Wage credit scheme	**89**	198
– Workplace health promotion grant	**15**	–
– Temporary employment credit	**40**	100
– Skills Development Fund	**148**	65
– Global company partnership grant	**49**	–
Interest income	**3**	–
Licence fee	**5**	–
Marketing incentive from beverage suppliers	**83**	133
Others	**72**	95
	679	778

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 Resident.

7. FINANCE INCOME/(COSTS)

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense on bank loan	**–**	(3)
Refundable deposit discount adjustment (Note 16)	**(63)**	–
Provisions discount adjustment (Note 24)	**87**	–
	24	(3)

8. OTHER EXPENSES

	Group	
	2017	**2016**
	$'000	**$'000**
Impairment loss on property, plant and equipment	**353**	278

9. PROFIT BEFORE TAX

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

	Group	
	2017	**2016**
	$'000	**$'000**
Audit fees:		
– Auditor of the Company	**158**	129
– Other auditors	**42**	46
Non-audit fees:		
Auditor of the Company	**43**	55
Depreciation of property, plant and equipment (Note 13)	**2,398**	2,263
Employee benefits	**20,581**	19,855
Professional fees	**380**	152
Fixed rental expense on operating leases	**14,072**	12,812
Contingent rental expense on operating leases	**750**	618
Write-off of property, plant and equipment (Note 13)	**67**	38

10. EMPLOYEE BENEFITS

	Group	
	2017	**2016**
	$'000	**$'000**
Employee benefits expenses (including director's remuneration):		
Salaries, bonuses and other costs	**17,162**	16,261
Central Provident Fund and other pension costs	**1,212**	1,288
Other personnel costs	**2,207**	2,306
	20,581	19,855

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 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	**$'000**
Consolidated statement of comprehensive income:		
Current income tax		
– Current year	**32**	801
– Over provision in respect of previous years	**(57)**	–
Deferred income tax		
– Current year	**74**	(57)
– Under provision in respect of previous years	**41**	–
Income tax expense recognised in the consolidated statement of comprehensive income	**90**	744

11. INCOME TAX EXPENSE (CONTINUED)

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 2017 and 2016 are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before tax	**1,092**	3,112
Tax at the domestic rates applicable to profits in the countries where the Group operates	**185**	490
Adjustments:		
Non-deductible items	**273**	469
Income not subject to taxation	**(69)**	(10)
Effects of partial tax exemption	**(301)**	(206)
Over provision in respect of previous years	**(16)**	–
Deferred tax assets not recognised	**18**	3
Others	**–**	(2)
Total income tax expense	**90**	744

The Company and its subsidiaries

The Company and its Singapore subsidiaries are subjected to a tax rate of 17% for the years under review. In the prior year, Beijing BaliThai Restaurants Co., Ltd. was subjected to a tax rate of 25%. There was no such provision during the current year since Beijing Bali Thai Restaurants Co., Ltd has no taxable income. In addition, no provision for income tax has been made for Bayang At The Quay Pte. Ltd. as it has no taxable income for the financial years ended 31 December 2017 and 2016.

Deferred tax

Deferred tax as at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Deferred tax (assets)/liabilities				
Differences in depreciation for tax purposes	**283**	175	**108**	12
Deferred rental expense	**(90)**	(154)	**64**	(76)
Provision for restoration cost	**(124)**	(83)	**(41)**	7
Deferred revenue	**(16)**	–	**(16)**	–
	53	(62)	**115**	(57)

11. INCOME TAX EXPENSE (CONTINUED)

Deferred tax (Continued)

Unrecognised tax losses

As at 31 December 2017, the Group has tax losses of approximately $106,000 (2016: nil) 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:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	**1,002**	2,368
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**231,521**	211,316

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.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Computers $'000	Freehold property $'000	Furniture and fittings $'000	Kitchen and restaurant equipment $'000	Motor vehicle $'000	Office equipment $'000	Renovation $'000	Construction in progress $'000	Total $'000
Cost									
At 1 January 2016	619	1,450	847	1,949	60	14	9,034	–	13,973
Additions	111	–	132	304	–	1	1,563	–	2,111
Written-off	(23)	–	(2)	(20)	–	–	(98)	–	(143)
Currency alignment	(3)	–	(2)	(5)	–	–	(15)	–	(25)
At 31 December 2016 and 1 January 2017	704	1,450	975	2,228	60	15	10,484	–	15,916
Additions	455	–	479	606	–	–	2,185	209	3,934
Written-off	(64)	–	(53)	(145)	–	(1)	(775)	–	(1,038)
Currency alignment	(1)	–	(1)	(3)	–	–	(8)	–	(13)
At 31 December 2017	**1,094**	**1,450**	**1,400**	**2,686**	**60**	**14**	**11,886**	**209**	**18,799**
Accumulated depreciation:									
At 1 January 2016	441	242	479	920	48	13	4,483	–	6,626
Charge for the year	118	58	143	357	12	1	1,574	–	2,263
Written-off	(22)	–	(2)	(14)	–	–	(67)	–	(105)
Impairment loss	3	–	5	14	–	–	256	–	278
Currency alignment	(2)	–	(1)	(3)	–	–	(8)	–	(14)
At 31 December 2016 and 1 January 2017	538	300	624	1,274	60	14	6,238	–	9,048
Charge for the year	151	58	155	383	–	–	1,651	–	2,398
Written-off	(61)	–	(46)	(123)	–	(1)	(740)	–	(971)
Impairment loss	–	–	–	–	–	–	353	–	353
Currency alignment	(1)	–	(1)	(2)	–	–	(7)	–	(11)
At 31 December 2017	**627**	**358**	**732**	**1,532**	**60**	**13**	**7,495**	**–**	**10,817**
Net carrying amount:									
At 31 December 2016	166	1,150	351	954	–	1	4,246	–	6,868
At 31 December 2017	**467**	**1,092**	**668**	**1,154**	**–**	**1**	**4,391**	**209**	**7,982**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Restoration costs

Included in the carrying amount of renovation is provision for restoration costs of $455,000 (2016: $359,000).

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 26% to 28% (2016: 19% to 21%). The management has assessed that the growth rates of the relevant restaurants ranged from 3% to 13% (2016: 4% to 10%) per annum.

An impairment loss of $353,000 (2016: $278,000), 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 for the financial year ended 31 December 2017.

Assets written off

Property, plant and equipment amounting to $67,000 (2016: $38,000) were written off mainly due to closure or planned closure of restaurants. These amounts are included in “Cost of Sales”.

Construction in progress

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

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14. INVESTMENT IN SUBSIDIARY

The Group has investment in the following subsidiaries as at year end:

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
	Held by the Company				
(1)	Katrina Holdings Pte.Ltd. ("KHPL")	Singapore	Investment holding and restaurants operator	**100**	100
	Held by Katrina Holdings Pte. Ltd.				
(1)	Bali Thai Food Catering Pte. Ltd.	Singapore	Provision of services to related companies	**100**	100
(1)	Bayang At The Quay Pte. Ltd.	Singapore	Restaurant operator	**100**	100
(1)	Renn Thai Pte Ltd	Singapore	Restaurant operator	**100**	100
(2)	Beijing BaliThai Restaurants Co., Ltd. ("BJBT")	People's Republic of China	Restaurant operator	**100**	100
(3)	Katrina International Pte. Ltd. ("KIPL") *(formerly known as Katrina Online Pte. Ltd.)*	Singapore	Investment holding and manufacturing and distribution of food	**100**	100
(3),(4)	Katrina Holdings Sdn. Bhd. ("KHSB")	Malaysia	Dormant	**100**	100

(1) Audited by Ernst & Young LLP, Singapore

(2) In the process of liquidation as at 31 December 2017

(3) Exempted from statutory audit

(4) The entire equity interest is held on trust by Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah in favour of KHPL. On 13 February 2018, the entire equity interest in KHSB was transferred to KIPL for a consideration of RM100.

15. INVESTMENT IN JOINT VENTURE

The Group has 30% (2016: nil) interest in the ownership and voting rights in a joint venture, So Pho International Limited that is held through a subsidiary. This joint venture is incorporated in British Virgin Islands. The Group jointly controls the joint venture with a business partner. Under the Subscription and Shareholders' Agreement, the joint venture requires unanimous consent for all major decisions over its relevant activities.

As at 31 December 2017, the joint venture has yet to commence operations.

16. REFUNDABLE DEPOSITS

	Group	
	2017	2016
	$'000	$'000
Current		
Refundable rental deposits	**1,336**	1,067
Utilities deposits	**94**	65
Other refundable deposits	**5**	16
	1,435	1,148
Non-current		
Refundable rental deposits	**3,806**	3,754
Utilities deposits	**231**	231
Other refundable deposits	**133**	102
	4,170	4,087
Total refundable deposits	**5,605**	5,235

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

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

17. INVENTORIES

	Group	
	2017	2016
	$'000	$'000
Consolidated statement of financial position:		
Raw materials (at cost)	**162**	–
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in profit or loss	**11,489**	11,049

18. TRADE RECEIVABLES

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 that are past due but not impaired

The Group has no trade receivables that are past due but not impaired at the end of each of the reporting period.

19. OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Grants receivables	**224**	221	**–**	–
Other debtors	**82**	11	**–**	–
Amount due from a director	**102**	–	**–**	–
Total other receivables	**408**	232	**–**	–
Add:				
– Trade receivables	**788**	553	**–**	–
– Refundable deposit	**5,605**	5,235	**–**	–
– Amount due from a joint venture	**103**	–	**–**	–
– Amount due from subsidiaries	**–**	–	**7,257**	5,535
– Cash and cash equivalents	**7,405**	11,367	**1,164**	3,471
Total loans and receivables	**14,309**	17,387	**8,421**	9,006

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

Amount due from a director

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

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. Included in the balance is a loan due from a subsidiary of $700,000 which is unsecured, non-interest bearing and is repayable upon demand.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at banks and on hand	**6,404**	11,367	**163**	3,471
Short-term deposits	**1,001**	–	**1,001**	–
Cash and short-term deposits	**7,405**	11,367	**1,164**	3,471

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and the Company, and earn interests ranging from 0.79% to 0.86% (2016: nil) per annum.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Trade payables	**1,724**	1,583	**–**	–
Other payables:				
CPF and salaries payables	**1,755**	1,826	**221**	–
GST payable	**406**	489	**32**	–
Deferred rental expense	**222**	196	**–**	–
Other creditors	**762**	575	**5**	–
	4,869	4,669	**258**	–
Non-current				
Deferred rental expense	**311**	313	**–**	–
Total trade and other payables	**5,180**	4,982	**258**	–
Add:				
– Other liabilities (Note 23)	**1,933**	1,354	**352**	63
– Amounts due to directors (Note 22)	**–**	1,713	**–**	–
Less:				
– GST payable	**(406)**	(489)	**(32)**	–
– Deferred rental expense	**(533)**	(509)	**–**	–
Total financial liabilities carried at amortised cost	**6,174**	7,051	**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 straight-lining effect of the operating lease on restaurant premises.

22. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are non-trade related, unsecured, non-interest bearing and repayable upon demand.

23. OTHER LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Accrued operating expenses	**682**	449	**38**	63
Accrued bonus	**979**	679	**309**	–
Advances received from customers	**7**	15	**–**	–
Accrued unconsumed leave	**265**	211	**5**	–
	1,933	1,354	**352**	63

NOTES TO THE FINANCIAL STATEMENTS

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24. 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	
	2017	**2016**
	$'000	**$'000**
At 1 January	**978**	883
Additions	**305**	126
Utilisation	**(71)**	(31)
Discount rate adjustment	**(87)**	–
At 31 December	**1,125**	978
Current	**277**	211
Non-current	**848**	767
At 31 December	**1,125**	978

25. SHARE CAPITAL

	2017		2016	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Group				
Issued and fully paid ordinary shares:				
At 1 January	**231,521**	**8,192**	1,165	1,771
Adjustment arising from restructuring	**–**	**–**	–	(606)
	231,521	**8,192**	1,165	1,165
Sub-division of shares pursuant to restructuring exercise	**–**	**–**	195,721	1,165
Shares issued pursuant to IPO	**–**	**–**	35,800	7,518
IPO expenses capitalised	**–**	**–**	–	(491)
At 31 December	**231,521**	**8,192**	231,521	8,192

	2017		2016	
	No. of shares '000	**$'000**	**No. of shares**	**$**
Company				
Issued and fully paid ordinary shares:				
At 1 January/On incorporation	**231,521**	**8,192**	2	2
Issue of shares for acquisition of Katrina Holdings Pte. Ltd.	**–**	**–**	1,165,004	1,165,004
At 31 December	**231,521**	**8,192**	1,165,006	1,165,006
			No. of shares '000	**$'000**
Sub-division of shares pursuant to restructuring exercise	**–**	**–**	195,721	1,165
Shares issued pursuant to IPO	**–**	**–**	35,800	7,518
IPO expenses capitalised	**–**	**–**	–	(491)
	231,521	**8,192**	231,521	8,192

25. SHARE CAPITAL (CONTINUED)

The Company was incorporated on 31 March 2016 with an initial share capital of $2 comprising one share held by each of Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah. Pursuant to the Restructuring Exercise, the Company acquired the entire issued and paid-up capital of Katrina Holdings Pte. Ltd. for a consideration of $1,165,000. The consideration was satisfied by the allotment and issue of 1,165,004 new shares of the Company. Subsequently, 1,165,006 shares in the capital of the Company were sub-divided into 195,721,008 shares.

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.

26. RESERVES

	Group	
	2017	**2016**
	$'000	**$'000**
Statutory reserve fund	**1**	1
Foreign currency translation reserve	**20**	10
	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 is 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.

(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.

27. DIVIDENDS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Declared and paid/payable during the financial year:		
Dividend on ordinary shares:		
– Final exempt dividends in respect of 2015: $8.58 per share on KHPL's share capital comprising of 1,165,004 shares	**–**	10,000
– Final exempt dividend for 2016: 0.61 cents per share	**1,412**	–
	1,412	10,000
Proposed but not recognised as liabilities as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at AGM:		
– Final exempt dividend for 2017: 0.26 cents (2016: 0.61 cents) per share	**601**	1,412

28. 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***

	Group	
	2017	**2016**
	$'000	**$'000**
Directors		
Advances from/(repayment of advances), net	**–**	213
Joint venture		
Licence fee from a joint venture of a subsidiary	**103**	–

(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	
	2017	**2016**
	$'000	**$'000**
Directors' fees	**121**	74
Salaries, bonuses and other costs	**1,185**	1,022
Central Provident Fund and other pension costs	**39**	38
Other short-term benefits	**36**	13
	1,381	1,147
Comprise amounts paid to:		
Directors of the Company	**1,192**	978
Other key management personnel	**189**	169
	1,381	1,147

29. 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	
	2017	**2016**
	$'000	**$'000**
Capital commitments in respect of property, plant and equipment	**550**	–

29. COMMITMENTS (CONTINUED)

(b) ***Operating lease commitments – as lessee***

The Group has entered into commercial leases relating to the restaurant premises. 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 2017 amounted to $14,072,000 (2016: $12,812,000).

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

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**14,397**	12,561
Later than one year but not later than five years	**14,161**	14,056
	28,558	26,617

Under the terms of certain lease arrangements, 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 33 (2016: 27) 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 2017 amounted to $750,000 (2016: $618,000).

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) ***Fair value hierarchy***

The Group categories 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.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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:

	2017 $'000 Significant unobservable inputs (Level 3)	2016 $'000 Significant unobservable inputs (Level 3)
Assets		
Refundable deposits	**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.

31. 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 above-mentioned 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 exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash balances), the Group minimises 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. Credit policies with guidelines on credit terms and limits set the basis for risk control. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** (Continued)

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. Trade receivables are spread over a broad base of customers and mainly relate to receivables from credit card sales and online delivery sales.

Credit risk with respect to trade receivables is minimal as the Group's revenue is mainly generated from cash, credit card sales and online delivery sales.

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 18).

(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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** (Continued)

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			
2017			
Financial assets:			
Trade receivables	**788**	**–**	**788**
Other receivables	**408**	**–**	**408**
Refundable deposits	**1,435**	**4,233**	**5,668**
Amount due from a joint venture	**103**	**–**	**103**
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**
Group			
2016			
Financial assets:			
Trade receivables	553	–	553
Other receivables	232	–	232
Refundable deposits	1,148	4,087	5,235
Cash and cash equivalents	11,367	–	11,367
Total undiscounted financial assets	13,300	4,087	17,387
Financial liabilities:			
Trade and other payables	3,984	–	3,984
Other liabilities	1,354	–	1,354
Amounts due to directors	1,713	–	1,713
Total undiscounted financial liabilities	7,051	–	7,051
Total net undiscounted financial assets	6,249	4,087	10,336

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	One year or less $'000 2017	One year or less $'000 2016
Company		
Financial assets:		
Amounts due from subsidiaries	**7,257**	5,535
Cash and cash equivalents	**1,164**	3,471
Total undiscounted financial assets	**8,421**	9,006
Financial liabilities		
Trade and other payables	**226**	–
Other liabilities	**352**	63
Total undiscounted financial liability	**578**	63
Total net undiscounted financial assets	**7,843**	8,943

32. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

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.

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 2017 and 2016.

As disclosed in Note 26(a), a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital comprises equity attributable to the owners of the Company less the abovementioned restricted statutory reserve fund.

	Group	
	2017 $'000	**2016 $'000**
Trade and other payables	**4,647**	4,473
Less: cash and cash equivalents (Note 20)	**(7,405)**	(11,367)
Net cash	**(2,758)**	(6,894)
Equity attributable to the owners of the Company, representing total capital	**14,175**	14,575
Less: Statutory reserve fund	**(1)**	(1)
Total capital	**14,174**	14,574
Gearing ratio	**N.A.**	N.A.

33. SEGMENT INFORMATION

Reportable segment

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the restaurant business which forms the basis of identifying the operating segments of the Group under FRS 108 Operating Segments. Management considers the aggregated restaurant business as a single operating segment.

Geographical information

The Group operates in Singapore and People's Republic of China.

The following table provides an analysis of the Group's revenue from external customers based on the geographical location where revenue is generated:

	Group Sales revenue by geographical market	
	2017 $'000	**2016 $'000**
Singapore	**57,270**	54,941
People's Republic of China	**696**	1,882
	57,966	56,823

Non-current assets information presented below consist of property, plant and equipment and intangible assets presented in the consolidated statement of financial position:

	Group Non-current assets	
	2017 $'000	**2016 $'000**
Singapore	**7,982**	6,798
People's Republic of China	**–**	72
	7,982	6,870

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Group for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 27 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2018

Issued and Fully Paid-Up Capital	–	S$8,683,006
Number of Shares	–	231,521,008
Treasury Shares	–	Nil
Subsidiary Holdings Held	–	Nil
Class of Shares	–	Ordinary Shares
Voting Rights	–	On a show of hands: 1 vote
	–	On a poll: 1 vote for each ordinary share

% of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares in issue (excluding treasury shares and subsidiary holdings) – 0%

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	39	5.98	25,400	0.01
1,001 – 10,000	193	29.60	1,383,500	0.60
10,001 – 1,000,000	413	63.35	26,572,500	11.48
1,000,001 and above	7	1.07	203,539,608	87.91
	652	100.00	231,521,008	100.00

Shareholding Held in Hands of Public

As at 16 March 2018, the percentage of shareholdings held in the hands of the public was approximately 15% and Rule 723 of the Listing Manual Section B: Rule of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	Alan Goh Keng Chian	98,600,504	42.59
2	Madaline Catherine Tan Kim Wah	97,860,504	42.27
3	OCBC Securities Private Ltd	1,889,500	0.82
4	DBS Nominees Pte Ltd	1,530,100	0.66
5	Soh Kian Thiam	1,261,000	0.54
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	CGS-CIMB Securities (Singapore) Pte Ltd.	984,700	0.43
9	James Alvin Low Yiew Hock	800,000	0.35
10	Chong Kin Wai	740,000	0.32
11	Raffles Nominees (Pte) Ltd	660,700	0.29
12	Citibank Nominees Singapore Pte Ltd	543,000	0.23
13	Tan Qianshan (Chen Qianshan)	455,000	0.20
14	Lim Boon Ker	400,000	0.17
15	Loh Hung Sing	400,000	0.17
16	Hu Wenyuan	388,000	0.17
17	UOB Kay Hian Pte Ltd	375,000	0.16
18	Phillip Securities Pte Ltd	332,900	0.14
19	Goh Shen Shu Donovan	327,200	0.14
20	Ang Chai Cheng	280,000	0.12
		210,226,108	90.80

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 16 March 2018 of 231,521,008 shares.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

As at 16 March 2018

Substantial Shareholder	Shareholdings beneficially held by the substantial shareholder No. of Shares	Percentage (%)[1]	Other shareholdings in which the substantial shareholder is deemed to have an interest No. of Shares	Percentage (%)[1]
Alan Goh Keng Chian	98,600,504	42.59	97,860,504	42.27
Madaline Catherine Tan Kim Wah	97,860,504	42.27	98,600,504	42.59

Notes:

(1) Based on total issued and paid-up ordinary share capital comprising 231,521,008 Shares as at 16 March 2018.

(2) 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.

(3) Ms. Madaline Catherine Tan Kim Wah is deemed to be interested in 98,600,504 shares held by her spouse, Mr. Alan Goh Keng Chian in the capital of the Company.

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 Friday, 20 April 2018 at 1.00 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 2017 together with the Independent Auditors' Report thereon.	Resolution 1
2.	To declare a one-tier tax-exempt final dividend of 0.26 cents per share for the financial year ended 31 December 2017.	Resolution 2
3.	To re-elect the following Directors of the Company retiring pursuant to the Company's Constitution:–	
	(a) Mr. Alan Goh Keng Chian (Regulation 177);	Resolution 3
	(b) Mr. Mah How Soon (Ma Haoshun) (Regulation 122); and	Resolution 4
	(c) Mr. Eric Low Siak Meng (Regulation 177).	Resolution 5
	[See Explanatory Note (i)]	
4.	To approve the payment of Directors' fees of S$121,000 for the financial year ended 31 December 2017.	Resolution 6
5.	To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and authorise the Directors of the Company to fix their remuneration.	Resolution 7
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 8

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:–

(a) (i) allot and issue share in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that 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

(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,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares 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:

(a) new Shares arising from the conversion or exercise of convertible securities;

(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 (ii)]

By Order of the Board

Wee Woon Hong
Company Secretary

Singapore,
5 April 2018

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) Mr. Alan Goh Keng Chian will, upon re-election as a Director of the Company, remain as an Executive Chairman and Chief Executive Officer.

Mr. Mah How Soon (Ma Haoshun) will, upon re-election as a Director of the Company, remain as Lead Independent Director of the Board, Chairman of Audit Committee and member of Nominating and Remuneration Committees, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules of SGX-ST.

Mr. Eric Low Siak Meng will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and member of Audit and Remuneration Committee, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules of SGX-ST.

(ii) The Ordinary Resolution 8 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.

b. 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 1 Sims Lane, #05-05 One Sims Lane, Singapore 387355 not less than 72 hours before the time appointed for holding the AGM.

d. 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.

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KATRINA GROUP LTD.

(Company Registration No. 201608344N)
(Incorporated in the Republic of Singapore)

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.
2. 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.

PROXY FORM

(Please see notes overleaf before completing this form)

*I/We, ________________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Katrina Group Ltd. (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 4 Robinson Road, #04-01 The House of Eden, Singapore 048543 on Friday, 20 April 2018 at 1.00 p.m. and at any adjournment thereof. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

All resolutions put to the vote at the AGM shall be decided by way of poll

No.	**Resolutions**	**For**	**Against**
	ORDINARY BUSINESS		
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Independent Auditors' Report thereon		
2.	Proposed final dividend for the financial year ended 31 December 2017		
3.	Re-election of Mr. Alan Goh Keng Chian as a Director		
4.	Re-election of Mr. Mah How Soon (Ma Haoshun) as a Director		
5.	Re-election of Mr. Eric Low Siak Meng as a Director		
6.	Approval of payment of Directors' Fees of S$121,000 for the financial year ended 31 December 2017		
7.	Re-appointment of Messrs Ernst & Young LLP as the Auditors and authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
8.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate)

Dated this ________ day of __________________, 2018

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
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.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

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 1 Sims Lane, #05-05 One Sims Lane, Singapore 387355 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 5 April 2018.

Katrina
GROUP LTD.

(Company Registration Number: 201608344N)
(Incorporated in the Republic of Singapore on 31 March 2016)

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