Katrina GROUP LTD.

Incorporated in the Republic of Singapore
Registration No. 201608344N

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	6 months ended 30 June 2022 $'000 (Unaudited)	6 months ended 30 June 2021 $'000 (Unaudited)	Increase/ (Decrease) %
Revenue	4	30,192	26,562	12.0
Cost of sales		(25,625)	(26,876)	(4.9)
Gross profit/(loss)		4,567	(314)	N.M.
Other income		1,784	4,779	(62.7)
Selling and distribution costs		(872)	(775)	12.5
Administrative expenses		(2,892)	(2,774)	4.3
Finance costs		(1,373)	(1,798)	(23.6)
Other gains/(expenses)		30	(403)	N.M.
Profit/(loss) before tax	5	1,244	(1,285)	N.M.
Income tax expense	6	(5)	(1)	N.M.
Profit/(loss) for the period, representing profit/(loss) for the period attributable to owners of the Company		1,239	(1,286)	N.M.
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation		2	(3)	N.M.
Other comprehensive income for the period, net of tax		2	(3)	N.M.
Total comprehensive income for the period, representing total comprehensive income attributable to owners of the Company		1,241	(1,289)	N.M.
Earnings per share for loss for the period attributable to the owners of the Company during the year:				
Basic and diluted (SGD in cents)	7	0.53	(0.56)	

Note:
1. "N.M." denotes not meaningful.

B. Condensed interim statements of financial position

	Note	Group 30 June 2022 $'000 (Unaudited)	Group 31 December 2021 $'000 (Audited)	Company 30 June 2022 $'000 (Unaudited)	Company 31 December 2021 $'000 (Audited)
ASSETS					
Non-current assets					
Property, plant and equipment	9	5,235	6,361	3	4
Right-of-use assets	10	33,021	33,303	–	–
Investment property		831	860	–	–
Investment in subsidiaries		–	–	6,061	6,061
Refundable deposits		3,824	4,254	–	–
		42,911	44,778	6,064	6,065
Current assets					
Inventories		151	155	–	–
Trade receivables		727	1,327	–	–
Other receivables		1,133	1,189	–	–
Refundable deposits		1,977	2,393	9	–
Prepayments		335	300	5	5
Amount due from a joint venture		103	103	–	–
Amounts due from subsidiaries		–	–	5,017	5,561
Cash and cash equivalents		5,258	7,200	236	81
		9,684	12,667	5,267	5,647
Total assets		52,595	57,445	11,331	11,712
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables		7,555	8,760	408	507
Amount due to subsidiaries		–	–	–	233
Other liabilities		2,115	2,406	311	433
Lease liabilities	10	13,688	14,359	–	–
Provision	11	354	443	–	–
Contract liabilities		389	506	–	–
Loans and borrowings	12	6,159	5,164	–	–
		30,260	31,638	719	1,173
Net current (liabilities)/assets		(20,576)	(18,971)	4,548	4,474

B. Condensed interim statements of financial position (Cont'd)

	Note	Group		Company	
		30 June 2022 $'000 (Unaudited)	31 December 2021 $'000 (Audited)	30 June 2022 $'000 (Unaudited)	31 December 2021 $'000 (Audited)
Non-current liabilities					
Other payables		164	142	–	–
Lease liabilities	10	26,376	28,578	–	–
Provision	11	765	821	–	–
Deferred tax liabilities		4	6	–	–
Loans and borrowings	12	2,569	5,135	–	–
		29,878	34,682	–	–
Total liabilities		60,138	66,320	719	1,173
Net (liabilities)/assets		(7,543)	(8,875)	10,612	10,539
Equity attributable to owners of the Company					
Share capital	13	8,283	8,192	8,283	8,192
Foreign currency translation reserve		17	15	–	–
(Accumulated losses)/ Retained earnings		(15,843)	(17,082)	2,329	2,347
Total equity		(7,543)	(8,875)	10,612	10,539
Total equity and liabilities		52,595	57,445	11,331	11,712

C. Condensed interim statements of changes in equity

	Attributable to owners of the Company			
	Share capital	**Foreign currency translation reserve**	**Retained earnings**	**Total equity**
	$'000	$'000	$'000	$'000
Group (Unaudited)				
Opening balance at 1 January 2021	8,192	22	(16,868)	(8,654)
Loss for the period	–	–	(1,286)	(1,286)
Other comprehensive income:				
Foreign currency translation	–	(3)	–	(3)
Total comprehensive income for the period	–	(3)	(1,286)	(1,289)
Closing balance at 30 June 2021	8,192	19	(18,154)	(9,943)
Opening balance at 1 January 2022	8,192	15	(17,082)	(8,875)
Issuance of shares	91	–	–	91
Profit for the period	–	–	1,239	1,239
Other comprehensive income:				
Foreign currency translation	–	2	–	2
Total comprehensive income for the period	–	2	1,239	1,241
Closing balance at 30 June 2022	8,283	17	(15,843)	(7,543)

C. Condensed interim statements of changes in equity (Cont'd)

	Attributable to owners of the Company		
	Share capital $'000	Retained earnings $'000	Total $'000
Company (Unaudited)			
Opening balance at 1 January 2021	8,192	1,658	9,850
Profit for the period, representing total comprehensive income for the period	–	418	418
Closing balance at 30 June 2021	8,192	2,076	10,268
Opening balance at 1 January 2022	8,192	2,347	10,539
Issuance of shares	91	–	91
Loss for the period, representing total comprehensive income for the period	–	(18)	(18)
Closing balance at 30 June 2022	8,283	2,329	10,612

D. Condensed interim consolidated statement of cash flows

	6 months ended 30 June	
	2022	**2021**
	$'000	$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit/(loss) before tax	1,244	(1,285)
Adjustments for:		
Depreciation of property, plant and equipment	1,188	901
Depreciation of investment property	29	29
Depreciation of right-of-use assets	6,321	8,568
Write-off of property, plant and equipment	303	123
(Write back of)/impairment loss on property, plant and equipment	(55)	317
(Write back of)/impairment loss on right-of-use assets	(301)	86
Loss on disposal of property, plant and equipment	–	50
Finance costs	145	156
Interest on finance lease liabilities	1,245	1,642
Gain on early termination of leases	(638)	(29)
Currency realignment	3	(1)
Total adjustments	8,240	11,842
Operating cash flows before changes in working capital	9,484	10,557
Changes in working capital		
Decrease/(increase) in:		
Inventories	4	38
Trade and other receivables	656	(189)
Refundable deposits	846	1,260
Prepayments	(35)	(22)
(Decrease)/increase in:		
Trade and other payables	(1,092)	(2,600)
Other liabilities	(291)	(546)
Contract liabilities	(117)	(37)
Total changes in working capital	(29)	(2,096)
Cash flows from operations	9,455	8,461
Income taxes paid	(7)	(18)
Net cash flows generated from operating activities	9,448	8,443
Investing activities		
Purchase of property, plant and equipment	(311)	(1,336)
Cash paid for restoration cost	(145)	(8)
Proceeds from disposal of property, plant and equipment	–	10
Net cash flows used in investing activities	(456)	(1,334)

D. Condensed interim consolidated statement of cash flows (Cont'd)

	6 months ended 30 June	
	2022	2021
	$'000	$'000
	(Unaudited)	(Unaudited)
Financing activities		
Proceeds from loan and borrowings	–	1,000
Repayments of loan and borrowings	(1,571)	(944)
Interest paid	(145)	(156)
Lease payments	(9,218)	(11,776)
Cash restricted in use	(1,300)	(1,166)
Net cash flows used in financing activities	(12,234)	(13,042)
Net change in cash and cash equivalents	(3,242)	(5,933)
Cash and cash equivalents at 1 January	7,200	10,638
Cash and cash equivalents at 30 June [(1)]	3,958	4,705

Note:

1. For the purpose of presenting the consolidated interim statement of cash flows, cash and cash equivalents comprise the following:

	6 months ended 30 June	
	2022	2021
	$'000	$'000
	(Unaudited)	(Unaudited)
Cash and bank balances	5,258	5,871
Less: Bank deposits pledged	(1,300)	(1,166)
Cash and cash equivalents per consolidated interim statement of cash flows	3,958	4,705

Bank deposits pledged pertains to amounts earmarked by the Group's principal banker in connection with facilities granted.

2. Property, plant and equipment

	6 months ended 30 June	
	2022	2021
	$'000	$'000
	(Unaudited)	(Unaudited)
Current period additions to property, plant and equipments	311	1,336
Less: Provision for restoration cost	–	–
Net cash outflow for purchase of property, plant and equipments	311	1,336

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Katrina Group Ltd. (the "**Company**") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 ("**HY2022**") comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is that of investment holding.

The principal activities of the Group are:
(a) restaurants operator; and
(b) residential real estate management.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

<u>Fundamental accounting concept</u>
The interim financial statements of the Group have been prepared on a going concern basis notwithstanding that the Group generated a net profit of $1,239,000 (30 June 2021: net loss of $1,286,000) for the six months ended 30 June 2022. As of that date, the Group's total liabilities and current liabilities exceeded its total assets and current assets by $7,543,000 (31 December 2021: $8,875,000) and $20,576,000 (31 December 2021: $18,971,000) respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as going concern.

The directors are of the view that it is appropriate to prepare the Group's interim financial statements on a going concern on the following bases:

(a) the Group will be able to generate sufficient cash flows from its operations to pay its liabilities as and when they fall due;
(b) management intends to manage cashflow of the subsidiaries on overall Group basis, where necessary;
(c) there are no changes in the Group's ability to request for the extension of credit terms granted by suppliers and the Group intends to adhere to the trade payables turnover days consistent with the current financial year; and
(d) the controlling shareholder has indicated through a letter of undertaking to financially support the Group as and when required, for 15 months from 11 August 2022.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2021. The adoption of the new SFRS(I)s and amendments and interpretations of SFRS(I) which came into effect on 1 January 2022 did not have any material financial impact on the Group's results for HY2022.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 10 – Right-of-use assets and lease liabilities

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10 – Right-of-use assets and lease liabilities
- Note 11 - Provision for restoration costs

3. Seasonal operations

The Group's businesses are not subjected to any seasonal fluctuations although generally we experience higher sales during festive seasons and school holidays.

4. Segment and revenue information

The Group is organised into the following main business segments:
(a) Hospitality; and
(b) Food and beverages

4.1. Reportable segments

	Hospitality $'000		Food and beverages $'000		Consolidated $'000	
1 January to 30 June (Unaudited)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue:						
External customers	7,102	5,837	23,090	20,725	30,192	26,562
	7,102	5,837	23,090	20,725	30,192	26,562
Results:						
Bad debts	–	–	(23)	–	(23)	–
Interest on loans and borrowings	(19)	(25)	(126)	(131)	(145)	(156)
Interest on finance lease liabilities	(712)	(881)	(533)	(761)	(1,245)	(1,642)
Income tax credit/(expense)	4	–	(9)	(1)	(5)	(1)
Depreciation of property, plant and equipment	(409)	(174)	(779)	(727)	(1,188)	(901)
Depreciation of right-of-use assets	(2,104)	(3,066)	(4,217)	(5,502)	(6,321)	(8,568)
Depreciation of investment property	–	–	(29)	(29)	(29)	(29)
Write-off of property, plant and equipment	(5)	(21)	(298)	(102)	(303)	(123)
Write back of/(impairment loss) on property, plant and equipment	–	(317)	55	–	55	(317)
Write-back of/(impairment loss) on right-of-use assets	–	77	301	(163)	301	(86)
Loss on disposal of property, plant and equipment	–	–	–	(50)	–	(50)
Gain on early termination of leases	502	5	136	24	638	29
Segment net profit/(loss)	830	(539)	409	(747)	1,239	(1,286)

Segment breakdown for period ended 30 June 2022 and 31 December 2021 are as follows:

	Hospitality $'000		Food and beverages $'000		Consolidated $'000	
(Unaudited)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Segment assets:	25,296	27,506	27,299	29,939	52,595	57,445
Segment liabilities	(25,406)	(27,810)	(34,732)	(38,510)	(60,138)	(66,320)

4.2. Disaggregation of revenue

Geographical information

The following table shows the distribution of the Group's revenue from external customers based on the location where goods are sold and services are derived:

	6 months ended 30 June	
	2022	2021
	$'000	$'000
	(Unaudited)	(Unaudited)
Singapore	29,956	26,359
Hong Kong	–	13
Indonesia	236	190
	30,192	26,562

The following table shows the distribution of the Group's non-current assets excluding deferred tax assets based on the geographical location of customers:

	30 June 2022	31 December 2021
	$'000	$'000
	(Unaudited)	(Audited)
Singapore	38,741	40,023
Indonesia	346	501
	39,087	40,524

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, and investment properties presented in the condensed statement of financial position.

5. Profit before taxation

5.1. Significant items

The Group's profit/(loss) before tax was arrived after crediting/(charging) the following:

	6 months ended 30 June	
	2022	2021
	$'000	$'000
	(Unaudited)	(Unaudited)
Income		
Government grants [1]	596	2,786
Rental rebates [2]	382	1,834
Gain on early termination of leases	638	29
Expenses		
Bad debts	(23)	–
Commission fees	(1,033)	(1,290)
Contingent rental leases on operating leases	(275)	(265)
Depreciation of property, plant and equipment	(1,188)	(901)
Depreciation of investment property	(29)	(29)
Depreciation of right-of-use assets [3]	(6,321)	(8,568)
Employee benefits	(9,414)	(9,596)
Fixed rental expense on operating leases	(1,121)	(731)
Interest on bank loan	(145)	(156)
Interest on finance lease liabilities [4]	(1,245)	(1,642)
Write-off of property, plant and equipment	(303)	(123)
Loss on disposal of property, plant and equipment	–	(50)
Write back of/(impairment loss) on property, plant and equipment	55	(317)
Write back of/(impairment loss) on right-of-use assets	301	(86)

Notes:

1 Government grants refer mainly to the Jobs Support Scheme, Foreign Worker Levy rebate, Wage Credit Scheme, Property Tax Rebates and Cash Grants.
2 Rental rebates refer to rental support or assistance disbursed from Landlords and government.
3 Depreciation of right-of-use assets relates to leases where the Group is lessee which are capitalised as right-of-use assets following the adoption of SFRS(I) 16 Leases.
4 Interest on finance lease liabilities relates to interest expense from unwinding of lease liabilities arising from adoption of SFRS(I)16 Leases.

5.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the unaudited financial statements.

6. Income tax

The major components of income tax expense for the 6 months ended 30 June 2022 and 2021 are:

	6 months ended 30 June	
	2021	**2021**
	$'000	$'000
	(Unaudited)	(Unaudited)
Consolidated statement of comprehensive income:		
Current income tax		
- Under provision in respect of previous years	5	1
Income tax expense recognised in the consolidated statement of comprehensive income	5	1

7. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the Group's profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the loss and shares data used in the computation of basic and diluted loss per share for the 6 months ended 30 June 2022 and 2021:

	6 months ended 30 June	
	2022	**2021**
	$'000	$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company	1,239	(1,286)
	Number of ordinary shares	
Weighted average number of ordinary shares for basic and diluted loss per share computation	232,422,665	231,521,008

The basic and diluted EPS are the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

8. Net Asset Value

	Group		Company	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Net asset value ("**NAV**") ($'000)	(7,543)	(8,875)	10,612	10,539
Number of ordinary shares	232,481,008	231,521,008	232,481,008	231,521,008
NAV per ordinary share (cents)	(3.24)	(3.83)	4.56	4.55

9. Property, plant and equipment

Group (Unaudited)	Computers $'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 2021	1,733	3,263	3,628	148	32	16,238	6	25,048
Additions	110	154	155	–	–	1,423	–	1,842
Written-off	–	(273)	(86)	–	–	(895)	–	(1,254)
Disposal	(2)	–	(88)	–	–	–	–	(90)
Currency realignment	–	–	1	–	–	–	–	1
At 31 December 2021 and 1 January 2022	1,841	3,144	3,610	148	32	16,766	6	25,547
Additions	10	8	15	–	–	278	–	311
Written-off	(13)	(173)	(95)	–	–	(1,078)	–	(1,359)
Currency realignment	–	(4)	(2)	–	–	–	–	(6)
At 30 June 2022	1,838	2,975	3,528	148	32	15,966	6	24,493
Accumulated depreciation:								
At 1 January 2021	1,404	1,794	2,613	93	22	14,675	–	20,601
Charge for the year	214	530	458	17	3	742	–	1,964
Written-off	–	(149)	(63)	–	–	(494)	–	(706)
Disposal	(1)	–	(27)	–	–	–	–	(28)
Write-back of impairment loss	–	–	–	–	–	(2,645)	–	(2,645)
At 31 December 2021 and 1 January 2022	1,617	2,175	2,981	110	25	12,278	–	19,186
Charge for the year	84	225	211	8	2	658	–	1,188
Written-off	(13)	(110)	(96)	–	–	(837)	–	(1,056)
Write-back of impairment loss	–	–	–	–	–	(55)	–	(55)
Currency realignment	–	(3)	(2)	–	–	–	–	(5)
At 30 June 2022	1,688	2,287	3,094	118	27	12,044	–	19,258

9. Property, plant and equipment (Cont'd)

Group (Unaudited)	Computers $'000	Furniture and fittings $'000	Kitchen and restaurant equipment $'000	Motor vehicle $'000	Office equipment $'000	Renovation $'000	Construction in progress $'000	Total $'000
Net carrying amount:								
At 30 June 2022	150	688	434	30	5	3,922	6	5,235
At 31 December 2021	224	969	629	38	7	4,488	6	6,361

10. Right-of-use assets and lease liabilities

Group as a lessee

The Group has lease contracts for restaurant premises and residential apartments/co-living premises used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of restaurant outlets with lease terms of 12 months or less and leases of machinery with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group (Unaudited)	**Restaurant premises**	**Residential apartments and co-living hotels**	**Total**
	$'000	$'000	$'000
At 1 January 2021	21,801	21,733	43,534
Additions	8,953	1,036	9,989
(Impairment charge)/write back of impairment loss	(3,517)	1,298	(2,219)
Charge for the year	(11,179)	(5,486)	(16,665)
Early termination of leases	(1,113)	(219)	(1,332)
Currency realignment	(4)	–	(4)
At 31 December 2021 and 1 January 2022	14,941	18,362	33,303
Additions	5,806	3,521	9,327
Write back of impairment loss	301	–	301
Charge for the period	(4,217)	(2,104)	(6,321)
Early termination of leases	(1,251)	(2,332)	(3,583)
Currency realignment	(6)	–	(6)
At 30 June 2022	15,574	17,447	33,021

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2022	**31 December 2021**
	$'000	$'000
	(Unaudited)	(Audited)
At 1 January	42,937	53,900
Additions	9,327	9,989
Accretion of interest	1,245	3,054
Payments	(9,218)	(22,576)
Early termination of leases	(4,221)	(1,425)
Currency realignment	(6)	(5)
At 30 June / 31 December	40,064	42,937
Current	13,688	14,359
Non-current	26,376	28,578
At 30 June / 31 December	40,064	42,937

10. Right-of-use assets and lease liabilities (Cont'd)

During the financial period ended 30 June 2022, the Group had early terminated various leases as a result of the on-going COVID-19 situation. Consequent to the early termination, the difference between the carrying value of right-of-use assets and the corresponding lease liabilities amounting to $638,000 (31 December 2021: $29,000) was recorded within the "Other income" in the consolidated statements of comprehensive income.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

11. Provision

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

Movements in provision for restoration costs:

	Group	
	30 June 2022 $'000 (Unaudited)	**31 December 2021** $'000 (Audited)
At 1 January	1,264	1,366
Additions	–	60
Written off	–	(39)
Utilisation	(145)	(132)
Discount rate adjustment	–	9
At 30 June / 31 December	1,119	1,264
Current	354	443
Non-current	765	821
At 30 June / 31 December	1,119	1,264

12. Loans and borrowings

	30 June 2022 $'000 (Unaudited)	31 December 2021 $'000 (Audited)
Amount repayable in one year or less, or on demand	6,159	5,164
Amount repayable after one year	2,569	5,135
At 30 June / 31 December	8,728	10,299

There are no unsecured loans and borrowings as at 30 June 2022 and 31 December 2021.

Details of any collateral:

1) The Group's borrowings of $1.9 million repayable in one year or less, or on demand, and $Nil repayable after one year are both secured by continuing guarantees by the Company, mortgage of the investment property and assignment of rental proceeds relating to the investment property. The investment property is located at 1 Sims Lane #05-05 Singapore 387355.
2) The remaining bank borrowings of $4.2 million repayable in one year or less, or on demand, and $2.6 million repayable after one year are secured by continuing guarantees by the Company and certain subsidiaries.

The Group's subsidiaries bank loans are subjected to covenant clauses, whereby the Group's subsidiaries are required to meet certain key financial ratios. The Group's subsidiaries did not fulfil the adjusted tangible net worth, debt service ratio and gearing ratio as required in the loan agreements. As at 30 June 2022, we did not request for the waiver from the bank and have reclassified these bank loans to current.

13. Share capital

	30 June 2022		31 December 2021	
	No. of shares '000 (Unaudited)	$'000 (Unaudited)	No. of shares '000 (Audited)	$'000 (Audited)
Issued and fully paid ordinary shares				
At 1 January	231,521	8,192	231,521	8,192
Issuance of new shares arising from performance share plan[1]	960	91	–	–
At 30 June / 31 December	232,481	8,283	231,521	8,192

Save for the above, there are no other changes in the issuer's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

The Company did not have any outstanding options or convertible instruments as at 30 June 2022 and 31 December 2021.

The Company did not have any treasury shares and subsidiary holdings as at 30 June 2022 and 31 December 2021.

[1] Announcement dated 12 January 2022.

OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Katrina Group Ltd and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

REVIEW OF FINANCIAL PERFORMANCE

For management reporting purposes, the Group is organised into business segments based on its services, and has two reportable operating segments as follows:

i. "Food and Beverage ("**F&B**") business" – specialises in multi-cuisine concepts and restaurant operations.

The Group has 31 restaurants (31 December 2021: 34) and nil cloud kitchen (31 December 2021: 1) in Singapore and 1 restaurant (31 December 2021: 1) in Indonesia under 7 different F&B brands (31 December 2021: 8).

ii. "Hospitality business" – offers fully furnished corporate serviced apartments under the brand of ST Residences; affordable luxurious co-living hotel under ST Signature and provides one-stop domestic household cleaning services under SO Services Pte. Ltd..

The Group had approximately 51 units of service apartment (31 December 2021: 71), 1 block of service apartments (31 December 2021: 2) and 3 co-living hotels (31 December 2021: 4).

Revenue

The Group's revenue for the period ended 30 June 2022 was $30.2 million, an increase of $3.5 million or 12.0% as compared to $26.6 million for the period ended 30 June 2021 ("**HY2021**").

Revenue for the Group F&B increased by $2.4 million or 11.6% from $20.7 million in HY2021 to $23.1 million in HY2022, mainly attributed to the increase in number of dine-in customer for the period under review, as well as the lifting of the Covid-19 restriction for dine-in sales with effect from 26 April 2022.

Revenue for Group Hospitality increased by $1.3 million or 22.4% from $5.8 million in HY2021 to $7.1 million in HY2022. The increase was due to the Vaccinated Travel Lane ("VTL") which started in the last quarter of FY2021, as well as the reopening of borders from 1 April 2022.

Cost of sales

Cost of sales mainly comprises food and beverages cost, payroll cost, depreciation of property, plant and equipment, depreciation of right of-use assets, rental expense of premises and utilities expenses for both restaurants' outlets and residential apartments/co-living premises and other restaurant support costs.

The Group's cost of sales decreased by $1.3 million or 4.9% from $26.9 million in HY2021 to $25.6 million in HY2022.

Cost of sales for Group F&B decreased by $1.2 million or 5.6% from $21.5 million in HY2021 to $20.3 million in HY2022 mainly attributable to the decrease in depreciation for right-of-use assets of $1.2 million, largely due to the impairment charge recognized in FY2021. Food and operating costs remain largely unchanged despite the reduction in the number of outlets between the periods under comparison. This is in line with the inflationary pressures faced by the F&B industry.

Cost of sales for Group Hospitality remained unchanged at $5.4 million despite the increase in revenue. This is due to the increase in operating cost such as utilities and rental expenses of $0.7 million, increase in staff cost of $0.1 million, increase in depreciation for property plant and equipment of $0.3 million as a result of the write back of impairment in FY2021, being offset by the decrease in depreciation for right of use assets of $1.0 million as a result of the early termination of lease.

Gross profit/(loss)

The Group recorded a gross profit of $4.6 million for HY2022 vis-à-vis a gross loss of $0.3 million for HY2021. Group F&B reported a gross profit of $2.8 million and Group Hospitality reported a gross profit of $1.8 million.

Other income

Other income mainly relates to the government grants, which include Jobs Support Scheme, Foreign Worker Levy rebate, Wage Credit Scheme, as well as the rental rebates under the Rental Relief Framework legislated by the government under the Covid-19 (Temporary Measures) Act 2020.

Other income decreased by $3.0 million or 62.7% from $4.8 million in HY2021 to $1.8 million in HY2022.

The decrease is largely attributable to:
- decrease in rental rebate of $1.5 million;
- decrease in government grants of $2.2 million; offset by
- increase in gain on early termination of leases of $0.6 million.

Rental rebates have decreased due to the lower rental rebates received by landlords during this period under review. Government grants have decreased due to the decrease in grants received under the Jobs Support Scheme ("JSS") of $1.2 million as the government gradually stopped the grant. Gain on early termination of leases increased during the period under review as there are increased number of leases that are modified/terminated that resulted in gains being recorded.

Selling and distribution costs

The selling and distribution costs increased slightly by approximately $97,000 or 12.5% from $0.8 million in HY2021 to $0.9 million in HY2022.

This is largely due to the increase in electronic payment charges of $0.2 million, which is in line with the increase in revenue; and reclassification of certain payroll cost from administrative expenses, offset by the decrease in marketing, advertising and promotion cost of $0.1 million as the Group cut down on the cost incurred as the business sentiments recover.

Administrative expenses

Administrative expenses increased by $0.1 million or 4.3% from $2.8 million in HY2021 to $2.9 million in HY2022 mainly due to the increase in payroll expenses as the pay for the management team has been reinstated during the period, offset by the reclassification of certain payroll cost to selling and distribution costs.

Finance costs

Finance costs decreased by $0.4 million or 23.6% from $1.8 million in HY2021 to $1.4 million in HY2022. The decrease was mainly related to the decrease in lease interest expense.

Other (gains)/expenses

The Group recorded an other gains of approximately $30,000 in HY2022 vis-à-vis an other expenses of $0.4 million in HY2021. Other gains related to the write back of impairment loss on right-of-use assets and property, plant and equipment of $0.3 million and approximately $55,000 respectively, offset by the write-off of property, plant and equipment of $0.3 million for HY2022.

Profit/(loss) for the period, representing profit/(loss) for the period attributable to owners of the Company

As a result of the aforementioned, the Group reported a net profit after tax of $1.2 million in HY2022 vis-à-vis a net loss after tax of $1.3 million in HY2021.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets decreased by approximately $1.9 million from $44.8 million as at 31 December 2021 to $42.9 million as at 30 June 2021.

This was mainly due to (a) a decrease in property, plant and equipment of $1.1 million as a result of the write-off of property, plant and equipment of $0.3 million and depreciation of $1.2 million, offset by the acquisition of property, plant and equipment of $0.3 million; (b) a decrease in right of use assets of $0.3 million largely due to the depreciation of the right of use assets and early termination of leases, offset by the additions and impairment write back; and (c) a decrease in refundable deposits (non-current) of $0.4 million due to the reclassification to refundable deposits (current).

Current assets

The Group's current assets decreased by approximately $3.0 million from $12.7 million as at 31 December 2021 to $9.7 million as at 30 June 2022.

This was mainly due to (a) a decrease in cash and cash equivalents of $1.9 million; (b) a decrease in trade receivables of $0.6 million due to tighter credit control; and (c) a decrease in refundable deposits (current) of $0.4 million.

Overall, refundable deposits decreased by $0.8 million. This is mainly due to:
- the reclassification of $0.4 million of refundable deposits to other receivables as these related to closed outlets, which the deposits are due to be refunded by the landlords; and
- the reclassification of $0.3 million of refundable deposits to assets as these assets get capitalized during the period under review.

Current liabilities

The Group's current liabilities decreased by approximately $1.3 million from $31.6 million as at 31 December 2021 to $30.3 million as at 30 June 2021.

The decrease was mainly due to (a) a decrease in trade and other payables of $1.2 million; (b) a decrease in lease liabilities (current) of $0.7 million; and (c) a decrease in other liabilities of $0.3 million.

Trade and other payables have decreased as the Group has been paying down on its outstanding payables. Other liabilities have decreased mainly due to the decrease in accrued operating expenses.

The decrease was offset by an increase in loans and borrowings (current) of $1.0 million.

Please refer to explanation in Non-current liabilities for the analysis on the movement in lease liabilities (current) and loans and borrowings (current).

Non-current liabilities

The Group's non-current liabilities decreased by $4.8 million from $34.7 million as at 31 December 2021 to $29.9 million as at 30 June 2022.

This is due to (a) the decrease in loans and borrowings (non-current) of $2.6 million; and (b) the decrease in lease liabilities (non-current) of $2.2 million. Loans and borrowings (non-current) have been reclassified to current liabilities as some of the loans and borrowings and provision have maturity less than 12 months. Furthermore, the Group has taken the stand not to obtain waiver from the banker for the breach of bank covenants for interim reporting purpose, and hence has reclassified $0.9 million of loans and borrowings from non-current to current.

Overall, total lease liabilities had decreased by $2.9 million, largely due to the lease payments made of $9.2 million and early termination of leases of $4.2 million, offset by the addition of new lease liabilities of $9.3 million and accretion of interest of $1.2 million during the period under review.

Shareholders' equity

The Group's shareholders' equity decreased by $1.4 million from negative $8.9 million as at 31 December 2021 to negative $7.5 million as at 30 June 2022. The decrease resulted from the net profit generated during the period.

Negative working capital

As at 30 June 2022, the Group was in a negative working capital position of $20.6 million (31 December 2021: $19.0 million). The management had prepared cash flow forecasts which was derived from the financial budget to assess whether the Group can meet its debt obligations as and when they fall due.

The Board of Directors of the Company ("**Board**") noted that a controlling shareholder had provided a letter of undertaking to provide the financial support to the Group, as and when required, for 15 months from 11 August 2022 to enable the Group to meet its liabilities as and when the Group is unable to meet such liabilities. Also, the Group would continue to implement various strategic measures to contain cost and preserve cash liquidity.

REVIEW OF CASH FLOWS

The Group's net cash generated from operating activities in HY2022 was $9.4 million. This was mainly due to operating cash flows before changes in working capital of $9.5 million and working capital outflow of approximately $29,000.

Net cash used in investing activities amounted to $0.4 million mainly arising from purchase of plant and equipment for F&B segment of $0.3 million, and cash paid for restoration cost of approximately $89,000.

Net cash used in financing activities of $12.2 million was mainly due to the principal payment of lease payments of $9.2 million, repayment of loan and borrowings of $1.6 million and cash restricted in use (earmarked for repayment of bank loans) of $1.3 million.

The cash and cash equivalents for the period decreased by $3.2 million compared to 31 December 2021.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Notwithstanding the headwinds confronting the global economy, including high inflation and rising interest rates, the operating environment for the Group and other companies in similar businesses is looking more encouraging now than six months ago. For a start, more business and social activities in Singapore have resumed with the Covid-19 pandemic increasingly being brought under control. Visitor-arrivals to Singapore and hotel room rates are also rising.

According to the Singapore Tourism Board ("STB"), international visitor-arrivals to Singapore are expected to reach between 4.0 million and 6.0 million this year[2], up from just 330,000 in 2021 and 2.7 million in 2020. Their average length of stay, based on STB data, is also increasing, from 3.4 days in 2019 to 7.1 days in the first half of 2022[3]. Meanwhile, the average hotel room rate in Singapore rose to a nearly six-year high of S$238.32 in June this year[4], underscoring the momentum in the country's tourism recovery. With Changi Airport's Terminal 4 slated to reopen on 13 September 2022 after being closed for two years due to the pandemic, the outlook for the industry is likely to remain favourable for the foreseeable future.

These developments bode well for the Group's F&B and hospitality businesses. The hospitality business is already stepping up efforts to expand its portfolio of hotel rooms and fully serviced condominium rental units.

Patronage at the Group's F&B outlets has generally improved; however, a persistent manpower crunch, and higher cost of operations due to inflationary pressures continue to challenge the industry as a whole. The Group will continue to explore and implement ways to mitigate such cost pressures while ensuring its F&B quality and standards are not compromised.

5. Dividend information

No dividend has been declared to conserve cash for operational purposes.

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[2] https://www.stb.gov.sg/content/stb/en/media-centre/media-releases/STB-expects-4-to-6-million-international-visitor-arrivals-for-2022-as-tourism-recovery-gains-momentum.html

[3] Welcome to Singapore: Up to 6 million visitors expected this year as recovery gains momentum - CNA (channelnewsasia.com)

[4] Singapore Hotel Room Rates Hit Six-Year High as Tourism Recovers - Bloomberg

6. Interested persons transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

The following are the IPT transactions during the current financial period:

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

Details of the aggregate indemnities provided by these Interested Persons in connection with the security bonds during the Relevant Period are as follows:

	30 June 2022 ($'000)
Aggregate indemnity in connection with the security bonds	155

7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of Section B of the SGX-ST Listing Manual.

8. Negative Confirmation Pursuant to Rule 705(5)

We, Alan Goh Keng Chian and Madaline Catherine Tan Kim Wah, being two Directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company ("the **Board**") that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board

Alan Goh Keng Chian
Executive Chairman and CEO

Madaline Catherine Tan Kim Wah
Executive Director

11 August 2022