Katrina GROUP LTD.

Incorporated in the Republic of Singapore | Registration No. 201608344N

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2018

This announcement has been prepared by Katrina Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") and its contents have been reviewed by its 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 announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

COMBINED INCOME STATEMENT AND COMPRENHENSIVE INCOME

	The Group		
	Half-Year Ended 30 June		Increase/ (Decrease)
	2018	2017	
	S$'000	S$'000	%
Revenue	**30,755**	27,650	11.2
Cost of sales	**(28,530)**	(25,086)	13.7
Gross profit	**2,225**	2,564	(13.2)
Other income	**233**	251	(7.2)
Selling and distribution costs	**(511)**	(495)	3.2
Administrative expenses	**(1,897)**	(1,900)	(0.2)
Finance costs	**(19)**	-	N.M.
Profit before tax	**31**	420	(92.6)
Income tax expense	**-**	(102)	N.M.
Total comprehensive income, representing net profit	**31**	318	(90.3)
Foreign currency translation	**(20)**	16	N.M.
Total comprehensive income attributable to equity holders	**11**	334	(96.7)

1(a)(ii) Notes to the statement of comprehensive income

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

	The Group		
	Half-Year Ended 30 June		Increase/ (Decrease)
	2018	2017	
	S$'000	S$'000	%
Employee benefits	**(10,846)**	(9,916)	9.4
Government grants	**155**	149	4.0
Depreciation of property, plant and equipment	**(1,393)**	(1,104)	26.2
Fixed rental expense on operating leases	**(7,755)**	(6,793)	14.2
Contingent rental expense on operating leases	**(317)**	(310)	2.3
Write-off of property, plant and equipment	**(117)**	(2)	N.M.
Gain on disposal of subsidiary	**4**	-	N.M.

N.M. – Not Meaningful

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

COMBINED STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30 June 18 S$'000	**31 Dec 17 S$'000**	**30 June 18 S$'000**	**31 Dec 17 S$'000**
ASSETS				
Non-current assets				
Property, plant and equipment	**7,840**	7,982	**-**	-
Investment in subsidiary	**-**	-	**1,165**	1,165
Investment in joint venture	**-***	-*	**-**	-
Refundable deposits	**4,201**	4,170	**-**	-
	12,041	12,152	**1,165**	1,165
Current assets				
Inventories	**138**	162		
Trade receivables	**549**	788	**-**	-
Other receivables	**144**	408	**-**	-
Refundable deposits	**2,203**	1,435	**-**	-
Prepayments	**546**	302	**8**	13
Amount due from a joint venture	**103**	103		
Amount due from subsidiary	**-**	-	**7,585**	7,257
Cash and cash equivalents	**5,169**	7,405	**63**	1,164
	8,852	10,603	**7,656**	8,434
Total assets	**20,893**	22,755	**8,821**	9,599
LIABILITIES				
Current liabilities				
Trade and other payables	**4,204**	4,869	**139**	258
Other liabilities	**1,281**	1,933	**203**	352
Provision	**448**	277	**-**	-
Deferred revenue	**10**	10		-
Provision for taxation	**174**	191	**5**	18
	6,117	7,280	**347**	628
Net current assets	**2,735**	3,323	**7,309**	7,806
Non-current liabilities				
Deferred revenue	**82**	88	**-**	-
Other payables	**277**	311	**-**	-
Provision	**780**	848	**-**	-
Deferred tax liabilities	**53**	53		-
	1,192	1,300	**-**	-
Total liabilities	**7,309**	8,580	**347**	628
NET ASSETS	**13,584**	14,175	**8,474**	8,971

* denotes amount less than S$1,000

COMBINED STATEMENTS OF FINANCIAL POSITION (Cont.)

	Group		Company	
	30 June 18 S$'000	31 Dec 17 S$'000	30 June 18 S$'000	31 Dec 17 S$'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**8,192**	8,192	**8,192**	8,192
Reserves	**-**	21	**-**	-
Retained profits	**5,392**	5,962	**282**	779
Total equity	**13,584**	14,175	**8,474**	8,971
Total equity and liabilities	**20,893**	22,755	**8,821**	9,599

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	-	-

Amount repayable after one year

As at 30 June 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	-	-

Details of collateral:

Not applicable

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

COMBINED STATEMENTS OF CASH FLOWS

	The Group	
	Half-Year Ended 30 June	
	2018	2017
	S$'000	S$'000
Operating activities:		
Profit before tax	**31**	420
Adjustments for:		
Depreciation of property, plant and equipment	**1,393**	1,104
Write-off of property, plant and equipment	**117**	2
Finance costs	**19**	-
Interest income	**(7)**	-
Gain on disposal of subsidiary	**(4)**	-
Currency realignment	**(16)**	36
Total adjustments	**1,502**	1,142
Operating cash flows before changes in working capital	**1,533**	1,562
Changes in working capital:		
Decrease in inventories	**24**	-
Decrease in trade and other receivables	**503**	392
Increase in refundable deposits	**(804)**	(420)
Increase in prepayments	**(244)**	(354)
Decrease in trade and other payables	**(699)**	(358)
Decrease in other liabilities	**(652)**	(335)
Decrease in deferred revenue	**(6)**	-
Decrease in amount due to directors	**-**	(78)
Total changes in working capital	**(1,878)**	(1,153)
Cash flows (used in)/generated from operations	**(345)**	409
Income tax paid	**(17)**	(403)
Interest received	**7**	-
Net cash flows (used in)/generated from operating activities	**(355)**	6
Investing activity:		
Purchase of property, plant and equipment	**(1,279)**	(617)
Net cash flows used in investing activity	**(1,279)**	(617)
Financing activities:		
Dividends paid to the then existing shareholders of a subsidiary	**-**	(1,500)
Dividends paid to the shareholders	**(602)**	(1,412)
Net cash flows used in financing activities	**(602)**	(2,912)
Effects of exchange rate changes on cash and cash equivalents	**-**	(18)
Net decrease in cash and cash equivalents	**(2,236)**	(3,541)
Cash and cash equivalents at 1 January	**7,405**	11,367
Cash and cash equivalents at 30 June	**5,169**	7,826

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	**Statutory reserve fund**	**Foreign currency translation reserve**	**Retained earnings**	**Equity, total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
The Group					
Balance at 1 January 2017	8,192	1	10	6,372	14,575
Profit for the period	-	-	-	318	318
Foreign currency translation	-	-	16	-	16
Total comprehensive income for the period	-	-	16	318	334
Dividends on ordinary shares				(1,412)	(1,412)
Balance at 30 June 2017	8,192	1	26	5,278	13,497
Balance at 1 January 2018	8,192	1	20	5,962	14,175
Profit for the period	-	-	-	31	31
Disposal of subsidiary	-	-	(20)	-	(20)
Total comprehensive income for the period	-	-	-	31	11
Dividend on ordinary shares	-	-	-	(602)	(602)
Other					
Statutory reserve pertaining to disposed subsidiary		**(1)**		**1**	**-**
Balance at 30 June 2018	**8,192**	**-**	**-**	**5,392**	**13,584**
The Company					
Balance at 1 January 2017	8,192	-	-	1,976	10,168
Profit for the period	-	**-**	**-**	188	188
Dividends on ordinary shares	-	**-**	**-**	(1,412)	(1,412)
Balance at 30 June 2017	8,192	-	-	752	8,944
Balance at 1 January 2018	8,192	-	-	779	8,971
Profit for the period	-	**-**	**-**	105	105
Dividends on ordinary shares	-	**-**	**-**	(602)	(602)
Balance at 30 June 2018	**8,192**	**-**	**-**	**282**	**8,474**

1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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. State the number of shares that may be issued on conversion of all the outstanding convertibles as, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares of the Company	**Number of shares**	**Issued and paid-up share capital S$**
Balance as at 31 December 2017 and 30 June 2018	231,521,008	8,191,502

The Company did not have any outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 2017.

1(d) (iii)To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company's issued share capital as at 30 June 2018 and 31 December 2017 comprised 231,521,008 ordinary shares.

1(d) (iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditor of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period compared to the audited financial statements for the financial year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the financial period on or after 1 January 2018, where applicable. Other than the adoption of new standards that are effective on 1 January 2018, the Group has adopted the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. The adoption of these new and revised standards and SFRS(I) have no material impact to the financial statements of the Group for the current financial reporting period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	The Group	
	Half-Year Ended 30 June	
Earnings per share ("EPS")	**2018**	2017
Profit attributable to equity holders of the Company ($'000)	**31**	318
Weighted average number of ordinary shares	**231,521,008**	231,521,008
Basic and diluted EPS (cents) [(1)]	**0.01**	0.14

[(1)] 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.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
Net asset value ("NAV") per ordinary share	**30 June 2018**	31 Dec 2017	**30 June 2018**	31 Dec 2017
NAV (S$'000)	**13,584**	14,175	**8,474**	8,971
Number of ordinary shares	**231,521,008**	231,521,008	**231,521,008**	231,521,008
NAV per ordinary share (cents)	**5.87**	6.12	**3.66**	3.87

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF FINANCIAL PERFORMANCE

Revenue

Revenue has increased by S$3.1 million or 11.2% from S$27.7 million for half year ended 30 June 2017 ("**HY2017**") to S$30.8 million for half-year ended 30 Jun 2018 ("**HY2018**") due to a net increase in the number of outlets. The new outlets contributed S$4.8 million to the increase in revenue. In view of the change of demographics such as the eating trend and convenience of mobile ordering system, customers are exploring into online delivery as opposed to dine-in. As a result, online revenue has increased by S$0.7 million while the dine-in revenue of the existing outlets has reduced by S$1.7 million from HY2017 to HY2018.

In addition, there was also a decrease in revenue of S$0.7 million from Beijing due to the closure of two outlets in March and June 2017.

Cost of Sales

Cost of sales, which comprised mainly food and beverage, employee benefits, utilities, leases of restaurants, online commissions and depreciation of property, plant and equipment, increased by S$3.4 million or 13.5% from S$25.1 million in HY2017 to S$28.5 million in HY2018. The increase was contributed by an increase in the utilities, rental and employee benefits as a result of the opening of new outlets.

In addition, online sales commission increased by S$0.2 million from S$0.6 million in HY2017 to S$0.8 million in HY2018 in line with the increase in online revenue.

Gross profit

Gross profit decreased by S$0.4 million or 15.4% from S$2.6 million in HY2017 to S$2.2 million in HY2018 due to increase in cost of sales.

Other Income

The decrease in other income by 7.2% or S$18,000 was due mainly to lower advertisement and promotion sponsorship from beverage vendor.

Selling and distribution costs

The selling and distribution costs remained consistent at around S$0.5 million in HY2017 and HY2018.

Administrative expenses

Administrative expenses remained consistent at around S$1.9 million in HY2017 and HY2018.

Finance costs

These were adjustments arising from discounting refundable rental deposits and provision for restoration costs to present value made in HY2018. There were no such valuation done in HY2017.

Profit before tax

The three non-performing outlets which were closed in HY2018 recorded losses of S$0.5 million in HY2018. Accordingly, profit before tax decreased significantly by 92.6% or S$389,000 from S$420,000 in HY2017 to S$31,000 in HY2018.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets decreased by S$0.2 million from S$12.2 million as at 31 December 2017 to S$12.0 million as at 30 June 2018 due to a decrease in property, plant and equipment resulting from depreciation and write-off of plant and equipment for outlets closed during the period, which was partially offset by an increase in refundable deposits for new outlets.

Current assets

The Group's current assets decreased by S$1.7 million from S$10.6 million as at 31 December 2017 to S$8.9 million as at 30 June 2018 due to the decrease in trade receivables resulted from lower sales recorded in June 2018 as compared to December 2017; decrease in other receivables, resulted from lower government grant receivable; and decrease in cash and cash equivalents being monies utilised for the setup of new outlets and dividend payments to shareholders. The decrease was partially offset by an increase in prepayment and refundable deposits for the new outlets.

Current liabilities

The Group's current liabilities decreased by S$1.2 million from S$7.3 million as at 31 December 2017 to S$6.1 million as at 30 June 2018 mainly due to decrease in trade and other payables resulted from lower purchases and renovation cost payables, as well as decrease in other liabilities arising from lower provision of bonus (6 months provision for period ended 30 June 2018 as opposed to full year provision as at 31 December 2017). The decrease was partially offset by the increase in provision of restoration cost as a result of reclassification from non-current portion for outlets with lease expiring in 2019.

Non-current liabilities

The Group's non-current liabilities was reduced by S$0.1 million from S$1.3 million as at 31 December 2017 to S$1.2 million as at 30 June 2018, mainly due to reclassification of provision for restoration costs to current liabilities.

Positive working capital

As at 30 June 2018, the Group was in a positive working capital of S$2.7 million as compared with S$3.3 million as at 31 December 2017.

Shareholders' equity

The decrease in Group's shareholders' equity of S$0.6 million as at 30 June 2018 was mainly attributed to the final dividend payment of S$0.6 million to its shareholders in respect of the financial year ended 31 December 2017.

REVIEW OF CASH FLOWS

The Group generated net cash of S$1.5 million from operating activities before changes in working capital. Net cash used in working capital amounted to S$1.9 million mainly due to increase in refundable deposits of S$0.8 million, prepayments for the setup of new outlets of S$0.2 million, decrease in trade and other payables of S$0.7 million and decrease in other liabilities of S$0.7 million. This was offset by a decrease in trade and other receivables of S$0.5 million. As a result, net cash used in operating activities was approximately S$0.4 million.

Net cash used in investing activities amounted to S$1.3 million due to purchase of property, plant and equipment for new outlets.

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

As a result of the above, the net decrease in cash and cash equivalents for the period was S$2.2 million.

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

The Group has not issued any forecast or prospect statement to the shareholders.

10. 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.

The F&B industry in Singapore, and the restaurant sector in particular, continued to see fatigue in 2018, faced with low entry barriers, rising operating cost and intense competition. The redeeming spark of the industry continues to be online food delivery sales, as consumers trend towards convenience and flexibility of choice.

As at end-July 2018, the total number of outlets for the Group stood at 39 in Singapore, with four new outlets opened and three non-performing outlets closed in 1H2018. The Group has four more new outlets in the pipeline and one more non-performing outlet to be closed in the next 12 months.

The Group remained steadfast in growing its business, as well as actively managing costs. As the Group is still in its expansion phase, it will take time for new outlets to improve profitability. The Group targets to be more selective in the locations of new outlets and to maximize sales from its online food ordering and delivery services, in tandem with the changing consumer trends.

Looking towards new initiatives which will build on the foundation it has set in terms of its brand equity and presence in strategic locations in Singapore, the Group aims to focus on expanding its umbrella of brands to capture more of the market.

Overseas, the Group and Hong Kong-listed Ajisen Group opened one outlet under the "So-Pho" brand in Shanghai in FY2017 and another in Guangzhou in HY2018. An additional outlet is expected to be opened in Shanghai by end-2018 at New Raffles City, Ma Dang Road. Separately, the Group has also accepted a letter of offer to open its maiden outlet in Indonesia, in Plaza Senayan, Central Jakarta under the "So Pho" brand name. The outlet is poised to have a total area of approximately 138 square metres and looks to begin operations in early 2019. Depending on the success of this venture, the Group will look to open more outlets in Indonesia over the next two years.

Sustainable growth continues to be a priority for the Group and it will continue to explore suitable brands and businesses whether internally, through collaborations or acquisitions to add value to its operations both locally and overseas.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) dividend has been declared (recommended); and

Nil for FY2018.

(b) (i) Amount per share in cents

Not applicable.

(ii) Previous corresponding period in cents

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

There is no dividend declared or recommended in HY2018.

13. If the Group has obtained a general mandate from shareholders for interested persons transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPT.

Other than as disclosed under the amount due to directors (combined statement of the financial position line item) and section 11(a) above, the following are the IPT transactions during the current financial period:

The Group has entered into a tenancy agreement on an arm's length basis on 9 April 2018 with Straits Organization Pte. Ltd., where our CEO and Executive Chairman, Alan Goh is the sole shareholder and director.

	Aggregate Value (S$'000)
Rental of office space (S$2,050 per month) from 1 April 2018 to 31 March 2020	49

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

	As at 30 June 2018 (S$'000)
Aggregate indemnity in connection with the security bonds	340

14. 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.

15. Negative Confirmation Pursuant to Rule 705(5)

We, Alan Goh and Catherine Tan, 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 2018 to be false or misleading in any material aspect.

16. Use of IPO Proceeds

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, 18 January 2018 and the Company's FY2017 Annual Report, 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.

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	-

Note: The Company wishes to clarify that the actual IPO expenses amounted to approximately S$1.4 million and therefore the actual net proceeds from IPO is approximately S$6.1 million

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.

On behalf of the Board

Alan Goh Keng Chian
CEO and Executive Chairman

Madaline Catherine Tan Kim Wah
Executive Director

14 August 2018