Katrina GROUP LTD.

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

DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Katrina Group Ltd. (the "**Company**") refers to the announcement released by the Company on 1 March 2019 in relation to its unaudited full year financial results ("preliminary Results") for the financial year ended 31 December 2018 ("FY2018").

Pursuant to Rule 704(5) of the Catalist Rules, the Board wishes to announce and clarify certain reclassifications and material differences to the unaudited consolidated financial statements for FY2018, following the finalization of the audit. The clarification of the aforesaid reclassifications and differences are set out in Appendix A below.

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

1. An income statement and statement of comprehensive income (for the group), together with a comparative unaudited results.

COMBINED INCOME STATEMENT AND COMPREHENSIVE INCOME

	Group					
			(a)=(b)+(c)	(b)	(c)	
	Audited S$'000	**Unaudited S$'000**	**Net Variance S$'000**	**SOPL Variance S$'000**	**Non SOPL Related Variance S$'000**	**Note**
Revenue	64,793	64,754	39	39	-	
Cost of sales	(58,618)	(58,611)	(7)	(14)	7	1
Gross profit	6,175	6,143				
Other income	516	487	29	11	18	2
Selling and distribution costs	(1,139)	(1,131)	(8)	(8)	-	
Administrative expenses	(4,791)	(4,852)	61	22	39	3
Finance costs	(32)	(24)	(8)	(14)	6	4
Other expenses	(130)	(95)	(35)	-	(35)	5
Profit before tax	599	528				
Income tax expense	(168)	(256)	88	-	88	6
Total comprehensive income, representing net profit	431	272				
Foreign currency translation	(21)	(22)	1	-	1	N.M.
Total comprehensive income attributable to equity holders	410	250				

Notes:
N.M. – Not meaningful

2. A statement of financial position (for the issuer and group), together with a comparative unaudited results.

COMBINED STATEMENTS OF FINANCIAL POSITION

	Group					
			(a)=(b)+(c)	(b)	(c)	
	Audited S$'000	**Unaudited S$'000**	**Net Variance S$'000**	**SOPL Variance S$'000**	**Non SOPL Related Variance S$'000**	**Note**
ASSETS						
Non-current assets						
Property, plant and equipment	7,681	7,713	(32)	5	(37)	5
Investment property	1,034	1,034	-	-	-	
Intangible assets	579	509	70	54	16	7
Investment in joint venture	*	*	-	-	-	
Refundable deposits	4,705	4,335	370	364	6	4
	13,999	13,591				
Current assets						
Inventories	203	203	-	-	-	
Trade receivables	837	832	5	6	(1)	N.M.
Other receivables	392	316	76	63	13	8
Refundable deposits	2,575	3,033	(458)	(458)	-	
Prepayments	688	693	(5)	(7)	2	N.M.
Amount due from director	358	262	96	96	-	
Amount due from a joint venture	103	103	-	-	-	
Cash and cash equivalents	6,538	6,524	14	12	2	N.M.
	11,694	11,966				
TOTAL ASSETS	25,693	25,557				

* denotes amount less than $1,000

COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

	Group					
			(a)=(b)+(c)	(b)	(c)	
	Audited S$'000	Unaudited S$'000	Net Variance S$'000	SOPL Variance S$'000	Non SOPL Related Variance S$'000	Note
LIABILITIES						
Current liabilities						
Trade and other payables	6,105	6,128	(23)	(20)	(3)	9
Other liabilities	2,567	2,553	14	72	(58)	1 & 3
Provision for restoration costs	414	446	(32)	-	(32)[(1)]	
Amount due to director	-	455	(455)	(455)	-	
Contract liabilities	498	429	69	64	5	2
Provision for taxation	242	312	(70)	-	(70)	6
	9,826	10,323				
Net current assets	1,868	1,643				
Non-current liabilities						
Other payables	257	257	-			
Contract liabilities	77	77	-			
Provision for restoration costs	953	921	32	-	32[(1)]	
Amounts due to director	455	-	455	455	-	
Deferred tax liabilities	142	156	(14)	-	(14)	6
	1,884	1,411				
TOTAL LIABILITIES	11,710	11,734				
NET ASSETS	13,983	13,823				

[(1)] Reclassification from current to non-current liabilities

COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

	Group					
			(a)=(b)+(c)	(b)	(c)	
	Audited S$'000	Unaudited S$'000	Net Variance S$'000	SOPL Variance S$'000	Non SOPL Related Variance S$'000	Note
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY						
Share capital	8,192	8,192	-	-	-	
Other reserves	(1)	(1)	-	-	-	
Retained earnings	5,792	5,632	160	35	125	
	13,983	13,823				
TOTAL EQUITY AND LIABILITIES	**25,693**	**25,557**				

3. A statement of cash flows (for the group), together with a comparative unaudited results.

COMBINED STATEMENTS OF CASH FLOWS

	Group		
	Audited S$'000	**Unaudited S$'000**	**Net Variance S$'000**
Operating activities:			
Profit before tax	599	528	71
Total adjustments	3,075	2,961	114
Operating cash flows before changes in working capital	3,674	3,489	
Total changes in working capital	309	426	(117)
Cash flows from operations	3,983	3,915	
Income tax paid	(16)	(15)	(1)
Interest received	12	12	-
Net cash flows generated from operating activities	3,979	3,912	
Net cash flows used in investing activities	(4,244)	(4,191)	(53)
Net cash flows used in financing activities	(602)	(602)	-
Net decrease in cash and cash equivalents	(867)	(881)	
Cash and cash equivalents at beginning of the period	7,405	7,405	
Cash and cash equivalents at end of the period	**6,538**	**6,524**	

The net variances on the cash flow statement mainly arose from the several adjustments to SOPL's accounts as well as purchase price allocation adjustments on acquisition of SOPL. Please refer to the annual report pages 75 and 76 for full cashflow statement.

4. 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	
Earnings per share ("EPS")	**Audited**	Unaudited
Profit attributable to equity holders of the Company ($'000)	**431**	272
Weighted average number of ordinary shares	**231,521,008**	231,521,008
Basic and diluted EPS (cents) [#]	**0.19**	0.12

[#] The basic and diluted EPS are the same as the Company did not have any potentially dilutive instruments for the respective financial years.

5. Net asset value (for the group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer, together with a comparative unaudited results.

	Group	
Net asset value ("NAV") per ordinary share	**Audited**	Unaudited
NAV (S$'000)	**13,983**	13,823
Number of ordinary shares	**231,521,008**	231,521,008
NAV per ordinary share (cents)	**6.04**	5.97

EXPLANATIONS ON VARIANCES

SOPL Variances

We embarked on our first hospitality venture to bolster our growth prospects and broaden our stream of recurring income through the acquisition of the entire issued share capital of Straits Organization Pte. Ltd. ("SOPL") and its subsidiaries ("SOPL group") on 10 December 2018 based on its net tangible assets value as at 30 November 2018. In accordance with the sales and purchase agreement ("SPA") dated 13 November 2018 entered between the Group and Mr Alan Goh Keng Chian (the "Director"), the indicative purchase price for the acquisition of SOPL group was $358,000 based on the estimated net tangible assets of SOPL group as at 30 November 2018 ("Estimated NTA"). Under the SPA, if the actual net tangible asset of SOPL group as at 30 November 2018 differs from the Estimated NTA, both parties have agreed that the purchase price shall be adjusted accordingly. Subsequent to 1 March 2019 announcement, based on the adjusted financial statements as at 30 November 2018, SOPL group was in adjusted net tangible liabilities position of $50,494 ("NTL position"). This was due to SOPL group stepping up the acquisition of serviced apartments, thereby increasing rental, utilities, setting up, marketing and payroll related costs without full occupancy. In accordance with the SPA, the purchase price was adjusted to $1. Accordingly, the Director will refund to the Group an amount of $357,999 (being the purchase consideration paid based on the Estimated NTA less $1).

To make good the NTL position, subsequent to the announcement on 1 March 2019 and upon the completion of audit, the Director has entered into a mutual agreement with SOPL on 8 April 2019 (the "Agreement") to waive the principal amount of $50,495 owing to him (out of shareholder loan of $455,000 as at 31 December 2018), to satisfy the consequential adjustment of the purchase price of the acquisition to $1.

As the acquisition of SOPL was completed only in December 2018, being a new business to the Group, the Management needed some time to familiarise themselves with the accounting records and treatments within a tight timeline, on top of the audit of the existing F&B business which has also expanded. Arising from the audit, this has resulted in several adjustments to the unaudited financial statements announced earlier. Differences between announcement made on 1 March 2019 and the audited results mainly arose from SOPL's accounts as well as purchase price allocation adjustments on acquisition of SOPL, as depicted in column (b) on pages 2 to 5.

EXPLANATIONS ON VARIANCES (CONT'D)

Non SOPL Related Variances

Note:

1. The lower cost of sales of $7,000 was due mainly to over-accrual of payroll related costs.
2. The higher other income of $18,000 was due to the adjustment to government grant and finance costs on discounting of rental deposits to present value, which were offset by rental income received in advance previously recognized as other income.
3. Administration expenses reduced by $39,000 due to overprovision of bonus and professional fee.
4. Finance costs reduced by $6,000 due to the impact of discounting refundable rental deposits to present value.
5. Other expenses increased by $35,000 due mainly to additional impairment for loss-making outlets.
6. Income tax expenses reduced by $88,000 due mainly to the adjustment of $85,000 for over-provision of income tax in respect of prior year.
7. Intangible asset increased by $16,000 due to the purchase price allocation adjustments on acquisition of Tomo Izakaya Pte. Ltd. ("TIPL").
8. Other receivables increased by $13,000 due mainly to additional government grant receivable.
9. Other payables decreased by $3,000 due to reclassification of accrued expenses to other liabilities.

BY ORDER OF THE BOARD

Alan Goh Keng Chian
CEO and Executive Chairman

12 April 2019