Katrina GROUP LTD.
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PROPOSED DIVERSIFICATION OF BUSINESS AND PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF STRAITS ORGANIZATION PTE. LTD.

1. Introduction

1.1 The Board of Directors (the "**Board**") of Katrina Group Ltd. (the "**Company**", and together with its subsidiaries, collectively the "**Group**") refers to the Company's announcement dated 14 August 2018 ("**Announcement**") in relation to the proposed acquisition of the entire issued share capital (the "**Sale Shares**") of Straits Organization Pte. Ltd. ("**SOPL**") ("**Proposed Acquisition**"). Further to the Announcement, the Board wishes to announce that the Company, has on 13 November 2018 entered into a sale and purchase agreement ("**SPA**") with Alan Goh Keng Chian, Executive Chairman and Chief Executive Officer of the Company ("**Mr Goh**") in relation to the Proposed Acquisition. Upon completion of the Proposed Acquisition, SOPL will become a wholly-owned subsidiary of the Company.

1.2 In connection with the Proposed Acquisition, the Board wishes to announce that subject to the approval of the shareholders of the Company ("**Shareholders**"), the Company intends to diversify its business and expand its core business to include hospitality business (the "**Proposed Diversification**").

1.3 The Company intends to convene an extraordinary general meeting ("**EGM**") to seek approval of the Shareholders for the Proposed Acquisition and Proposed Diversification.

2. Proposed Diversification

2.1 Background

In its continued search for new business opportunities, the Group has considered opportunities in the hospitality industry to diversify its business and broaden its stream of income and revenue. In this regard, the Group intends to diversify its core business to carry on the business of property management including providing affordable diverse accommodation solutions ("**Hospitality Business**"). The Company will be carrying out the Hospitality Business through SOPL. The Group seeks to provide its guests with more diverse accommodation options at a lower premium compared to traditional hotels and serviced apartments. The Group will be focusing on catering to corporate guests, medical tourism and co-living hotels.

The Group does not plan to restrict the Proposed Diversification to any specific geographical market as each project and investment will be evaluated and assessed by the Board on its merits.

2.2 Rationale

The Group believes that the Proposed Diversification should contribute positively to the Company and Shareholders as it will provide the following benefits to the Group:

(i) Additional and recurrent revenue streams

The Group is of the view that the Hospitality Business is expected to provide additional and recurrent revenue streams for the Group which may include the rental fees, service fees and management fees from the Hospitality Business. The Group will venture into the Hospitality Business prudently, with a view of enhancing shareholder value over the long-term and achieving long-term growth.



In addition, there is a potential and beneficial collaboration between the Group's core business and the Hospitality Business as both businesses focus on providing hospitality services to customers and the Group has extensive experience with customer service. There will be opportunities for the Group to take advantage of this collaboration to provide food and beverage and accommodation services to the customers, such as food delivery from the Group's restaurants to the units managed by the Group in relation to the Hospitality Business and such collaboration will benefit both its current business and the Hospitality Business.

(ii) More diversified business and income base, reducing reliance on core business

The Proposed Diversification may provide the Group with a more diversified business and income base for future growth and reduce the Group's reliance on its core business for its revenue streams. As the Group explores into other growth areas, this will facilitate the Group's quest for sustained performance in future.

(iii) Enhance Shareholders' value

The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified returns and long term growth. It may provide the Group with additional funds, which can be channelled towards the enhancement of shareholder value over the long-term. Additionally, the Board believes that the Proposed Diversification can offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

(iv) Positive prospects in the hospitality services industry

The Group believes that in line with the increasing trend of the millennial travellers and corporate expatriates and the rise of new market segments such as technopreneurs, there has been a growth in demand for providing affordable and longer term stays in diverse accommodation solutions. In addition, due to the increasing affluence and disposable incomes of Asian economies outside Singapore, the Group believes that there will be a rise in intra-Asia travels. Thus, given the prospects in relation to the hospitality services industry in the region, the Group believes that, barring unforeseen circumstances, this expansion into the Hospitality Business will yield an additional source of revenue for the Group.

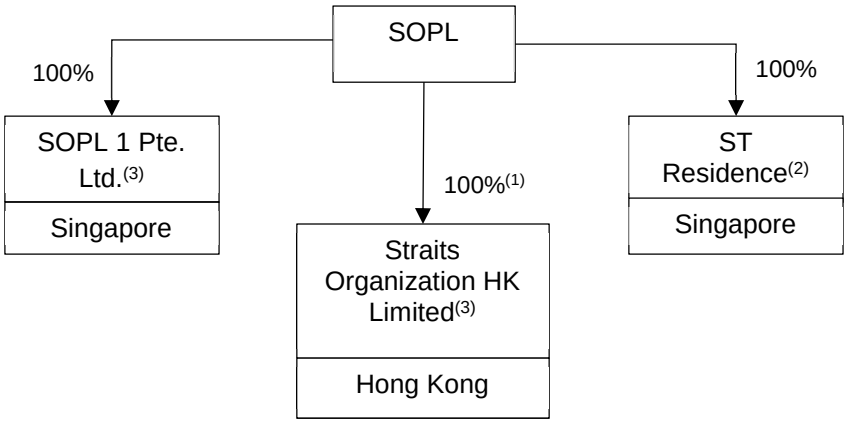
3. Proposed Acquisition

3.1 Information on SOPL

SOPL is a company incorporated in Singapore on 15 December 2017. It is principally engaged in the business of providing affordable diverse accommodation solutions, such as serviced residences and co-living hotels and is currently managing approximately 121 units in 15 different apartments and condominiums located in the central business district area, central, east and west of Singapore. It has an issued and paid-up share capital of S$280,000 divided into 280,000 ordinary shares, which is owned entirely by Mr Goh who is also the sole director of SOPL.

As at the date of this Circular, the group structure of SOPL and its subsidiaries is as follows:





Notes:

(1) The remaining 1% is held on trust by Alan Goh Keng Chian in favour of SOPL since incorporation of Straits Organization HK Limited.

(2) SOPL wholly owns this business as the sole-proprietor and the business is currently dormant. This business is registered to protect the trademark of the brand.

(3) As at the date of this Circular, these subsidiaries have yet to commence operations.

3.2 Consideration

The aggregate purchase price of the Sale Shares is S$358,000 (the "**Purchase Price**"). The Purchase Price was arrived at on a willing buyer and willing seller basis between the Company and Mr Goh after taking into account, *inter alia*, the net tangible assets of SOPL as at 30 November 2018 as estimated from the management accounts of SOPL ("**Estimated NTA**").

In the event that the actual net tangible assets of SOPL as at 30 November 2018 as ascertained in the management accounts for the period ending 30 November 2018 differs from the Estimated NTA, the Company and Mr Goh agree that the Purchase Price shall be adjusted proportionately and the difference shall be settled between the parties within seven days from the delivery of the management accounts of SOPL for the period ending 30 November 2018.

The Purchase Price will be funded by the Group through internal resources and will be satisfied in cash by the Company on the date of completion.

3.3 Salient Terms

The SPA is conditional upon the following conditions precedent having been fulfilled and/or waived:

(i) all consents, approvals, authorisations and waivers from governmental, regulatory and third party (if any) which are necessary in connection with the transactions contemplated in this Agreement having been obtained;

(ii) no material contract, lease, licence or other similar commercial arrangement of SOPL or its subsidiaries (if any) would be terminated or adversely affected as a result of a change in ownership of the Sale Shares;

(iii) the approval of the shareholders of the Company in an extraordinary general meeting being obtained for the acquisition of the Sale Shares and for the diversification of the Company's business.

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Completion shall take place within seven business days from the satisfaction of the abovementioned conditions precedents, or such other day as the Parties may agree.

3.4 **Rationale**

In line with the Group's aims to focus on broadening its stream of income and revenue, the Proposed Acquisition will allow the Group to expand its core business to include the Hospitality Business currently carried out by SOPL which will provide additional and recurrent revenue streams and may reduce the Group's reliance on its core business. For the financial period from 15 December 2017, being the date of incorporation of SOPL, to 31 October 2018, SOPL recorded profits after tax of S$64,273. As such, the Company is of the view that the Proposed Acquisition will enhance shareholders' value for the Company.

3.5 **Proposed Acquisition as an Interested Person Transaction**

Mr Goh is the Executive Chairman and Chief Executive Officer and a controlling shareholder of the Company. Accordingly, Mr Goh is an "interested person" within the meaning defined in Chapter 9 of the Catalist Rules and the Proposed Acquisition is an interested person transaction.

Based on the Group's latest audited accounts for the financial year ended 31 December 2017 ("**FY2017**"), its consolidated net tangible assets ("**NTA**") as at 31 December 2017 was approximately S$14.2 million. The total value of all interested person transactions with Mr Goh and his Associates for the current financial year ending 31 December 2018 (excluding transactions less than S$100,000) is S$634,000, which represents approximately 4.47% of the Group's latest audited NTA. Accordingly, the Proposed Acquisition as an interested person transaction will not require approval of the shareholders of the Company.

In addition, the Company had entered into a lease agreement with SOPL for the period from 1 April 2018 to 31 March 2020 at a monthly rent of S$2,050 and on 10 September 2018, Mr Goh granted a loan to SOPL in the sum of S$450,000 with an interest rate of 3.0% per annum and a maturity date of three years from 1 September 2018. For the avoidance of doubt, the total value of all interested person transactions did not take into account the aforesaid rental payable by SOPL to the Company and loan by Mr Goh to SOPL.

3.6 **Audit Committee's Statement**

The Audit Committee of the Company is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

3.7 **Relative Figures Computed Based on Catalist Rule 1006**

The relative figures for the Proposed Acquisition computed on the bases set out in Catalist Rule 1006 are set out below:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	77.42% (1)
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	0.86% (2)



Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable

Notes:

(1) Based on the unaudited net profit before tax attributable to the assets to be acquired of approximately S$23,999 for the financial period from 1 January 2018 to 30 June 2018 and the Group's net profit before tax of approximately S$31,000 for the financial period from 1 January 2018 to 30 June 2018.

(2) Based on the Purchase Price of approximately S$358,000 and the Company's market capitalisation of S$41.7 million (being the Company's issued ordinary share capital of 231,521,008 shares (excluding treasury shares and subsidiary holdings) and the volume weighted average price of the Company's shares on the SGX-ST of S$0.18 on 12 November 2018, being the market day preceding the date of the SPA where the Company's shares were last traded).

As the applicable figure computed under Catalist Rule 1006(b) exceeds 75% but is less than 100%, the Proposed Acquisition constitutes a "major transaction" under Catalist Rule 1014. However Catalist Rule 1014(2) provides that shareholders' approval is not required where the only limit breached is Catalist Rule 1006(b).

Notwithstanding the aforesaid, in accordance with the SGX-ST's recommended practice in relation to diversification of business, the Proposed Acquisition being the first major transaction involving the Hospitality Business (the "**First Major Transaction**") is conditional upon shareholders' approval. Accordingly, the Company is seeking shareholders' approval for the Proposed Acquisition as the First Major Transaction in compliance with the SGX-ST's recommended guidance.

3.8 Financial Effects

The financial effects of the Proposed Acquisition set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The financial effects of the Proposed Acquisition were calculated based on the last announced unaudited consolidated financial statements of the Group for the financial period from 1 January 2018 to 30 June 2018 ("**HY2018**") and the unaudited financial statements of SOPL for the financial period from 1 January 2018 to 30 June 2018 as SOPL was only incorporated on 15 December 2017. In addition, the financial effects have not taken into account adjustments arising from price purchase allocation.

3.8.1 Net Tangible Assets

The effect of the Proposed Acquisition on the net tangible assets ("**NTA**") per share of the Group for HY2018, assuming that the Proposed Acquisition had been effected at the end of HY2018 is as follows:

As at 30 June 2018	**Before the Proposed Acquisition**	**After the Proposed Acquisition**
NTA (S$'000)	13,584	13,584
NTA per share (Cents)	5.87	5.87

3.8.2 **Earnings Per Share**

The effect of the Proposed Acquisition on the earnings per share of the Group for HY2018, assuming that the Proposed Acquisition had been effected at the beginning of HY2018 is as follows:

HY2018	**Before the Proposed Acquisition**	**After the Proposed Acquisition**
Profits after tax and non-controlling interests (S$)	31,000	52,124
Earnings per share (Cents)	0.01	0.02

4. **Service Contract**

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Diversification and Proposed Acquisition.

5. **Interest of Directors and Controlling Shareholders**

The interests of the Directors and Substantial Shareholders in the capital of the Company as at 13 November 2018 are as follows:

	Direct Interest		**Deemed Interest**	
Directors / Substantial Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
Alan Goh Keng Chian[(1)]	104,672,404	45.21	97,860,504	42.27
Madaline Catherine Tan Kim Wah [(2)]	97,860,504	42.27	104,672,404	45.21

Notes:

(1) Mr Alan Goh Keng Chian is deemed to be interested in 97,860,504 ordinary shares held by his spouse, Ms Madaline Catherine Tan Kim Wah in the capital of the Company.

(2) Ms Madaline Catherine Tan Kim Wah is deemed to be interested in 104,672,404 ordinary shares held by her spouse, Mr Alan Goh Keng Chian in the capital of the Company.

In addition, Alan Goh Keng Chian, who is the Executive Chairman and Chief Executive Officer and a controlling shareholder of the Company, is also the sole director and shareholder of SOPL.

Save as disclosed above, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Diversification and Proposed Acquisition other than through their respective shareholdings in the Company.

Alan Goh Keng Chian and his Associates (which shall include Ms Madaline Catherine Tan Kim Wah) will abstain from voting in respect of their respective shareholding in the Company relating to the resolution on the Proposed Acquisition.

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6. **Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Diversification and Proposed Acquisition, the Company and its subsidiary, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

7. **Circular and Extraordinary General Meeting**

The Company will be convening an extraordinary general meeting to seek shareholders' approval for the Proposed Diversification and Proposed Acquisition, notice of which will be announced in due course. A circular containing, *inter alia*, further information on the Proposed Diversification and the Proposed Acquisition will be despatched to shareholders in due course.

8. **Document for Inspection**

A copy of the SPA is available for inspection at the register office of the Company at 100 Beach Road, #16-09/13 Shaw Tower Singapore 189702 during normal business hours for three months from the date of this announcement.

By Order of the Board

Alan Goh Keng Chian
Executive Chairman and Chief Executive Officer

13 November 2018

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*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 ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by 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.

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, #01-05 Hong Leong Building, Singapore 048581, telephone: +65 6415-9886.

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