Incorporated in the Republic of Singapore
Registration No. 201608344N

**RESPONSES TO QUERIES RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

The Board of Directors (the "**Board**" or "**Directors**") of Katrina Group Ltd. ("**KGL**" or the "**Company**", together with its subsidiaries, the "**Group**") refers to the Company's Annual Report for the financial year ended 31 December 2022 ("**Annual Report 2022**") and the Notice of Annual General Meeting dated 13 April 2023, both of which were issued by the Company on 13 April 2023.

The Board wishes to provide its response to the following questions received from the Securities Investors Association (Singapore). There were no questions from shareholders as at 20 April 2023.

Unless otherwise defined, all capitalised terms used in this announcement shall have the same meaning ascribed to them in the Annual Report 2022.

**Question 1:**

As shown in the financial highlights, revenue from the group's food and beverage (F&B) business increased by 16% to $47.3 million. The cost of sales was affected by higher food and operating costs of $0.9 million, higher rental expenses of $0.6 million (due to lease modifications), higher utility cost of $0.3 million and higher repair and maintenance cost of $0.2 million.

Gross profit for the F&B segment was $5.9 million and the net loss after tax was $0.3 million. In FY2022, the adjusted EBITDA of the F&B segment remains negative at $(938,000) (2021: $(1.83) million).


(Source: company annual report)

(i) What has been the trend in same-store sales for the group's F&B outlets?

(ii) What are the management's priorities for FY2023 to improve the F&B segment?

**DINING BRANDS OF KATRINA GROUP**

(iii) Other F&B companies listed on SGX have reported revenue and earnings that exceeded the pre-COVID levels. Has the board conducted a benchmarking analysis of the group's F&B operations against those of its listed counterparts?

(iv) Is the board considering conducting a strategic review of the group's F&B business, which may include comprehensive brand audit of the F&B portfolio?

**Response:**

Question 1(i)
Improvements, ranging from 2% to more than 100%, for same store sales for the F&B outlets have been noted between FY2021 and FY2022. Only 1 F&B outlet which is affected by the Thomson-East Coast line construction works showed no improvement.

Question 1(ii)
As disclosed in our Annual Report 2022, the Group will continue to make conscious and constant efforts to anticipate, adjust and adapt to the ever-changing consumer needs by rejuvenating our current brands and seeking new franchise opportunities. In addition, we will continue with our efforts in exploring new technology solutions that could improve our efficiency. Towards this end, in addition to the launching of a new Mexican brand, Sanchos, as disclosed in our Annual Report 2022, we will also be changing the concept and menu of our Tomo outlet at Clarke Quay.

We will also continue with our consolidation process, i.e., ceasing operations of non profitable outlets, as well as continue to look into cost containment measures so that we can re-direct our resources to improve the profitability of the F&B business.

Question 1(iii)
The Board has not conducted a benchmarking analysis of the Group's F&B operations against those of its listed counterparts, as the other F&B companies listed on SGX-ST are not necessarily in the same segment as the Group. Our F&B business comprises a mixture of casual dining and full serviced restaurants, with brands that are mostly developed and owned by us.

Question 1(Iv)
The Board conducts periodic reviews of the Group’s F&B business to ensure its sustainability in a highly competitive business environment. This resulted in the closure of 3 outlets at Clarke Quay over the past 2 years, and a rejuvenation of the concept/menu of the existing outlet at Clarke Quay. We also closed several under-performing outlets, as well as changed the menu at certain outlets/brands.

**Question 2**

In June 2022, the company disclosed that certain employees of ST Hospitality Pte. Ltd. are assisting with an investigation by the Urban Redevelopment Authority ("URA") into possible breaches of the minimum stay requirement in respect of the provision of short-term accommodation provided by ST Hospitality Pte. Ltd. and/or its subsidiaries.

The on-going investigation by the URA was highlighted as an emphasis of matter by the independent auditors. Details of the investigation can be found in Note 31(C).

(i) Can the company disclose which of the group's properties are approved as hotels and which are approved as serviced apartments?

(ii) What measures are in place to ensure compliance with licensing requirements concerning minimum lease periods in the co-living business? How does the board/management monitor adherence to these requirements?

(iii) Were such operational risks identified by the board and included in the circular to shareholders in December 2018 when the company sought shareholders' approval to acquire Straits Organization Pte. Ltd. (now known as ST Hospitality Pte. Ltd. with effect from 18 September 2020) from the vendor? Did the vendor provide any indemnity to the company?

(iv) What are the improvements made to the group's systems and processes to ensure compliance with regulatory requirements?

(v) What are the findings by the internal auditor in 2022?

**Response**

Question 2(i)
Pages 8-10 of the Annual Report 2022 gives a summary of the Group's properties. For the properties listed on page 8, only "ST Residences Novena" has been approved as a serviced apartment. For the properties listed on page 9-10, they are approved as hotels.

Question 2(ii)
Currently, minimum stay requirements are set in place on the Online Travel Agents website as well as our booking system. Please refer to Question 2(iv)'s response for further details on how the board/management monitors adherence to these requirements.

Question 2(iii)
Yes, such operational risks have been disclosed in point 2.6.4 on page 10 and point 2.6.8 on page 11 of the circular dated 19 November 2018[1].

Yes, indemnity was provided by the vendor.

[1] https://links.sgx.com/FileOpen/Katrina-Circular.ashx?App=Announcement&FileID=534405

Question 2(iv)

We have strictly enforced the inclusion of minimum stay requirements on the Online Travel Agents website as well as our booking system. The Hospitality team will go through the status of bookings from the fully serviced condo rental units and highlight any potential non-compliance to the minimum stay requirements during their weekly meetings. Also, any potential short-term bookings will be directed to the co-living hotels.

Reviews on the compliance to the regulatory requirements for the minimum stay are also performed by the Internal Auditors as part of their review.

Question 2(v)

There have been no exceptions noted with regards to compliance on URA Regulation based on the Internal Auditor's review of 45 room bookings for FY2022.

**Question 3**

The independent auditors have also highlighted the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern (page 104). The group is of the view that it is appropriate to prepare its financial statements on a going concern basis as it has the ability to generate sufficient cash flows from its operations to pay its liabilities.

As of 31 December 2022, the group's net liabilities and current liabilities exceeded its net assets and current assets by $5,304,000 and $19,975,000 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 financial statements on a going concern basis because, inter alia, the group will be able to generate sufficient cash flows from its operations to pay its liabilities as and when they fall due and that the controlling shareholder has indicated through a letter of undertaking to financially support the group as and when required, for 15 months from 24 February 2023.

(i) Can the management clarify if the F&B had been able to generate positive cash flow from its operations? The reported EBITDA in 2022 was $(938,000).

(ii) Can the board, especially the independent directors, help shareholders better understand the form of the "financial support" offered by the controlling shareholder? Has the group drawn down on the financial support? Is there a limit to the level of financial support offered to the group? Did the board also assess that the controlling shareholder has sufficient financial resources to provide financial support to the group, as and when needed?

**Response**

Question 3(i)

Yes, the F&B business was able to generate positive cash flow from operations in FY2022. The 2 major entities in the F&B business generated $13.7 million positive cash flow from operations in FY2022.

Question 3(ii)
The financial support offered by the controlling shareholder is in the form of shareholder's loan. The Group has drawn down on the financial support. The amount of $606,000, disclosed in page 93 and page 148 (Note 24) of the Annual Report 2022, is the advance from Mr Alan Goh Keng Chian, who provided the financial support.

No, there is no stated limit to the financial support offered to the Group.

Yes, the board had assessed that he has sufficient financial resources to provide financial support to the Group, as and when needed.

**By Order of the Board**

Alan Goh Keng Chian
Executive Chairman and CEO
24 April 2023

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*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.*

*The contact person for the Sponsor is Ms Vera Leong, Vice President, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (+65) 6415 9881.*