Katrina
GROUP LTD.

A Journey of Continual Growth

ANNUAL 2019 REPORT

ST SIGNATURE
CO-LIVING HOTELS
SINGAPORE

ST RESIDENCES
SERVICED APARTMENTS
SINGAPORE

IZAKAYA 朋友 TOMO

SO PHO

MUCHOS

胡 Hutong 同

streats

Bayang

RENNthai

红锅 HONGUO

BALI·THAI

We made strides in growing our hospitality business while refining F&B operational efficiency, thus taking us a step further in our journey of continual growth.

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This annual report has been prepared by Katrina Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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.

CORPORATE PROFILE

With an established history since 1995, Katrina Group Ltd. ("**Katrina**" or the "**Group**") is a Food & Beverage (F&B) group that specialises in multi-cuisine concepts and restaurant operations. The Group owns and operates 42 restaurants in Singapore and 2 restaurants in Indonesia under 9 different F&B brands, namely, Bali Thai, Honguo, So Pho, Streats, Bayang, Hutong, Muchos, RENNthai, and Tomo Izakaya. These brands serve authentic cuisines of 8 different ethnicities, namely Hong Kong, Indonesian, Japanese, Mexican, northern Chinese, Thai, Vietnamese and Yunnan.

Katrina prides itself on the identification of consumer trends and creating concepts that meet the demand of a wide spectrum of patrons from different market segments. Of the Group's ten brands, 4 are casual dining brands and 5 are mid-ranged dining brands, all strategically located in convenient and high foot traffic locations. In addition, 3 of the Katrina Group's brands – Bali Thai, So Pho and Streats – are Halal-certified.

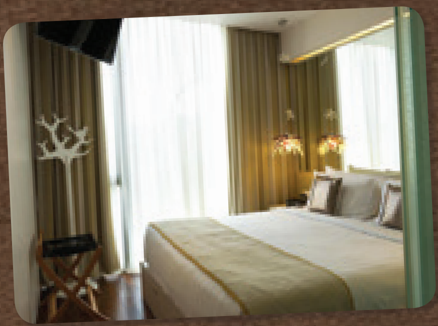
Katrina's hospitality business has scaled up since its acquisition in December 2018. The Group currently leases and manages 241 private residences, 2 apartment buildings comprising 68 apartment units as well as 4 co-living hotels comprising about 242 rooms across Singapore and 18 serviced apartments in Hong Kong.

CORPORATE MILESTONES

- **1995** Started operating "Katrina Nasi Padang"
- **1998** Launched first restaurant in West Mall (BALI·THAI)
- **2001** Ventured into upmarket dining fare (RENNthai)
- **2006** Launched 2 new brands (Bayang, Streats)
- **2007** Launched first chain of Chinese restaurants (红锅 HONGUO)
- **2008** Introduced additional upmarket brand (胡同 Hutong)
- **2009** Opened first overseas restaurant in Raffles City, Beijing (BALI·THAI)
- **2010** Developed first non-Asian brand (MUCHOS)
- **2013** Introduced new Indonesian brand and first Vietnamese brand (INDOBOX, SO PHO)
- **2015** Launched online food ordering and delivery services for Bali Thai, So Pho and Streats
- **2016** Listed on SGX-Catalist
- **2018** Acquisition of a new hospitality business (ST RESIDENCES); Acquired Japanese brand (IZAKAYA TOMO)
- **2019** Rebranding exercise (ST RESIDENCES, ST SIGNATURE); Cessation of Indobox brand

HOSPITALITY BUSINESS

The Group offers fully furnished serviced residences under the brand of ST Residences and affordable luxurious co-living hotel under ST Signature. Collectively, it seeks to be a trusted hospitality management company, that provides both corporate expatriates and leisure travelers a comfortable, enjoyable stay with top-notch customer service in prime locations locally and globally.



F&B BUSINESS

Mid-Ranged Dining Brands

Bayang

Indonesian cuisine

Singapore outlet:
- Clarke Quay

Our Bayang restaurant serves authentic Balinese favourites within a warm-Balinese décor that features inlays inspired by traditional Balinese shadow puppets.

RENNthai

Thai Cuisine

Singapore outlet:
- Clarke Quay

RENNthai serves traditional Thai cuisine. The restaurant's intimate indoor seating is furnished with exotic embellishments, while the alfresco area offers a refreshing waterfront view.

MUCHOS

Mexican cuisine

Singapore outlet:
- Clarke Quay

Muchos Mexican Bar and Restaurant serves classic Mexican dishes.

胡 Hutong 同

Northern Chinese Cuisine

Singapore outlet:
- Clarke Quay

Hutong offers traditional Northern Chinese cuisine with a contemporary twist to cater to Chinese expatriates and tourists in Singapore. Its décor is designed to exude the charm of old China with antique dark-wooded screens and tables, billowing Chinese silk drapes and red lanterns, to create a sentimental vibe of reminiscence of the beauty of ancient Beijing.

IZAKAYA TOMO

Japanese cuisine

Singapore outlets:
- Clarke Quay
- Esplanade

Tomo Izakaya restaurant captures the essence of the traditional izakaya with its chic, minimalist Zen-like décor while injecting youthful fun in its overall vibe. In Japanese, 'tomo' means 'friend' and izakaya means 'to stay in a sake shop'. Hence, the focus of Tomo Izakaya is for friends and families to have a relaxing meal of fine Japanese food and drinks while entertained by jazz music.

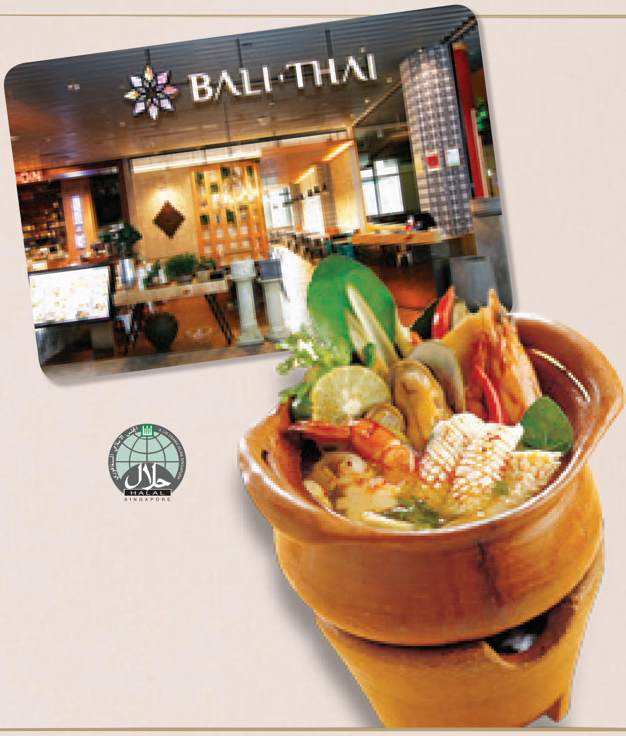
CASUAL DINING BRANDS

BALI·THAI

Singapore outlets:
- Causeway Point
- IMM Building
- NEX
- Ngee Ann City
- Suntec City
- Waterway Point

Indonesian & Thai cuisine

Bali Thai is the first restaurant brand that we conceived. The concept was designed to house perennial favourites of both Indonesian and Thai cuisines under one roof. Bali Thai restaurants are furnished in a casual, modern feel to offer a cosy ambience to our patrons.



streats

Hong Kong cuisine

Our Streats cafes serve contemporary Hong Kong cuisine. The layouts of our Streats cafes resemble that of a "Cha Chan Teng", which is casual and uncomplicated, creating an air of vibrancy for customers of all ages.

Singapore outlets:
- Bedok Mall
- Bukit Panjang Plaza
- City Square Mall
- E!Hub @ Downtown East
- IMM Building
- Resort World Sentosa
- Suntec City
- Tampines 1
- West Mall

Honguo means red pot in Chinese and the restaurant serves specialties from Yunnan. All our Honguo restaurants are decorated with paintings and posters of interesting features in Yunnan to complement the authentic Yunnan cuisine, together forming the full Yunnan experience.

Yunnan Chinese cuisine

Singapore outlets:
- Bugis Junction
- NEX
- ION Orchard

SO PHỞ

Vietnamese cuisine

So Pho offers authentic Vietnamese street food in a casual and contemporary setting at reasonable prices. Our So Pho cafes are decorated in simplicity, expressed with furnishings in neutral colours.

Singapore outlets:
- Causeway Point
- The Clementi Mall
- Great World City
- IMM
- ION Orchard
- JEM
- Jewel
- Marina One
- Northpoint City
- Novena Square
- Paragon
- Parkway Parade
- Suntec City
- The Star Vista
- Tampines Mall
- VivoCity
- Waterway Point
- White Sands

China outlets operated by joint venture:
- TeeMall, Guangzhou
- New Raffles City, Shanghai
- Huanmao IAPM Mall, Shanghai

Indonesia outlets:
- Plaza Senayan
- Central Park Mall (2020)

CHAIRMAN AND CEO'S STATEMENT

"Understandably, the newer F&B outlets and our hospitality segment will take time to improve our profitability, especially in light of a weaker domestic and global economy. Nonetheless, Katrina perceives these investments to be the foundations to deliver sustainable long-term returns."

MR ALAN GOH KENG CHIAN
Founder, Executive Chairman and CEO

DEAR SHAREHOLDERS,

2019 was a challenging year. Progress was achieved against a backdrop of slowing economic growth, rising operating costs, and labour shortages.

For the financial year ended 31 December 2019 ("**FY2019**"), the Group generated substantial revenue from our hospitality segment which made up 18.3% of Group's revenue, as compared to 0.7% contribution in the financial year ended 31 December 2018 ("**FY2018**"). Meanwhile, the F&B segment contributed 81.7% to Group's revenue on the back of existing and newly-opened and acquired F&B outlets.

Both segments contributed to a 30.2% increase in Group's revenue to S$84.4 million. However, we recorded a net loss of S$6.3 million due to a combination of higher operating costs in line with the increased activity and start-up costs, and the adoption of SFRS(I) 16 Leases resulted in higher interest expense on leases, and depreciation of right-of-use assets as compared to actual rental expenses paid.

The newer F&B outlets and our hospitality segment will take time to improve our profitability, especially in light of a weaker domestic and global economy.

OUR F&B BUSINESS

For FY2019, we continued to prioritise optimal use of resources by closing non-performing outlets and channelling suitable resources to high-performing ones. As at 31 December 2019, we had a total of 44 outlets in Singapore and 1 outlet in Indonesia. Of that total, 4 were new outlets opened in Singapore. For the year under review, we closed 3 non-performing outlets and had one outlet change its brand from Indobox to Honguo.

Our latest acquisition, Tomo Izakaya, improved its operating performance after renovations and changes to the menu. The brand currently has one outlet at Clarke Quay and another in Esplanade Mall.

Beyond Singapore, we opened our second So Pho outlet in Central Park Mall, West Jakarta in February 2020. This follows the launch of our maiden outlet in Plaza Senayan, Central Jakarta in 2019.

Complementing our brick-and-mortar offerings is our online food delivery service which was expanded to the full range of 9 brands from the 3 brands available in FY2018.

OUR HOSPITALITY BUSINESS

Katrina's hospitality business has scaled up in 2019. We have expanded our hospitality segment to offer three categories of services. The first is ST Residences which offers fully furnished corporate service apartments tailored for business travellers that require accommodation for 3 months or longer. Three new blocks were launched at Outram Road, Novena and Orange Grove Road which boosted our total number of service apartments to 376 units.

In addition, we launched our ST Signature brand which offers co-living hotels, equipped with integrated technology driven smart solutions, targeted at travellers looking for shorter stay periods. We unveiled our first hotel at Chinatown in early October 2019 followed closely by our flagship at Tanjong Pagar later that month. The Jalan Besar and Bugis Beach hotels were then launched in succession. We have also launched ST Signature Lite which offers flexible hours stay to maximise the use of unused timing slots. This has been well-received especially among transit travellers and travellers requiring early check-in and late check-out.

To augment the hospitality segment, we incorporated SO Services Pte. Ltd. (the "**SOSPL**"), to provide domestic household cleaning services. This is in line with our plans to provide a one-stop service to the customers staying in our serviced apartments and co-living hotels.

OUTLOOK AND FUTURE PROSPECTS

For the year ending 31 December 2020 ("**FY2020**"), the outlook appears challenging due to the unprecedented impact of the COVID-19 pandemic.

While the Group anticipates that both segments will be affected, sustainable growth remains our priority. We are also negotiating for short-term rental rebates from landlords, revising restaurant operating hours, minimising wastage and implementing other cost management measures. The Group is appreciative of the support packages offered by the government to help cushion the impact.

We will also continue searching for strategically-located units after careful evaluation of our available financing options to grow our customer base for the hospitality business. Aside to the provision of living spaces, we will also look into expanding the reach of SOSPL as we have noted interest from the market.

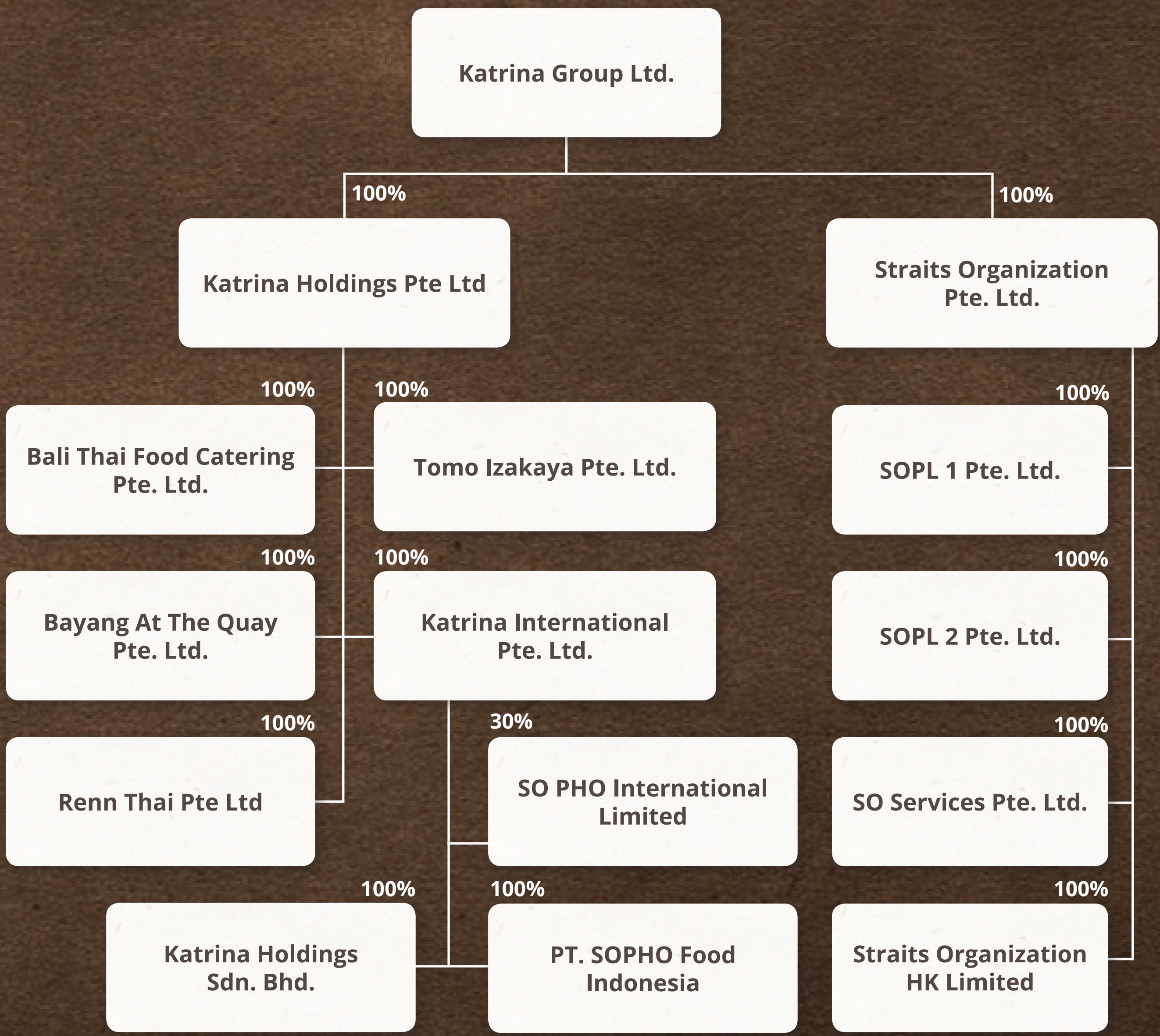
For the F&B business, the Group continues to refine its operations, and we will closely monitor the performance of our F&B outlets especially in light of the challenging outlook for the F&B industry.

ACKNOWLEDGEMENTS

I would like to express my appreciation and thank Mr Chow Wen Kwan and Mr Eric Low Siak Meng, for their contributions during their tenure as Independent Directors. On behalf of the board, I would then like to thank the management team and employees along with our customers, suppliers and shareholders for their faith and continued support of the Group. We will ride through this challenging period together and strive for continual growth in FY2020.

MR ALAN GOH KENG CHIAN
Founder, Executive Chairman and CEO

GROUP STRUCTURE



FINANCIAL HIGHLIGHT

	FY2016	FY2017	FY2018		FY2019	
	F&B	F&B	F&B	Hospitality	F&B	Hospitality
Sales Revenue ($'000)	56,823	57,966	64,308	485	**68,915**	**15,441**
Gross profit ($'000)	8,411	5,712	6,102	73	**5,833**	**1,742**
Net profit ($'000)	2,368	1,002	491	(60)	**(3,988)**	**(2,334)**
Earnings per ordinary share ("**EPS**") (cents)	1.12	0.43	0.21	(0.02)	**(1.72)**	**(1.01)**
Net Asset Value ("**NAV**") (S$'000)	14,575	14,175	13,543	440	**4,589**	**3,105**
NAV per ordinary share (cents)	6.30	6.12	5.85	0.19	**1.98**	**1.34**

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

The Group's revenue increased by S$19.6 million or 30.2% from S$64.8 million for FY2018 to S$84.4 million for FY2019 due to the contribution of higher revenue of S$15.0 million from the hospitality business acquired in December 2018 and a net increase in the number of outlets opened and newly acquired outlets in October 2018. The new outlets contributed S$9.3 million to the increase in revenue whereas the closed outlets recorded S$4.0 million lower in revenue for FY2019. The existing outlets contributed a decrease in turnover of S$0.8 million in FY2019 as compared to FY2018.

Cost of sales, which comprised mainly food and beverage, employee benefits, short-term rental of restaurants and apartments, utilities, depreciation of right-of-use assets pertaining to leases of restaurants and apartments, commissions, depreciation of property, plant and equipment, and household items, increased by S$18.2 million or 31.0% from S$58.6 million in FY2018 to S$76.8 million in FY2019. The hospitality segment contributed S$13.3 million to the increase while F&B segment contributed the balance S$4.9 million. The increase in cost of sales relating to the hospitality business was mainly due to short-term rental of apartments of S$1.4 million, utilities of S$0.7 million, agents' commission of S$0.7 million and depreciation of right-of-use assets pertaining to leases of apartments of S$8.9 million. The increase in cost of sales relating to the F&B business was mainly due to increase in employee benefits of S$2.5 million, food cost of S$1.6 million and online commission of S$0.4 million from the opening of new outlets.

The Group's gross profit increased by S$1.4 million or 22.7% from S$6.2 million in FY2018 to S$7.6 million in FY2019 due to the increase in revenue.

Other income increased by S$1.2 million in FY2019 mainly attributed to the compensation of S$1 million received from a landlord relating to the hospitality segment for the termination of a tenancy agreement and S$0.2 million from F&B segment due to higher advertisement and promotion sponsorship from beverage vendor and grants received from the government.

The Group's operating expenses which comprise selling and distribution expenses, administrative expenses and finance costs increased by S$7.7 million or 128.8% from S$5.9 million in FY2018 to S$13.6 million in FY2019. Selling and distribution costs increased by S$0.6 million or 53.6% from S$1.1 million in FY2018 to S$1.7 million in FY2019 as more marketing efforts were engaged to promote the F&B as well as hospitality segments. Administrative expenses increased by S$2.5 million or 52.5% from S$4.8 million in FY2018 to S$7.3 million in FY2019 mainly due to the expenses incurred by the new hospitality segment. These expenses mainly comprised of payroll related expenses, professional fees, transport, travelling and telecommunication expenses. Finance costs increased of after comprise by S$4.6 million mainly attributed to unwinding of lease liabilities from adoption of SFRS(I)16 - Leases of S$4.6 million and interest expense from bank borrowings of S$0.2 million, offset by interest income of S$0.2 million from accretion of refundable deposits.

Other expense increased by S$2.0 million due mainly to impairment of property, plant and equipment, right-of-use assets and intangible assets.

As a result, the Group reported a net loss before tax of S$6.5 million for FY2019, of which hospitality segment contributed S$2.3 million whereas F&B segment contributed S$4.2 million.

FINANCIAL POSITION

The Group's non-current assets increased by S$76.3 million from S$14.0 million as at 31 December 2018 to S$90.3 million as at 31 December 2019 mainly due to adjustment arising from adoption of SFRS(I)16 - Leases, resulting in recognition of right-of-use assets of S$70.7 million. There were also increase in property, plant and equipment, and refundable deposits for new outlets amounting to S$6.2 million, offset by decrease in intangible asset of S$0.6 million.

The Group's current assets increased by S$0.6 million from S$11.7 million as at 31 December 2018 to S$12.3 million as at 31 December 2019 due to the increase in trade receivables, which is in line with the increase in revenue, the increase in refundable deposits, prepayments from hospitality business and partially offset by the decrease in cash and cash equivalents.

The Group's current liabilities increased by S$29.1 million from S$9.8 million as at 31 December 2018 to S$38.9 million as at 31 December 2019, mainly due to adoption of SFRS(I)16 - Leases and increase in bank borrowings.

The Group's non-current liabilities increased by S$54.1 million from S$1.9 million as at 31 December 2018 to S$56.0 million as at 31 December 2019, mainly due to adoption of SFRS(I)16 - Leases and increase in bank borrowings to finance the renovation of new F&B outlets and start-up costs of co-living hotels while partially mitigated by the repayment of amount due to director.

As at 31 December 2019, the Group was in a net current liabilities position of S$26.6 million as compared to a net current assets position of S$1.9 million as at 31 December 2018. This arose mainly as a result of current portion of lease liabilities of S$24.6 million recognised as a result of adoption of SFRS(I)16 - Leases.

Net asset value per ordinary share as at 31 December 2019 was 3.32 cents compared to 6.04 cents as at 31 December 2018. As at 31 December 2019, the Group has cash and cash equivalents totalling S$5.7 million, with loans and borrowings amounting to S$8.6 million.

The decrease in Group's equity of S$6.3 million as at 31 December 2019 was mainly the result of the loss incurred during the year.

STATEMENT OF CASH FLOWS

The Group generated net cash of S$27.1 million from operating activities before changes in working capital. Net cash used in working capital amounted to S$3.5 million mainly due to increase in trade and other receivables of S$1.6 million, refundable deposits of S$2.7 million, offset by net increase in trade, other payables and other liabilities of S$1.0 million. As a result, the net cash flows from operating activities was S$23.4 million after income tax payments of S$0.2 million.

Net cash used in investing activities amounted to S$6.9 million due to purchase of property, plant and equipment for new outlets.

Net cash used in financing activities of S$17.3 million was due to the lease payments and partially mitigated by the increase in bank borrowings.

As a result of the above, the cash and cash equivalents for the year decreased by S$0.8 million.

BOARD OF DIRECTORS

MR. ALAN GOH KENG CHIAN

Founder, Executive Chairman and CEO

Mr. Goh is the Founder, Executive Chairman and CEO of the Group. He heads the formulation of the Group's strategic directions and expansion plans in Singapore and overseas markets, and manages the Group's overall business development. He is also responsible for implementing goals and objectives of the Group, identifying new business opportunities and sourcing for new strategic locations within Singapore and overseas. Mr. Goh obtained a Technician Diploma in Civil Engineering from Singapore Polytechnic in 1979 and a Diploma in Marketing Management from Ngee Ann Polytechnic in 1987. Thereafter, Mr. Goh attained his Masters of Business Administration (General Business Administration) from University of Hull in 1995.

MS. MADALINE CATHERINE TAN KIM WAH

Co-founder and Executive Director

Ms. Tan is the Co-founder and Executive Director of the Group. She is responsible for the formulation and introduction of the Group's new concept ideas and menus for new and existing F&B brands. She assists the Executive Chairman and CEO in managing the Group's overall business development and operations and is actively involved in formulating strategies to improve the processes in the Group's restaurants and cafes.

Ms. Tan has more than 20 years of experience in F&B and restaurant operations.

MR. MAH HOW SOON

Lead Independent Director

Mr Mah was appointed the Lead Independent Director of the Group on 21 April 2017 and chairs the Audit Committee. He is presently the Managing Director of RHT Capital Pte. Ltd. He has had many years of transactional and management experience in corporate finance in international and local financial institutions, and boutique advisory firms. He has played a key role in advising companies from many industries and countries on a wide range of transactions relating to both equity capital markets, and mergers and acquisitions.

Mr Mah is a Chartered Accountant (Singapore) and a Chartered Financial Analyst. He graduated with a Bachelor of Accountancy with honours from Nanyang Business School, and a Master of Business Administration from The University of Chicago Booth School of Business.

He is also an Independent Director of Clearbridge Health Limited.

MS. JOAN LAU SAU CHEE

Independent Director

Ms. Lau was appointed as an Independent Director of the Group on 1 May 2019. Ms. Lau started her banking career in Overseas Union Bank Limited ("**OUB**") in 1970s as a Personnel Officer and subsequently as an Assistant Company Secretary. In 1990, she joined the corporate finance industry as a corporate finance officer in OUB and left as an Executive Director in United Overseas Bank Limited ("**UOB**") in 2008 (OUB merged with UOB in 2002). In June 2008, she joined Hong Leong Finance Limited as Senior Vice President heading its Corporate Finance department and retired as an advisor in March 2016.

Ms. Lau is a Fellow of the Institute of Chartered Secretaries and an Associate of the Chartered Institute of Bankers.

MR. TAN KONG KING

Independent Director

Mr. Tan was appointed as an Independent Director of the Group on 1 September 2019. Mr. Tan has over 30 years of experience and expertise in the management and operation of group companies, financing business acquisitions, corporate restructuring, as well as formulation of corporate and investment strategies, particularly within the food industry within the Asia Pacific region. Before joining the Group, Mr. Tan was appointed as a non-executive Director of QAF Limited on 15 June 1995. He became the Group Managing Director of the QAF Group in January 1996. Since 1996, Mr. Tan had streamlined and refocused the QAF Group for further growth and expansion in the food industry. He retired as the Group Managing Director of QAF Limited on 31 December 2016. In the early part of his career, Mr. Tan had worked for a number of years with an international accounting firm. Subsequent to which he joined and worked as the managing director of KMP Private Ltd group of companies from 1981 to 2004.

Mr. Tan holds a B.Sc. Economics degree from the London School of Economics, University of London.

KEY MANAGEMENT

MR. ALAN GOH KENG CHIAN

Founder, Executive Chairman and CEO

See biography in Board of Directors.

MS. MADALINE CATHERINE TAN KIM WAH

Co-founder and Executive Director

See biography in Board of Directors.

MS WONG SIEW CHUAN

Chief Financial Officer

Ms Wong joined the Company as Chief Financial Officer on 2 May 2018. Her current duties include financial and management reporting as well as liaising with the Singapore Exchange Securities Trading Limited as the Company's authorized representative. She was a Chief Financial Officer of Shinvest Holding Ltd. for 6 years before joining the Company. She was the Finance Manager of Magnus Energy Group Ltd., in June 1999 and was re-designated as its Chief Financial Officer on 23 May 2006. She was with Magnus Energy Group Ltd for 10 years. Prior to this, she held several positions and had more than 20 years of experience in financial and management reporting, and 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions.

Ms Wong graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1988 and is a non-practicing Fellow Chartered Accountant Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS
ALAN GOH KENG CHIAN
(Executive Chairman and CEO)

MADALINE CATHERINE TAN KIM WAH
(Executive Director)

MAH HOW SOON
(Lead Independent Director)

JOAN LAU SAU CHEE
(Independent Director)

TAN KONG KING
(Independent Director)

AUDIT COMMITTEE
MAH HOW SOON (Chairman)

JOAN LAU SAU CHEE

TAN KONG KING

NOMINATING COMMITTEE
TAN KONG KING (Chairman)

MAH HOW SOON

JOAN LAU SAU CHEE

REMUNERATION COMMITTEE
JOAN LAU SAU CHEE (Chairman)

MAH HOW SOON

TAN KONG KING

COMPANY SECRETARIES
WEE WOON HONG

WONG SIEW CHUAN

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EXTERNAL AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Tan Peck Yen
(A practising member of the Institute of Singapore Chartered Accountants)
(Appointed since the financial year ended 31 December 2015)

BANKERS
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Oversea Bank Limited

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Proxy Form

CORPORATE GOVERNANCE REPORT

Katrina Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") is continuously committed to maintain a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

This report outlines the Company's main corporate governance practices that were in place through the financial year ended 31 December 2019 ("**FY2019**") with reference to the principles set out in the Code of Corporate Governance 2018 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in August 2018 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and the Guide.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1
The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 **Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

Apart from its statutory and fiduciary responsibilities, the primary functions of the Board are to perform their roles and responsibilities lay out under the Code and the Board's terms of reference.

Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Please refer to Table A set out on page 38 to 40 of this Annual Report for the composition and primary functions of the Board.

Provision 1.2 **Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.**

Every Director, in the course of carrying out his or her duties, acts in good faith and considers at all times, the interests of the Group.

All newly appointed Directors will undergo an orientation program to provide them with background information on the Group and industry-specific knowledge.

The Directors may, at any time, visit the Group's restaurants and/or properties under ST Residences and ST Signature to gain a better understanding of the Group's businesses.

If regulatory changes have a material impact on either the Group or the Directors, the Management will update the Directors during the Board meetings. The Company Secretary (or her representatives) also briefs the Directors on key regulatory changes, while Ernst & Young LLP, the Company's external auditors (the "**External Auditors**") briefs the Audit Committee ("**AC**") on key amendments to the accounting standards.

The Directors continuously update themselves on new laws, regulations and changing commercial risks. Every Director is also encouraged to seek additional training to further his/her skills in performing his/her duties, including attending classes and/or events organised by the Singapore Institute of Directors. Directors are also informed of upcoming conferences or seminars relevant to their roles as Directors of the Company at the Company's expenses.

Seminars and trainings attended by some of the Directors in FY2019:

- The Listed Entity Director (LED) Programme organised by Singapore Institute of Directors with the support of the SGX-ST
- Rising importance of Business Valuation in the Corporate Arena
- The Market you want - A Regulatory Perspective
- Global Slowdown in 2019. A Healthy Necessity? Seizing Opportunities in Uncertain Times

Provision 1.3 **The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.**

The matters which specifically require the Board's approval or guidance which are laid out under the terms of reference of the Board, are those involving:

- Allotment and issuance of new shares of the Company;
- Grant of share options under Share Option Scheme, if any;
- Issuance of convertible bonds and warrants;
- Bank matters including opening of bank accounts, change of bank signatories, acceptance of banking facilities and issuance of corporate guarantees;
- Acquisition and realisation of shares in subsidiaries and any other companies;
- Major acquisition and disposal of assets and any proposal for investment and divestment of interests;
- Incorporation of subsidiaries, subscription of shares in subsidiaries, capitalization of loan due from subsidiaries and appointment of corporate representative;
- Sales and purchase agreement and any other agreement entered on acquisition or disposal of assets outside ordinary course of business;
- Approving announcements, half-yearly and year-end financial results announcements for public release;
- Conducting general meetings;
- Financial and secretarial matters including approval of audited financial statements, Directors' statements, approval of annual capital expenditure, change of registered office and any proposed alteration to the Constitution of the Company; and
- Appointment of Directors; Executive Officers, Auditors, Company Secretary, Power of Attorney.

CORPORATE GOVERNANCE REPORT

Provision 1.4 **Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.**

The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("**CEO**"), Mr Alan Goh Keng Chian and the Group's Management team.

The Board has established a Nominating Committee ("**NC**"), a Remuneration Committee ("**RC**") and an AC (collectively, the "**Board Committees**") to facilitate the discharge of their respective responsibilities.

Each of the Board Committees has its own terms of reference setting out the scope of its duties and responsibilities, the rules and regulation and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board Committees are actively engaged and play an important role in ensuring good corporate governance of the Group. All recommendations of the Board Committees are subsequently reviewed by the Board.

Please refer to Table A set out on pages 38 to 40 of this Annual Report for the composition, terms of reference, and primary functions of the Board Committees.

Provision 1.5 **Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.**

The Board meets regularly on a half-yearly basis. Additional meetings are also held from time to time as may be required to address any significant matters that may arise.

Dates of Board meetings, Board Committee meetings and annual general meetings are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend the meeting in person is invited to participate in the meeting via telephone or video conference.

The number of Board and Board Committee meetings and the record of attendance of each Director during FY2019 are set out in Table B at page 41 of this Annual Report.

The Company's Constitution (the "**Constitution**") provides for meetings of the Directors to be held by means of telephone conference or other simultaneous communication methods in the event when Directors are unable to attend the meetings in person . The Board and Board Committees may also make decisions by way of written resolutions.

The NC has reviewed the multiple board representations of each Director, and noted that the Directors who are holding multiple board representations have been adequately carrying out their duties as directors of the Company, and have devoted sufficient time and attention to the affairs of the Group.

Provision 1.6 **Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

The Chairman also plays a key role in scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings, ensuring adequate time is available for discussion, proper conduct of meetings and accurate documentation of the proceedings, encouraging constructive communications within the Board and between the Board and Management, ensuring smooth and timely flow of information between the Board and Management, ensuring effective communication with Shareholders, promoting a culture of openness and debate at the Board, and promoting high standards of corporate governance.

The Directors are provided with complete, adequate and timely information prior to Board and Board Committees meetings to ensure that the Directors have adequate time to review the same and request further explanations, where necessary. These include background and explanations of the meeting materials to the Board and Board Committees, and in respect of projections and financial results, any material variance between the projections and actual results is disclosed and explained.

The Board also receives regular updates from the Management on any significant developments on business initiatives, and industry developments concerning the Group's businesses.

Additional information, documents and materials are provided to the Directors as and when required to enable them to make informed decisions and discharge their duties and responsibilities.

Provision 1.7 **Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.**

The Board has separate and independent access to the Management and the External Auditors at all times at the Company's expense. Queries by individual directors on the Company's developments, management proposals or papers are directed and answered by the Management.

In addition, the Directors, either individually or as a group, are provided with direct access to the Group's independent professional advisors, to seek separate independent professional advice on the Company's affairs or in respect of his fiduciary or other duties, where necessary. The cost of all such professional advice is borne by the Company.

The Directors also have separate and independent access to the Company Secretary.

The Company Secretary ensures that applicable rules and regulations are complied with and assists the Board in implementing corporate governance practices.

In addition, the Company Secretary (or her representatives), had attended all the Board and Board Committee meetings of the Company in FY2019.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

BOARD COMPOSITION AND GUIDANCE

Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 **An "independent director" is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.**

As at the end of FY2019, the Board consisted of one Executive Chairman, one Executive Director and three Independent Directors.

The Board is able to exercise objective judgement on corporate affairs independently and constructively challenge key decisions, taking into consideration the long-term interests of the Group and its shareholders, as the Independent Directors comprise 60% of the Board. Further, all the Board Committees are chaired by the Independent Directors and all of the members of the Board Committees are Independent Directors. Please refer to Table A set out on pages 38 to 40 of this Annual Report for the composition of the Board and Board Committees.

The NC is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. The NC conducts the review annually and requires each Independent Director to submit a confirmation of independence based on the guidelines provided in the Code.

Based on the confirmation of independence submitted by the Independent Directors and the results of the NC's review, the NC was of the view that each Independent Director is independent in accordance with the Code and Catalist Rule 406(3) as the Independent Directors:

(i) are not employed by the Company or any of its related corporations for the current or any of the past three financial years; or

(ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

In view of the above, no individual or small group of individuals dominates the Board's decision-making.

Provision 2.2 **Independent directors make up a majority of the Board where the Chairman is not independent.**

As the Chairman of the Board and the CEO is the same person, the Company has complied and ensured that the majority of the Board comprises Independent Directors.

As at FY2019, no Independent Directors on the Board had served for more than nine years from the date of their initial appointment.

Provision 2.3 **Non-executive directors make up a majority of the Board.**

The Board comprises five members, three of whom are Non-Executive and Independent Directors. As such, non-executive directors make up a majority of the Board.

Provision 2.4 **The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.**

The Board and the NC regularly examine the Board's size and, with a view to determine the impact of the number upon effectiveness, decide on an appropriate size for the Board, taking into account the scope and nature of the Group's operations.

The Board and NC take into account, inter alia, the Directors' contributions, areas of expertise and scope of work on an annual basis in evaluating whether the Board's composition is adequate.

The Board and NC are satisfied that the current Board's size and composition are appropriate for the Group to facilitate independent and effective decision-making.

The NC annually reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

The NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Directors are respected individuals drawn from a broad spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both Board and Board Committee meetings.

Each Director has been appointed based on his/her calibre and experience and is expected to bring his/her knowledge and experience in his/her field of expertise to contribute to the development of the Group's strategy and the performance of its business. The Board comprises 2 females and 3 male Directors with diverse backgrounds such as accounting, finance, food and beverages, and business management.

Details of the Directors' academic and professional qualifications and other appointments are set out on pages 11 to 12 of this Annual Report.

The Board recognizes the benefits of having a diverse Board help bring in new ways of thinking, insights and different perspectives to the Board, which will result in productivity and quality of Board deliberations. While the Board and NC have not implemented a fixed diversity policy, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board and enable it to make decisions in the best interests of the Company. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

Provision 2.5 **Non-executive directors and/or independent directors, led by the independent chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.**

The Independent Directors confer regularly with the Executive Directors and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters.

The Group's Independent Directors had held periodic conference calls and/or meetings without the presence of Management in FY2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 **The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making.**

As the Chairman and the CEO is the same person, the Board is of the view that it is the best interest of the Group to adopt a single leadership structure. This is to ensure the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions on the matters listed under Provision 1.3, made by the Chairman and CEO are discussed and reviewed by the Board as whole. The Board is of the view that there is adequate accountability and transparency as Independent Directors make up 60% of the Board. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision-making.

<u>Provision 3.2</u> **The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.**

Although the Chairman and the CEO is the same person, however, the role of the Chairman is separate from that of the CEO and there is a clear division of responsibilities between the Chairman and CEO under the terms of reference of the Board. In addition, the Board has reserved the matters which specifically require the Board's approval or guidance and laid them out under the terms of reference of the Board. These are to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision-making.

The Chairman is primarily responsible for effective working of the Board while overseeing the Management, strategic planning and business development of the Group.

The CEO has overall responsibility over the business operations of the Group and day-to-day management of the Company, organisational effectiveness and implementation of Board policies. The CEO may delegate aspects of his authority or power but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units.

<u>Provision 3.3</u> **The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent.**

The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Mr Mah How Soon is the Lead Independent Director of the Company as Mr Alan Goh Keng Chian is acting as the Executive Chairman and CEO.

The Lead Independent Director avails himself to address shareholders' concerns and acts as a counterbalance in the decision-making process. Where necessary, the Lead Independent Director will chair meetings without involvement of the Executive Directors and provide feedback to the Chairman of the Board, to aid and facilitate well-balanced viewpoints on the Board.

The Lead Independent Director will meet up with the Independent Directors without the presence of the Executive Directors and the Management, where necessary, and the Lead Independent Director will provide feedback to the Chairman of the Board after such meetings.

<u>BOARD MEMBERSHIP</u>

Principle 4
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

<u>Provision 4.1</u> **The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:**

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programmes for the Board and its directors; and

(d) the appointment and re-appointment of directors (including alternate directors, if any.

The NC, which terms of reference are approved by the Board, comprises three Independent Directors. The NC meets at least once a year. Please refer to Table A set out on pages 38 to 39 of this Annual Report for the composition and functions of the NC, which includes the above-listed functions, based on the terms of reference.

In accordance with the Constitution, one-third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting of the Company. Any Director appointed by the Board during the financial year shall hold office only until the next annual general meeting. A retiring Director shall be eligible for re-election.

The NC makes recommendations to the Board on all Board appointments and on the composition of Executive and Independent Directors of the Board. It is also charged with re-nominating directors who are retiring by rotation as well as determining annually whether or not a director is independent. The details of the retiring Directors seeking re-election are found in Table C set out on pages 41 to 48 of this Annual Report.

Provision 2.2 of the Code provides that the independence of Independent Directors serving for more than nine years should be rigorously reviewed. The Board will take Provision 2.2 of the Code into account when determining the re-appointment of the Independent Directors, if applicable.

Provision 4.2

The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.

The NC currently comprises of three members, all of whom are Independent Directors. The Lead Independent Director is a member of the NC.

Provision 4.3

The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.

When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration.

The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

For the board nomination process for re-electing incumbent Directors, please refer to Provision 5.2.

Provision 4.4 **The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.**

A Director who has no relationship with the Company, its related corporation, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent.

The NC conducts an annual review of Directors' independence based on the guidelines set forth in the Code, and the NC and the Board are of the view that Mr Mah How Soon, Ms Joan Lau Sau Chee and Mr Tan Kong King are independent.

Provision 4.5 **The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.**

Newly appointed Directors with no prior experience as director of SGX-listed company will undergo and complete the trainings in the roles and responsibilities of a director of a listed company in Singapore as prescribed by the SGX-ST at SID within one year from the date of his appointment to the Company as well as in other relevant areas at the expense of the Company.

Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on pages 11 to 12 of this Annual Report and, in respect of the retiring Directors who standing for re-election, in Table C on pages 41 to 48 of this Annual Report.

All Directors declare their board memberships as and when practicable. The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as Directors of the Group.

In accessing the capacity of the Directors, the NC takes into consideration the expected and/or competing time commitments of the Directors, size and composition of the Board, and nature and scope of the Group's operations and size.

The Company does not have any alternate directors.

The NC and the Board are satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and their principal commitments. Currently, the NC does not determine the maximum number of listed company Board representations which a Director may hold as the NC is of the view that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

BOARD PERFORMANCE

Principle 5
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 **The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.**

The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board on an annual basis. Please refer to Table A set out on pages 38 to 39 of this Annual Report for the composition and functions of the NC, which includes the above-listed functions, based on the terms of reference.

Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Directors.

Provision 5.2 **The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.**

The NC had conducted the Board's performance evaluation as a whole for FY2019 together with the performance evaluation of the NC, RC and AC. The performance criteria for the Board and Board Committees' evaluation, as determined by the NC, cover the following areas:

1. Board Composition and Structure;
2. Conduct of Meetings;
3. Corporate Strategy and Planning;
4. Risk Management and Internal Control;
5. Measuring and Monitoring Performance;
6. Training and Recruitment;
7. Compensation;
8. Financial Reporting;
9. Chairman of the Board;
10. Board Committees; and
11. Communicating with Shareholders.

The abovementioned performance criteria do not change from year to year.

All Directors have completed the Board and Board Committees' evaluation forms mentioned above. The summary of the Board and Board Committee's evaluation was circulated to the members of NC for their review. Areas for improvement were suggested by the NC before submitting to the Board for discussion.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance and/or re-nomination as a Director.

The NC is satisfied that the Board as a whole and Board Committees had met its performance objectives for FY2019.

The NC also conducted individual Directors' assessment. All Directors have completed the individual Directors' assessment forms and the summary of the individual Directors' assessment was circulated to the members of NC for their review.

The replacement of a Director, when it occurs, does not necessarily reflect the Director's performance, but may be driven by the need to align the Board with the needs of the Group.

The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, the intensity and quality of participation at meetings, contribution to the decision-making procedures, compliance with the Company's policies and procedures, and disclosure of interests. The NC and the Board have relied on the abovementioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

No external facilitator was engaged by the Company in FY2019.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 **The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:**

(a) a framework of remuneration for the Board and key management personnel; and

(b) the specific remuneration packages for each director as well as for the key management personnel.

The RC, which terms of reference are approved by the Board, comprises three members, all of whom are Independent Directors. It meets at least once a year. Please refer to Table A set out on page 39 of this Annual Report for the composition and functions of the RC, which includes the above-listed functions, based on the terms of reference.

The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, Directors and key management personnel.

The RC reviews the remuneration packages and employment contracts of the CEO, Directors and key management personnel in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director, the CEO and key management personnel.

Provision 6.2 **The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

The RC comprises three members, all of whom including the RC Chairman are non-executive and Independent Directors.

Please refer to Table A set out on page 39 for the composition of the RC.

Provision 6.3 **The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

The RC reviews all aspects of remuneration, including the Company's obligations arising from termination clauses and termination processes in relation to the Executive Directors' and key management personnel's contracts of service to ensure that such clauses and processes are fair and reasonable.

Provision 6.4 **The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.**

No remuneration consultants were engaged by the Company during FY2019. The RC and the Board were of the view that the Company does not need to engage remuneration consultants as the remuneration for Executive Directors and the key management personnel are based on their respective existing service agreements.

The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations. None of the RC members or Directors is involved in the deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him/her or someone related to him/her.

LEVEL AND MIX OF REMUNERATION

Principle 7
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 **A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.**

In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of Shareholders and long-term success of the Group.

The performance criteria for the Executive Directors and key management personnel have been met for FY2019.

The Company had no long-term incentive schemes during FY2019.

<u>Provision 7.2</u> **The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

No Independent Directors have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Directors are subject to approval by Shareholders at each Annual General Meeting ("**AGM**") thereby ensuring that their independence is not compromised.

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him/her.

Please see Table D set out on page 49 for the detailed schedule of annual fees for Independent Directors being proposed to Shareholders.

<u>Provision 7.3</u> **Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

Based on the service agreements of the Executive Directors, the Board will use contractual provisions or other measures to reclaim the incentives or any related payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

There are currently no incentive schemes for the Executive Directors and key management personnel.

DISCLOSURE ON REMUNERATION

Principle 8
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

<u>Provision 8.1</u> **The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

Please refer to Table D set out on pages 49 to 50 for remuneration details for the Directors, CEO and key management personnel (who are not Directors or the CEO).

As the Company is maintaining a lean management team, the Company currently only has one key management personnel (who is not a Director or the CEO) during FY2019. The Company is in the process of developing the team for planning, directing and controlling the activities of the Company.

The Company has disclosed each Director's and the CEO's remuneration as a breakdown (in percentage terms) into fixed salary, variable or performance-related incentives/bonuses and benefit-in-kind. The Company believes that it is not in the best interest of the Company to disclose the remuneration details for sensitivity and competitiveness in the food and beverage industry for key talent.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of key management personnel (who are not Directors or the CEO) be kept confidential, due to its sensitive nature and concerns of poaching. Being a company with a lean management team, such disclosures would be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

Provision 8.2 **The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

Please refer to Table D set out on page 50 for remuneration bands and details of employees who are immediate family members of a Director or the CEO and whose remuneration exceeded S$100,000 during FY2019.

Provision 8.3 **The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

The Company had no employee share schemes in place during FY2019.

The Company's remuneration policy is one that seeks to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Executive Directors and key management personnel to achieve the Company's business vision and create sustainable value for its stakeholders.

The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary and a fixed bonus. The variable component is in the form of a bonus and depends on the relative performance of the Company and the performance of each individual Executive Director and key management personnel, allowing for the alignment of their interests with that of Shareholders. The Executive Directors do not receive additional Directors' fees.

The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on the profitability of the Group, leadership, as well as the Executive Directors' and key management personnel compliance in all audit matters. There are currently no long-term incentives for the Executive Directors and key management personnel. The Executive Directors' and key management personnel short term incentives (namely the performance-related variable component) are recommended by the RC and approved by the Board.

For FY2019, the Executive Directors and key management personnel have met the relevant performance conditions.

Please refer to Provision 7.1 for further details regarding the Executive Directors' and key management personnel's remuneration.

The Independent Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent and the individual responsibilities of the respective Directors. The Directors' fees are recommended by the RC and endorsed by the Board for approval by Shareholders of the Company at the AGM. Each member of RC abstains from making recommendation on his/her remuneration.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 **The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.**

The Board is responsible for governance of risk management, and determining the Group's levels of risk tolerance and risk policies. The Board consults with the External Auditors and Internal Auditors to determine the risk tolerance level and corresponding risk policies.

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the Group's assets. The AC assisted the Board and commissioned BDO LLP during FY2019 to facilitate the development of a risk management framework ("**ERM**") for the Group. An ERM exercise was performed by the Company in FY2019 involving 9 middle and senior managers of the Group. All key operating entities of the Group, except for the less active or dormant entities, were covered. Different risks were identified under the five main risk categories of financial, operational, compliance, human resource, and information technology risks through preceding risk interviews with Management personnel and the AC. These risks are measured in two dimensions, likelihood and impact. The top 10 risks of the Group were identified for further monitoring by the Management.

The implementation of ERM is still in progress. The Group recognises risk management as an ongoing collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. The Board has formed a Management Risk Committee comprising the CEO and senior management of the Company to assume the responsibilities of the risk management function. They will assess and review the Group's business and operational environment to identify areas of significant financial, operational, compliance and information technology risks annually.

Provision 9.2 **The Board requires and discloses in the company's annual report that it has received assurance from:**

(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has received assurance from the CEO and the CFO that for FY2019 and up till the date of this Annual Report, that:

(a) The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) The Company's risk management and internal control systems are adequate and effective.

AUDIT COMMITTEE

Principle 10
The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 **The duties of the AC include:**

(a) **reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;**

(b) **reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;**

(c) **reviewing the assurance from the CEO and the CFO on the financial records and financial statements;**

(d) **making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;**

(e) **reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and**

(f) **reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.**

The Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The Chairman Mr Mah How Soon, Ms Joan Lau Sau Chee and Mr Tan Kong King have relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or key management personnel to attend its meetings. The AC has reasonable resources to enable it to discharge its duties properly. Please refer to Table A set out on pages 39 to 40 of this Annual Report for the composition and functions of the AC, which includes the above-listed functions, based on the terms of reference.

The AC meets at least on a half yearly basis to review the half yearly and full year results announcements of the Group and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before recommending the same to the Board for approval. In the process, the AC reviews the basis and reasoning of the Management in the preparation of the financial statements, critical accounting policies and any significant changes that would have an impact on the Company's financials.

The AC evaluates on a yearly basis the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and its Internal and External Auditors.

The AC reviews the scope of the External Auditors' audit plan and the effectiveness of the results from the independent audit. The AC also reviews the independence and objectivity of the External Auditors as well as the Group's compliance with Catalist Rules, the Code, as well as interested person transactions and whistleblowing reports, if any.

The AC recommends to the Board the appointment, re-appointment and removal of External Auditors, and approves the remuneration and terms of engagement of the External Auditors.

Non-audit fee paid to the Company's External Auditors in FY2019 is disclosed in Note 9 to the financial statements.

In compliance with Rule 1204(6)(b) of the Catalist Rules, the AC undertook the annual review of the independence and objectivity of the External Auditors by reviewing the non-audit services provided and the fees paid to them. It is the opinion of the AC that the nature and extent of non-audit services provided by the External Auditors do not affect the independence and objectivity of the External Auditors.

Ernst & Young LLP and its member firms are the auditors of all the Company's key Singapore incorporated subsidiaries. The Board and AC are of the view that the Company has complied with Catalist Rules 712 and 715 in relation to its External Auditors.

The AC agreed that the Key Audit matters ("**KAM**") highlighted by the External Auditors were appropriate areas to focus on. The AC examined the findings on these and other areas together with the External Auditors and Management. In each of the KAM, the AC reviewed and accepted the judgmental assumptions made, models used, and accounting treatments adopted by the Management. The AC concurred with the External Auditors regarding the KAM.

The Group has established a whistleblowing policy which provides the channel for employees of the Group and external parties to raise their concerns about improprieties in financial reporting or other matters to the AC Chairman, in good faith and in confidence. There were no whistleblowing reports received in FY2019.

The procedures for whistle blowing have been circulated to the employees in their handbook.

The procedures for whistle blowing are also saved under the cloud-storage folders, which are accessible by the employees of the Company and its subsidiaries where they can call or email the AC Chairman directly on all matters. The follow up procedures regarding matters raised are also stated and whistleblowers are assured that all actions in good faith will not affect them in their work and staff appraisals.

Provision 10.2 **The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.**

The AC comprises three members, all of whom are Independent Directors. The AC members are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. The AC meets at least twice a year.

Please refer to Table A set out on pages 39 to 40 for the composition and the main functions of the AC.

Provision 10.3 **The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.**

None of the AC members were previous partners or directors of the existing auditing firms and none of the AC members hold any financial interest in the above-mentioned auditing firms.

Provision 10.4 **Provision 10.4 - The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.**

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets. That being said, the internal control system provides reasonable, but no absolute, assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner.

The AC, in consultation with Management, approves the hiring, removal, evaluation and the fees of the Internal Auditors. The Internal Auditors report primarily to the AC and have unfettered access to AC and all the documents, records, properties, and personnel of the Group. The internal audit function of the Group was out-sourced to BDO LLP in FY2019. The role of the Internal Auditors is to assist the AC in ensuring that the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The AC is satisfied that the internal audit function is independent, adequately resourced, has the appropriate standing within the Company to perform its function effectively, and is staffed by suitably qualified and experienced professionals. The internal audit work carried out is guided by the BDO Global International Audit methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the Internal Auditors may be involved in ad-hoc projects initiated by the Management which require the assurance of the Internal Auditors in specific areas of concerns.

In FY2019, the internal audit plan covered both the Hospitality and the F&B businesses, though much of the focus was on the Hospitality business as it was acquired in December 2018 and FY2019 was its first full year of operations under our Group. Particularly in relation to the Hospitality business, the Internal Auditors highlighted an issue to ensure compliance with the relevant regulations arising from early termination of stay by its tenants. To mitigate such risk in accordance with the recommendation by the Internal Auditors, Management has tightened and highlighted the relevant regulations to potential tenants for their acknowledgements, as well as introduced penalties on early termination, and such measures have led to a reduction in such terminations. Management will continue its effort to further introduce tighter measures to deter early terminations by tenants, in compliance with the relevant regulations. In addition, few other issues were mentioned comprising controls of rental rates, rental agreements, cash collections, staff claims and disbursements; management of receivables and data protection policy. On these latter issues, Management has taken immediate steps, addressed and implemented the recommendations by the Internal Auditors within the year and these include increasing the frequency and coverage of management reports, seeking legal advice on lease matters and adopting additional internal control procedures. While the implementation of the control measures is still ongoing, Management has agreed on a schedule to report the status to the Audit Committee. As for the F&B business, there were no significant issues raised, and recommendations on issues raised have mostly been implemented. For the coming financial year, as a continuation of the internal audit plan, the Internal Auditors will be following up on the implementation of the audit recommendations.

Based on the risks identified from the ERM exercise performed by the Group in FY2019 and the Management actions in relation to those risks, and the follow on actions and measures implemented by the Management in response to the findings by the Internal and External Auditors, and the assurance from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing key financial, operational, compliance, information technology and risk management objectives were adequate and effective to meet the needs of the Group in its business environment as at 31 December 2019 but require further improvement in addressing the issue encountered by the Hospitality business as highlighted above by the Internal Auditors.

Please also refer to the implementation status of the Group's ERM described under Provision 9.1.

Provision 10.5 **The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.**

The AC meets with the Internal Auditors and External Auditors separately, at least once a year, without the presence of the Management to review any matters that might have arisen.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11
The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 **The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.**

At general meetings, Shareholders are given the opportunity to raise questions to the Directors and the Management relating to the Company's business or performance. The Chairpersons of the AC, NC and RC, as well as the External Auditors, are present to assist the Directors in addressing any relevant queries raised by Shareholders.

Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.

Provision 11.2 **The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.**

The Company has separate resolutions at general meetings for each distinct issue, including resolutions on the re-election of Directors, to ensure that Shareholders are given the right to express their views and exercise their voting rights on each resolution separately.

Provision 11.3 **All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.**

The Chairpersons of the NC, RC and AC, as well as the External Auditors, are present to assist the Directors in addressing any relevant queries raised by Shareholders.

Provision 11.4 **The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.**

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Provision 11.5 **The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.**

The Company prepares minutes of general meetings which incorporate substantial comments and queries from Shareholders and responses from the Board and Management. These minutes are made available under the Investor Relations section of the Company's website at www.katrinagroup.com

Provision 11.6 **The company has a dividend policy and communicates it to shareholders.**

The Company does not have a fixed dividend policy at present. The issue of payment of dividends is deliberated by the Board annually, having regards to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate).

The Board has not declared a dividend for FY2019 as the Group is loss-making for the year.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12
The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 **The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.**

Both Executive and Independent Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns.

Provision 12.2 **The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.**

The Company does not have an Investor Relations Policy in place and there is no investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Act.

Shareholders of the Company receive the annual reports and notices of AGMs which are also advertised in the newspapers within the prescribed deadlines prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with Shareholders through SGXNET throughout the financial year.

Similarly, Shareholders receive the circulars and notices of Extraordinary General Meetings ("**EGMs**") which are advertised in the newspapers within the prescribed deadlines prior to the EGMs.

Shareholders may provide feedback through the Company's designated email address, info@katrinagroup.com. provided in the Company's corporate website.

Provision 12.3 **The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.**

Please refer to the Group's practices under Provision 12.2.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 **The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.**

The Company recognises the importance of close collaboration with its key stakeholders such as employees, investors and media, suppliers and service providers, customers, and etc, in order to achieve a sustainable business goals. The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicating with them to align the Company's expectation and goals.

Both Executive and Independent Directors meet or speak with Shareholders regularly, primarily through general meetings of Shareholders, to gather their views and address concerns.

Provision 13.2 **The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.**

The Group engages with the key stakeholders through its corporate website. Details of the stakeholders engaged by the Group, areas of focus, approaches to stakeholder, including frequency of engagement by type and by stakeholder group and key feedback or issues that have been raised through stakeholder engagement are disclosed in the Company's upcoming FY2019 Sustainability Report.

Provision 13.3 **The company maintains a current corporate website to communicate and engage with stakeholders.**

The Company maintains its corporate website (www.katrinagroup.com) providing information about the Company such as Board of Directors and Management team, products or services, as well as all disclosures and announcements of the Company submitted to the SGX-ST via SGXNET. Stakeholders can also contact the Company through phone or e-mail, the details of which can be found on the Company's website.

OTHER CORPORATE GOVERNANCE MATTERS

1. Material Contracts
[Catalist Rule 1204(8)]

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders of the Company as at the end of FY2019 or have been entered into since the end of the previous financial year.

2. Interested Person Transactions
[Catalist Rule 1204(17)]

The Group has adopted an internal policy in respect of any transactions with interested persons and required all such transaction, if any, to be at agreed and normal commercial terms, and not be prejudicial to the interest of the Company and its non-controlling Shareholders, and to be reviewed by the AC to ensure compliance with the requirements of the Catalist Rules on interested persons transactions.

If the Group enteres into an interested persons transactions and potential conflict of interest arises, the Director concerned shall be abstained from any discussions and also refrained from exercising any influence over other members of the Board.

The following are the IPT transactions for FY2019:

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 FY2019 are as follows:

	As at 31 December 2019 (S$'000)
Aggregate indemnity in connection with the security bonds	285

3. Dealing in Securities
[Catalist Rule 1204(19)]

In compliance with Rule 1204(19), the Group has adopted a Code of Conduct to provide guidance to Directors and executive officers with regards to dealing in the Company's securities.

The Company, Directors, officers and all staff of the Group and their associates are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing one month before the announcement of the Group's half-yearly and annual financial results and ending on the date of announcement of those results.

4. Non-sponsor Fees
[Catalist Rule 1204(21)]

No non-sponsor fees were paid to the Company's sponsor, Hong Leong Finance Limited in FY2019.

CORPORATE GOVERNANCE REPORT

TABLE A

Board comprises:

Alan Goh Keng Chian	(Executive Chairman and Chief Executive Officer)
Madaline Catherine Tan Kim Wah	(Executive Director)
Mah How Soon	(Lead Independent Director)
Joan Lau Sau Chee	(Independent Director)
Tan Kong King	(Independent Director)

The primary functions of the Board include:

1. provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

2. establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

3. review Management performance;

4. identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

5. set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

6. consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board's approval is also required on matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, share issuance and dividends.

Nominating Committee comprises:

Tan Kong King	(Chairman, Independent)
Mah How Soon	(Member, Independent)
Joan Lau Sau Chee	(Member, Independent)

The responsibilities of the NC, based on the written terms of reference, are as follows:

1. regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendation to the Board with regard to any changes;

2. make recommendations to the Board on all board appointments having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);

3. determine annually whether a director is independent;

4. decide whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the director concerned has multiple board representations. Where possible, the NC shall formulate internal guidelines that can address the competing time commitments that are faced when directors serve on multiple boards;

5. decide on how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, that allow comparison with its industry peers, should be approved by the Board and address how the Board has enhanced long term Shareholders' value. These performance criteria should not be changed from year to year and where circumstances deem necessary for any of the criteria to be changed, the onus should be on the Board to justify such changes;

6. give full consideration to succession planning for directors, in particular, the Chairman and CEO and recommend to the Board;

7. review the results on Board performance evaluation process that relate to the composition of the Board;

8. review and make recommendation to the Board concerning membership of the various Board Committees, in consultation with the Chairmen of those Committees; and

9. review training and professional development programs for the Board.

Remuneration Committee comprises:

Joan Lau Sau Chee	(Chairman, Independent)
Mah How Soon	(Member, Independent)
Tan Kong King	(Member, Independent)

The functions of the RC are as follows:

1. review and recommend the framework of remuneration for the Executive Directors and key management personnel with a view to structure the remuneration for the Executive Directors and key management personnel so as to link rewards to group or corporate and individual performance, to align their interests with those of Shareholders and give these directors keen incentives to perform at the highest levels;

2. review the terms of appointment and remuneration of the Executive Directors and key management personnel of the Company and when deem appropriate to make any recommendation in relation thereto;

3. review and recommend to the Board the terms of renewal for those Executive Directors and key management personnel whose current employment will expire or had expired;

4. review the remuneration of employees who are related to Directors or Substantial Shareholders annually to ensure that their remuneration package are in line with the Company staff remuneration guideline and are commensurate with their respective job scope and level of responsibility;

5. review the compensation package of the Non-Executive Directors;

6. consider the various disclosure requirements for Director's remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;

7. retain such professional consultancy firm as the committee may deem necessary to enable it to discharge its duties hereunder satisfactorily;

8. consider long-term incentives schemes for Executive Directors and key management personnel and review eligibility for benefits of Executive Directors and key management personnel under long-term incentive schemes; and

9. carry out such other duties as may be agree to by the RC and the Board.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of each individual Director and key management personnel of the Group. The recommendations of the RC are submitted for endorsement by the Board. Each member of the RC shall abstain from voting on any resolution in respect of his or her own remuneration package.

Audit Committee comprises:

Mah How Soon	(Chairman, Independent)
Joan Lau Sau Chee	(Member, Independent)
Tan Kong King	(Member, Independent)

The AC performs the following main functions:

1. review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

2. review the audit plan of the External Auditor;

3. review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the External Auditor, and to review with the External Auditor, his audit report;

4. review the nature and extent of such services, where the External Auditor also supply a substantial volume of non-audit service to the Company;

5. review the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval;

6. review the assistance given by the Company's officers to the External Auditor and Internal Auditor;

7. review the independence of the External Auditor annually;

8. consider the appointment and re-appointment of the External Auditor and approve the remuneration and terms of engagement of the External Auditor;

9. review and discuss with the External Auditor any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Company's response;

10. ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. For the avoidance of doubt, the internal audit function can be either in-house, outsourced to a reputable accounting/ auditing firm or performed by major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

11. review with the internal auditor, his evaluation of the system of internal accounting controls;

12. review the scope and results of the internal audit procedures;

13. annually ensure the adequacy of the audit function;

14. ensure that a review of the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management is conducted at least annually;

15. meet with the External and Internal Auditors without the presence of the Management at least once a year;

16. commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal weakness (if any);

17. review interested person transactions and potential conflicts of interest;

18. commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/ or financial position;

19. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangement are in place for the independent investigation of such matters and for appropriate follow up action; and

20. undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

21. undertake such other functions and duties as may be required by the legislation, regulations or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

TABLE B

Name of Director	Board of Directors		Nominating Committee		Remuneration Committee		Audit & Risk Committee	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Alan Goh Keng Chian	3	3	2	N/A	2	N/A	2	N/A
Madaline Catherine Tan Kim Wah	3	1[3]	2	N/A	2	N/A	2	N/A
Mah How Soon	3	3	2	2	2	2	2	2
Joan Lau Sau Chee[1]	3	1	2	1	2	1	2	1
Tan Kong King[2]	3	–	2	–	2	–	2	–

Notes:

1. Ms Joan Lau Sau Chee was appointed as an Independent Director, Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee with effect from 1 May 2019. Ms Joan Lau Sau Chee has attended all the Board and Board Committee meetings since her appointment.

2. Mr Tan Kong King was appointed as an Independent Director, Chairman of Nominating Committee, Member of Remuneration Committee and Audit Committee of the Company with effect from 1 September 2019. There was no Board and Board Committee meetings since Mr Tan Kong King's appointment.

3. Due to unforeseen work commitments, Mdm Madaline Catherine Tan Kim Wah was unable to attend some of the Board and Board Committee meetings.

4. N/A means not applicable as he or she is not a member of the respective Committees.

TABLE C

Name of Director	Date of Appointment	Date of Last Election
Alan Goh Keng Chian	31 March 2016	20 April 2018
Madaline Catherine Tan Kim Wah	31 March 2016	30 April 2019
Mah How Soon	21 April 2017	20 April 2018
Joan Lau Sau Chee	1 May 2019	–
Tan Kong King	1 September 2019	–

CORPORATE GOVERNANCE REPORT

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:

Name of Director	**Alan Goh Keng Chian (“Mr Alan”)**	**Joan Lau Sau Chee (“Ms Joan”)**	**Tan Kong King (“Mr Tan”)**
Date of appointment	31 March 2016	1 May 2019	1 September 2019
Date of last election	20 April 2018	–	–
Age	61	71	69
Country of principal residence	Singapore	Singapore	Singapore
The Board’s comments on this re-election	The Board of Directors of the Company has accepted the NC’s recommendation, who has reviewed and considered Mr Alan’s performance as an Executive Chairman and Chief Executive Officer of the Company.	The Board of Directors of the Company has accepted the NC’s recommendation, who has reviewed and considered Ms Joan’s performance as an Independent Director of the Board, Chairman of Remuneration Committee and member of Audit and Nominating Committees of the Company. The Board considers Ms Joan to be independent for the purpose of Rule 704(7) of the Catalist Rule.	The Board of Directors of the Company has accepted the NC’s recommendation, who has reviewed and considered Mr Tan’s performance as an Independent Director of the Board, Chairman of Nominating Committee and member of Audit and Remuneration Committees of the Company. The Board considers Mr Tan to be independent for the purpose of Rule 704(7) of the Catalist Rule.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive
Job title	Executive Chairman and Chief Executive Officer	Independent Director of the Board, Chairman of Remuneration Committee and member of Audit and Nominating Committees	Independent Director of the Board, Chairman of Nominating Committee and member of Audit and Remuneration Committees
Professional qualifications	1979 - Technician Diploma in Civil Engineering from Singapore Polytechnic 1987 - Diploma in Marketing Management from Ngee Ann Polytechnic 1995 - Masters of Business Administration (General Business Administration) from University of Hull	N/A	N/A

Name of Director	Alan Goh Keng Chian (“Mr Alan”)	Joan Lau Sau Chee (“Ms Joan”)	Tan Kong King (“Mr Tan”)
Working experience and occupation(s) during past 10 years	N/A	Ms Joan has 40 years of experience in the banking and finance industry covering human relations, corporate secretarial and corporate finance. From 1990 to March 2016, she was involved in overseeing the listing of more than 40 IPOs and/or RTOs and about 60 other fnance advisory deals. She started her banking career in Overseas Union Bank Ltd in 1970s as a Personnel Officer and subsequently as an Assistant Company Secretary. In 1990, she joined the corporate finance industry as a corporate finance officer in OUB and left as an Executive Director in UOB in 2008. In June 2008, she joined Hong Leong Finance Limited as the Senior Vice President and Head of Corporate Finance and retired as an Advisor in March 2016.	Mr Tan was appointed as a non-executive Director of QAF Limited on 15 June 1995. He became the Group Managing Director of the QAF Group in January 1996. Since 1996, Mr Tan had streamlined and refocused the QAF Group for further growth and expansion in the food industry. He retired as the Group Managing Director of QAF Limited on 31 December 2016. In the early part of his career, Mr Tan had worked for a number of years with an international accounting firm. Subsequent to which he joined and worked as the managing director of KMP Private Ltd group of companies from 1981 to 2004.
Shareholdings interest in the listed issuer and its subsidiaries	Mr Alan directly holds 1,308,700 ordinary shares in the share capital of the Company. Mr Alan is also deemed to be interested in 104,860,404 ordinary shares registered in the name of HSBC (Singapore) Nominees Pte. Ltd. and 97,860,504 ordinary shares held by his spouse Ms Madaline Catherine Tan Kim Wah (“**Ms Madaline**”).	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Alan Goh Keng Chian (“Mr Alan”)	Joan Lau Sau Chee (“Ms Joan”)	Tan Kong King (“Mr Tan”)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Ms Madaline, the Executive Director is the spouse of Mr Alan.	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

Name of Director	Alan Goh Keng Chian ("Mr Alan")	Joan Lau Sau Chee ("Ms Joan")	Tan Kong King ("Mr Tan")
Other Principal Commitments Including Directorships	Past (for the last 5 years) *Group corporation* Hutong (CQ) Pte. Ltd. Present *Group corporations* Bali Thai Food Catering Pte. Ltd. Bayang At the Quay Pte. Ltd. Katrina Holdings Pte Ltd Katrina Holdings Sdn. Bhd. Katrina International Pte. Ltd. Renn Thai Pte Ltd SO PHO International Limited PT. SoPho Food Indonesia Straits Organization HK Limited Straits Organization Pte. Ltd. SO Services Pte. Ltd. SOPL 1 Pte. Ltd. SOPL 2 Pte. Ltd. Tomo Izakaya Pte. Ltd. *Other corporation* Collective Ventures Pte. Ltd.	N/A	Past (for the last 5 years) *Other corporations* QAF Limited Ben Foods (S) Pte Ltd Gardenia International (S) Pte. Ltd. Gardenia Foods (S) Pte Ltd NCS Cold Stores (S) Pte Ltd Gardenia (China) Holdings Pte. Ltd. QAF Agencies (S) Pte. Ltd. Farmland Central Bakery (S) Pte. Ltd. Oxdale International Pte. Ltd. QAF Fruits Cold Store Pte Ltd Bonjour Bakery Pte Ltd Hamsdale International Pte ltd Gardenia Investments Pte. Ltd. Oxdale Investments Pte. Ltd. W.A. Oxdale Holdings Pte. Ltd. Shinefoods Pte. Ltd. Auspeak Holdings Pte. Ltd. Pacfi Pte. Ltd. Bakers Maison Pte. Ltd. Lansdale Holdings Pte. Ltd. Gaoyuan Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Alan Goh Keng Chian ("Mr Alan")	Joan Lau Sau Chee ("Ms Joan")	Tan Kong King ("Mr Tan")
			Kingstan Capital Pte. Ltd. Bakers Maison (S) Sdn Bhd Delicia Sdn Bhd Everyday Bakery & Confectionery Sdn Bhd Gardenia Bakeries (KL) Sdn Bhd Gardenia Sales & Distribution Sdn Bhd Bakers Maison Pty Ltd Bakers Maison Australia Pty Ltd Oxdale Dairy Enterprise Pty Ltd Hamsdale Australia Pty Ltd Rivalea (Australia) Pty Ltd Diamond Valley Pork Pty Ltd Gardenia Bakeries (Philippines) Inc Phil Foods Properties Inc Gardenia Food (Fujian) Co Ltd Gardenia Trading (Fujian) Co Ltd Benfood International Trade (Shanghai) Co Ltd Gardenia Hong Kong Ltd Present N/A

Question	Alan Goh Keng Chian	Joan Lau Sau Chee	Tan Kong King
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

CORPORATE GOVERNANCE REPORT

(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable as this relates to the re-election of a Director	Not applicable as this relates to the re-election of a Director	Not applicable as this relates to the re-election of a Director
If yes, please provide details of prior experience.			
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.			

TABLE D

The tables below show the remuneration bands of the Directors and the key management personnel of the Group, who are not directors as well as the approximate percentage breakdown of the remuneration during FY2019.

(a) Remuneration of Directors of the Company

Name of Director	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
Above S$500,000					
Alan Goh Keng Chian[2]	76	19[2]	–	5	100
S$250,000 to S$500,000					
Madaline Catherine Tan[3] Kim Wah	75	19[3]	–	6	100
Below S$250,000					
Mah How Soon	–	–	100	–	100
Joan Lau Sau Chee[4]	–	–	100	–	100
Tan Kong King[5]	–	–	100	–	100

Notes:

1. The salary and bonus amount shown is inclusive of Central Provident Fund ("**CPF**"), all fees other than Directors' fees and other emoluments.
2. The Company had, on 30 June 2016, entered into a service agreement with Mr Alan Goh Keng Chian, in relation to his appointment as the Executive Chairman and CEO. The service agreement took effect from the date of the Company's admission to Catalist, being 26 July 2016, for an initial period of three years, and has been renewed on 26 July 2019 for another term of three years on the same terms. The bonus is fixed as per service agreement.
3. The Company had, on 30 June 2016, entered into a service agreement with Ms Madaline Catherine Tan Kim Wah, in relation to her appointment as the Executive Director. The service agreement took effect from the date of the Company's admission to Catalist, being 26 July 2016, for an initial period of three years, and has been renewed on 26 July 2019 for another term of three years on the same terms. The bonus is fixed as per service agreement.
4. Ms Joan Lau Sau Chee was appointed as an Independent Director, Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee with effect from 1 May 2019.
5. Mr Tan Kong King was appointed as an Independent Director, Chairman of Nominating Committee, Member of Remuneration Committee and Audit Committee of the Company with effect from 1 September 2019.

(b) Remuneration of Key Management Personnel

Name of Key Management Personnel	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
Below S$250,000					
Wong Siew Chuan	94	6	–	–	100

Notes:

1. The salary and bonus amounts shown are inclusive of CPF.

The total remuneration of each Director and key management personnel has not been disclosed in dollar terms given the sensitivity of remuneration matters and competitive reasons.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel in FY2019.

No stock options were granted in FY2019 as the Company has no employees shares option scheme in place. Please refer to the disclosure under Provision 8.3 for more details.

(c) Remuneration of employee related to Director

Name of Employee who are family members of a Director	Salary[1] (%)	Bonus[1] (%)	Directors' Fees (%)	Allowance and other benefits (%)	Total (%)
S$100,000 to S$200,000					
Donovan Goh Shen Shu[2]	100	–	–	–	100

Notes:

1. The salary and bonus amounts shown are inclusive of CPF.
2. Son of Mr Alan Goh Keng Chian, Executive Chairman and CEO

Save as disclosed above, there was no employee of the Group who is an immediate family member of any Director or the CEO whose remuneration exceeds S$100,000 in FY2019.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Katrina Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due, as the Directors are of the view that the Group will be able to generate sufficient cash flows from operations, draw down available banking facilities and obtain rental rebates from landlords and various relief packages and support scheme from the government.

Directors

The directors of the Company in office at the date of this statement are:

Alan Goh Keng Chian	
Madaline Catherine Tan Kim Wah	
Mah How Soon	
Joan Lau Sau Chee	(Appointed on 1 May 2019)
Tan Kong King	(Appointed on 1 September 2019)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Direct interest			Deemed interest		
Names of directors	**At 1.1.2019**	**At 31.12.2019**	**At 21.1.2020**	**At 1.1.2019**	**At 31.12.2019**	**At 21.1.2020**
Number of shares in Katrina Group Ltd						
Alan Goh Keng Chian	104,672,404	40,000	90,000	97,860,504*	202,720,908**	202,720,908**
Madaline Catherine Tan Kim Wah	97,860,504	–	–	104,672,404^	202,760,908^^	202,810,908^^

* Mr Alan Goh Keng Chian is deemed to have an interest in the shares which his spouse holds or has an interest in.

^ Ms Madaline Catherine Tan Kim Wah is deemed to have an interest in the shares which her spouse holds or has an interest in.

** This represents Mr Alan Goh Keng Chian's deemed interest held in the name HSBC (Singapore) Nominees Pte. Ltd. and in the shares which his spouse holds or has an interest in.

^^ This represents Ms Madaline Catherine Tan Kim Wah's deemed interest held in the name HSBC (Singapore) Nominees Pte. Ltd. and in the shares which her spouse holds or has an interest in.

By virtue of section 7 of the Singapore Companies Act, Chapter 50, both Alan Goh Keng Chian and Madaline Catherine Tan Kim Wah are deemed to have interests in shares of all the subsidiaries to the extent held by the Company.

Except as disclosed in this statement, no other director who held office at the end of the financial year had interests in shares, shares options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Options

No options were issued by the Company during the financial year. As at 31 December 2019, there were no options on the unissued shares of the Company or any other body corporate which were outstanding.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Alan Goh Keng Chian
Director

Madaline Catherine Tan Kim Wah
Director

Singapore
9 April 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Katrina Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

Use of the going concern assumption

The Group incurred a net loss of $6,322,000 for the financial year ended 31 December 2019 and is in net current liabilities position of $26,621,000 as at that date. The recent COVID-19 pandemic has resulted in various measures including border restriction and social distancing being put in place by the government. As explained in Note 2.1 in the financial statements, such measures, coupled with a significant decline in tourist arrival, has significantly disrupted and impacted both the food and beverages and hospitality business segments which the Group operates in. The prolonged disruptions arising from COVID-19 may materially affect the Group's ability to generate sufficient cash flows from its operations.

The consolidated financial statements have been prepared on a going concern basis based on considerations stated in Note 2.1. The directors' assessment of the Group's ability to generate sufficient cash flows from its operations and the availability of sufficient funds for its operations amidst the ongoing COVID-19 pandemic are important considerations in the use of going concern assumption to prepare the financial statements. As these considerations require significant judgement and estimation, we have identified this as a key audit matter.

Our audit procedures include discussions with management to obtain an understanding of their mitigation plans and key assumptions used in their going concern assessment, including the business plans and changes in response to the evolving business environment. We evaluated the reasonableness of the key assumptions used by management in preparing the cash flows analysis taking into consideration the current economic and business environment which are affected by COVID-19. These include assumptions relating to potential impact on revenue from food and beverages segment, occupancy rate of hospitality segment, basis for expected cashflows from loan facilities and relief measures announced by the government. Where possible, we compared management's assumptions to external information, and performed sensitivity analysis, particularly on the revenue assumptions, to stress test the cash flows. We also considered the adequacy of disclosures in Note 2.1 to the financial statements.

Impairment assessment of goodwill

As at 31 December 2019, goodwill of $468,000 was allocated to Tomo Izakaya Pte. Ltd.'s operations which was subjected to annual impairment assessment. We considered management's annual goodwill impairment assessment to be a key audit matter because the process involves significant management judgement about future results of the restaurant outlets operating under the Tomo Izakaya brand.

As disclosed in Note 14, the key assumptions used in the cash flow projections are budgeted gross margins, growth rates used to extrapolate cash flows beyond the forecast period and pre-tax discount rates. These assumptions could be affected by expected future market and economic conditions such as economic growth, demographic developments, management's planned strategy in brand development and menu changes.

Key Audit Matters (cont'd)

Impairment assessment of goodwill (cont'd)

Our audit procedures included, among others, assessing management's identification of the cash-generating-unit and its carrying amount. We tested the reasonableness of the assumptions used in the cash flow projections approved by the management. We compared assumptions used by management in their cash flow projections to historical performance of the cash generating unit, and considered the viability of future plans, economic development and industry outlook. As a result of the impairment test, the goodwill of $468,000 was fully impaired.

The note disclosures on goodwill, key assumptions and outcome of impairment testing are included in Note 14 to the financial statements.

Impairment of right-of-use assets and plant, property and equipment of non-performing restaurants

At 31 December 2019, the carrying value of right-of-use assets and property, plant and equipment of restaurants were $33,203,000 and $7,432,000, which represents 32% and 7% of Group's total assets. One of the Group's business segments is to operate restaurants in Singapore and certain restaurant outlets have continued to incur losses.

Management performed impairment tests on the right-of-use assets and plant, property and equipment of these restaurant outlets and determined their recoverable amounts based on value in use calculations. This area was significant to our audit because the impairment assessment involved significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts. Given the complexity of the assessment, we engaged our internal valuation specialists to assist us in evaluating the reasonableness of certain key assumptions such as pre-tax discount rates.

We reviewed management's identification of impairment indicators relating to the restaurant outlets that incurred losses by assessing management's review of the financial performance on the individual outlet basis. Where an impairment indicator is identified, we assessed the valuation method used by the management and evaluated the key assumptions used in the impairment analysis, in particular the sales growth rates and discount rates. We tested the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. We compared the sales growth rates to the industry growth rates. We also reviewed management's sensitivity analysis of the carrying amounts of the right-of-use assets and property, plant and equipment to changes in certain key assumptions based on the overall industry outlook. Based on the outcome of this impairment test, the Group has recognised an impairment charge of $929,000 and $540,000 to the right-of-use assets and property, plant and equipment of the food and beverages segment respectively.

In addition, we assessed the adequacy of the disclosures on the right-of-use assets and property, plant and equipment, and the assumptions used in the impairment tests and the outcome of the impairment test in Note 3.2 Key sources of estimation uncertainty, Note 15 Right-of-use assets and Note 13 Property, plant and equipment of the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Other information (cont'd)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

9 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019	2018
		$'000	$'000
Revenue	4	84,356	64,793
Cost of sales	5	(76,781)	(58,618)
Gross profit		7,575	6,175
Other income	6	1,711	516
Selling and distribution costs		(1,750)	(1,139)
Administrative expenses		(7,304)	(4,791)
Finance costs	7	(4,590)	(32)
Other expenses	8	(2,137)	(130)
(Loss)/profit before tax	9	(6,495)	599
Income tax credit/(expense)	11	173	(168)
(Loss)/profit for the year, representing (loss)/profit attributable to the owners of the Company		(6,322)	431
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		33	(21)
Other comprehensive income for the year, net of tax		33	(21)
Total comprehensive income for the year, representing total comprehensive income attributable to the owners of the Company		(6,289)	410
(Loss)/earnings per share (cents per share)			
Basic and diluted	12	(2.73)	0.19

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	11,578	7,681	–	–
Intangible assets	14	12	579	–	–
Right-of-use assets	15	70,682	–	–	
Investment property	16	976	1,034	–	–
Investment in subsidiaries	17	–	–	6,061	6,061
Investment in joint venture	18	–	–	–	–
Refundable deposits	19	7,024	4,705	–	–
		90,272	13,999	6,061	6,061
Current assets					
Inventories	20	176	203	–	–
Trade receivables	21	2,003	837	–	–
Other receivables	22	806	750	12	358
Refundable deposits	19	2,698	2,575	–	–
Prepayments		806	688	5	8
Amount due from a joint venture	22	103	103	–	–
Amounts due from subsidiaries	22	–	–	3,138	2,466
Tax recoverable		17	–	–	
Cash and cash equivalents	23	5,714	6,538	128	241
		12,323	11,694	3,283	3,073
Total assets		102,595	25,693	9,344	9,134
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	24	5,651	6,105	289	319
Other liabilities	25	3,597	2,567	253	361
Lease liabilities	15	24,562	–	–	–
Provision	26	376	414	–	–
Contract liabilities	4	934	498	–	–
Provision for taxation		17	242	–	14
Loans and borrowings	27	3,807	–	–	–
		38,944	9,826	542	694
Net current (liabilities)/assets		(26,621)	1,868	2,741	2,379

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current liabilities					
Contract liabilities	4	66	77	–	–
Other payables	24	190	257	–	–
Lease liabilities	15	49,809	–	–	–
Provision	26	1,072	953	–	–
Amounts due to a director	24	–	455	–	–
Deferred tax liabilities	11	6	142	–	–
Loans and borrowings	27	4,814	–	–	
		55,957	1,884	–	–
Total liabilities		94,901	11,710	542	694
Net assets		7,694	13,983	8,802	8,440
Equity attributable to the owners of the Company					
Share capital	28	8,192	8,192	8,192	8,192
Other reserves	29	32	(1)	–	–
Retained earnings		(530)	5,792	610	248
Total equity		7,694	13,983	8,802	8,440
Total equity and liabilities		102,595	25,693	9,344	9,134

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Company				
	Share capital (Note 28) $'000	**Statutory reserve fund** $'000	**Foreign currency translation reserve (Note 29)** $'000	**Retained earnings** $'000	**Total equity** $'000
Group					
Opening balance at 1 January 2018	8,192	1	20	5,962	14,175
Profit for the year	–	–	–	431	431
Other comprehensive income:					
Relating to disposal of a subsidiary:					
Foreign currency translation	–	–	(21)	–	(21)
Reversal of reserve	–	(1)	–	1	–
Total comprehensive income for the year	–	(1)	(21)	432	410
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares (Note 30)	–	–	–	(602)	(602)
	–	–	–	(602)	(602)
Closing balance at 31 December 2018	8,192	–	(1)	5,792	13,983
Opening balance at 1 January 2019	8,192	–	(1)	5,792	13,983
Loss for the year	–	–	–	(6,322)	(6,322)
Other comprehensive income:					
Foreign currency translation	–	–	33	–	33
Total comprehensive income for the year	–	–	33	(6,322)	(6,289)
Closing balance at 31 December 2019	8,192	–	32	(530)	7,694

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Company		
	Share capital (Note 28) $'000	**Retained earnings** $'000	**Total** $'000
Company			
Opening balance at 1 January 2018	8,192	779	8,971
Profit for the year, representing total comprehensive income for the year	–	71	71
Dividend on ordinary shares (Note 30)	–	(602)	(602)
Closing balance at 31 December 2018	8,192	248	8,440
Opening balance at 1 January 2019	8,192	248	8,440
Profit for the year, representing total comprehensive income for the year	–	362	362
Closing balance at 31 December 2019	8,192	610	8,802

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Operating activities			
(Loss)/profit before tax		(6,495)	599
Adjustments for:			
Depreciation of property, plant and equipment	9, 13	3,002	2,670
Depreciation of investment property	9, 16	58	39
Depreciation of right-of-use assets	9, 15	23,846	–
Impairment loss on right-of-use assets	8, 15	929	–
Amortisation of intangible assets	8, 14	99	–
Impairment loss on goodwill	8, 14	468	–
Write-off of property, plant and equipment	9, 13	3	220
Impairment loss on property, plant and equipment	8, 13	540	88
Provision for lease liability of loss-making outlets	8	–	42
Provision for restoration cost	26	(33)	–
Finance costs	7, 27	–	32
Interest on finance lease liabilities	7, 15	4,590	–
Interest income	6	(9)	(12)
Expected credit losses on trade receivables	21	69	–
Currency realignment		31	(4)
Total adjustments		33,593	3,075
Operating cash flows before changes in working capital		27,098	3,674
Changes in working capital			
Decrease/(increase) in inventories		27	(6)
(Increase)/decrease in trade and other receivables		(1,649)	318
Increase in refundable deposits		(2,697)	(620)
Increase in prepayments		(118)	(202)
(Decrease)/increase in trade and other payables		(75)	820
Increase/(decrease) in other liabilities		1,030	(85)
Decrease in amounts due to a director		(455)	–
Increase in contract liabilities		425	84
Total changes in working capital		(3,512)	309
Cash flows from operations		23,586	3,983
Income taxes paid		(205)	(16)
Interest received		9	12
Net cash flows generated from operating activities		23,390	3,979
Investing activities			
Purchase of property, plant and equipment	A	(7,119)	(3,326)
Cash paid for restoration cost		(130)	(95)
Net cash outflow on acquisition of subsidiaries		–	(823)
Repayment of amount due from a director		358	–
Net cash flows used in investing activities		(6,891)	(4,244)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019	2018
		$'000	$'000
Financing activities			–
Proceeds from loan and borrowings	27	9,400	–
Repayments of loan and borrowings		(779)	–
Interest paid	27	(193)	–
Dividend paid on ordinary shares	30	–	(602)
Lease payments	15	(25,751)	–
Net cash flows used in financing activities		(17,323)	(602)
Net decrease in cash and cash equivalents		(824)	(867)
Cash and cash equivalents at 1 January		6,538	7,405
Cash and cash equivalents at 31 December	23	5,714	6,538

A. Property, plant and equipment

	Note	2019	2018
		$'000	$'000
Current year additions to property, plant and equipment	13	(7,440)	(3,593)
Less: Provision for restoration cost	26	321	267
Net cash outflow for purchase of property, plant and equipment		(7,119)	(3,326)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

1. Corporate information

1.1 *The Company*

Katrina Group Ltd. ("the Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 100 Beach Road, Shaw Tower, #16-09/13 Singapore 189702.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Singapore dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ("$'000"), except when otherwise indicated.

Fundamental accounting concept

The Group incurred a net loss of $6,322,000 (2018: net profit of $431,000) for the financial year ended 31 December 2019 and as at that date, the Group's current liabilities exceeded its current assets by $26,621,000 (31 December 2018: net current assets of $1,868,000). Since the first imported COVID-19 case was reported on 23 January 2020, Singapore has seen an increasing number of cases. The government has also progressively put in place more stringent measures in a bid to curb the pandemic. The COVID-19 pandemic has disrupted the business activities of the Group and the prolonged results would significantly affect the ability of the Group to generate sufficient cash flows from its operations as disclosed in Note 37 to the financial statements.

The financial statements have been prepared on a going concern basis as the Directors are confident that the Group will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations and is able to drawdown available banking facilities. In addition, the Group expects to receive rental rebates from landlords and various relief packages and support schemes from the government.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, the Group may be unable to discharge its liabilities in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies and disclosures*

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The Group has lease contracts for office premises, restaurants premises, and residential apartments/co-living premises. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2.19 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.19 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies and disclosures (cont'd)*

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of $49,816,000 were recognised and presented separately in the statement of the financial position.
- Deferred rental expense of $449,000 related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group $'000
Operating lease commitments at 31 December 2018	35,177
Less:	
Commitments relating to short-term leases	(1,068)
Commitments relating to leases of low-value assets	(40)
	34,069
Weighted average incremental borrowing rate at 1 January 2019	6.63%
Discounted operating lease commitments as at 1 January 2019	29,769
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	20,270
Lease liabilities recognised at 1 January 2019	50,039

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and applications applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 10 & SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(a) *Basis of consolidation (cont'd)*

- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquire, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Computers	3 years
Furniture and fittings	3 - 5 years
Kitchen, office and restaurant equipment	3 - 5 years
Renovation	3 - 9 years
Motor vehicle	5 years
Freehold property	25 years

Construction in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

2. Summary of significant accounting policies (cont'd)

2.6 ***Property, plant and equipment (cont'd)***

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.7 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Favourable agreement and customer contracts

The favourable agreement and customer contracts were acquired in a business combinations. These costs are amortised to profit or loss using the straight line basis over the estimated finite useful life of 1 year.

2. Summary of significant accounting policies (cont'd)

2.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Investment properties	25 years

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.11 *Joint venture*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture is prepared at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.12 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments exceed a prescribed number of days past due, as established within the Group's credit risk management practices. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.15 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs accounted for on a first-in-first out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.16 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 ***Government grants***

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.18 ***Employee benefits***

(a) *Defined contribution plans*

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The undiscounted estimated liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.19 ***Leases***

Policy applicable beginning 1 January 2019

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. Summary of significant accounting policies (cont'd)

2.19 ***Leases (cont'd)***

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

	Years
Restaurant premises	1 - 6 years
Residential apartments	1 - 9 years

The right-of-use assets are also subject to impairment. Refer to section 2.9 *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the remaining lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

2.19 *Leases (cont'd)*

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable prior to 1 January 2019

(a) *As lessee*

Leases of assets in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(a) *As lessor*

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under SFRS(I) 16.

2.20 *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current liabilities in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current liabilities in the balance sheet.

2.21 *Borrowing costs*

Borrowing costs are recognised in profit or loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised as part of a qualifying asset if they are directly attributable to the acquisition, construction, or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2. Summary of significant accounting policies (cont'd)

2.22 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.23 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

Revenue is recognised when the Group has satisfied a performance obligation by transferring a promised good or service to customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sales of food and beverages*

Revenue is recognised when the food and beverages are delivered to the customer and all criteria for acceptance have been satisfied at a point in time.

(b) *Licence fee*

Licence fee is recognised over the licence period of 10 years upon completion of transfer of know-how to the licensee in accordance with the terms stated in the trademark licence agreement.

(c) *Rental income*

Rental income from (i) hospitality segment and (ii) investment property is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) *Interest income*

Interest income is recognised using the effective interest method.

2.24 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

2. Summary of significant accounting policies (cont'd)

2.24 ***Taxes (cont'd)***

(a) *Current income tax (cont'd)*

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.24 ***Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.27 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whenever there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension option in the lease term for the lease of the certain restaurant premises and residential apartments because of the economic disincentive to not renew.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Provision for restoration costs*

The Group recognises provision for restoration costs when the Group enters into lease agreements for its restaurant premises and certain residential apartment. In determining the amount of the provision for restoration costs, estimates are made in relation to the expected costs to reinstate the premises back to their original state upon the expiration of the lease terms based on quotations provided by a third-party contractor. The carrying amount of the discounted provision for restoration costs of the Group as at 31 December 2019 were $1,448,000 (2018: $1,367,000). If the estimated provision had been 5% higher/lower than management's estimate, the carrying amount of the provision would have been $72,000 (2018: $68,000) higher/lower for the Group.

(b) *Impairment of right-of-use assets and property, plant and equipment of non-performing restaurants*

The Group assesses whether there are any indicators of impairment for right-of-use assets and property, plant and equipment at the end of each reporting period. Right-of-use assets and property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In particular, management assesses impairment of right-of-use assets and property, plant and equipment of non-performing restaurants by considering factors such as the maturity of the outlets and operational strategies. The Group has recognised an impairment charge of $929,000 and $540,000 to the right-of-use assets and property, plant and equipment of the food and beverages segment respectively for the financial year ended 31 December 2019 (2018: $Nil and $88,000).

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit, including estimating the revenue growth rate for the restaurants and using a suitable discount rate in order to calculate the present value of the cash flows. If the growth rate of forecasted revenue for the restaurant outlets identified as having indications of impairment had been reduced to -2% (2018: reduced to 0%), the impairment amount would have been $161,000 (2018: $3,000) higher.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amount of goodwill, as stated in Note 14, is determined using value in use calculations.

The key assumptions for the value in use calculation are those regarding expected future cash flows of the cash generating units and a suitable discount rate. Further details of the key assumptions applied in the impairment assessment are given in Note 14. The carrying amount of the Group's goodwill at 31 December 2019 was $12,000 (2018: $480,000).

(d) *Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have paid", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain lease period specific estimates.

4. Revenue

Disaggregation of revenue

	Group	
	2019	**2018**
	$'000	$'000
Sales of food and beverages, net of discount	68,915	64,308
Rental income from hospitality segment	15,441	485
	84,356	64,793

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for the hospitality segment.

Contract liabilities are recognised as revenue as the Group performs its obligations under the contract. The amount of revenue recognised from amounts included in contract liabilities at the beginning of the year is $676,000 (2018: $7,000).

5. Cost of sales

Cost of sales mainly comprises food and beverages cost, payroll cost, 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.

6. Other income

	Group	
	2019	2018
	$'000	$'000
Government grant	491	317
Interest income	9	12
Rental income for investment property	60	10
Rental income for office premises	–	16
Licence fee	10	10
Marketing incentive from beverages suppliers	115	56
Compensation from landlord	990	–
Others	36	95
	1,711	516

7. Finance costs

		Group	
	Note	2019	2018
		$'000	$'000
Interest expense on director's loan		–	1
Interest expense on bank loan		212	–
Interest on finance lease liabilities	15	4,590	–
Refundable deposits discount adjustment	19	(120)	30
Provisions discount adjustment	26	(77)	1
Security deposits adjustment		(11)	–
Others		(15)	–
		4,590	32

8. Other expenses

	Note	Group 2019	Group 2018
		$'000	$'000
Expected credit losses of trade receivables	21	69	–
Impairment loss on property, plant and equipment	13	540	88
Impairment loss on right-of-use assets	15	929	–
Impairment loss on goodwill	14	468	–
Amortisation of intangible assets	14	99	–
Provision for lease liability of loss-making outlets		–	42
Others		32	–
		2,137	130

9. (Loss)/profit before tax

The following expense items have been included in arriving at (loss)/profit before tax:

	Note	Group 2019	Group 2018
		$'000	$'000
Audit fees:			
- Auditor of the Company		203	198
- Other auditors		22	22
Non-audit fees:			
- Auditor of the Company		45	34
Depreciation of property, plant and equipment	13	3,002	2,670
Depreciation of investment property	16	58	39
Depreciation of right-of-use assets	15	23,846	–
Employee benefits	10	26,700	22,343
Commission fees		2,930	2,386
Professional fees		343	161
Fixed rental expense on short term leases and low value assets	15	2,837	–
Fixed rental expense on operating leases		–	16,805
Contingent rental expense on operating leases	15	1,002	775
Write-off of property, plant and equipment	13	3	220
Provision for lease liability of loss-making outlets		–	42

10. Employee benefits

	Group 2019	Group 2018
	$'000	$'000
Employee benefits expenses (including director's remuneration):		
Salaries, bonuses and other costs	22,328	18,759
Central Provident Fund and other pension costs	1,639	1,355
Other personnel costs	2,733	2,229
	26,700	22,343

Other personnel costs include staff allowances, housing benefits, training and other employee welfare.

11. Income tax expense

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 31 December 2019 and 2018 are:

	Group 2019	Group 2018
	$'000	$'000
Consolidated statement of comprehensive income:		
Current income tax		
- Current year	–	234
- Over provision in respect of previous years	(37)	(150)
Deferred income tax		
- Current year	(131)	81
- (Over)/under provision in respect of previous years	(5)	3
Income tax (credit)/expense recognised in the consolidated statement of comprehensive income	(173)	168

11. Income tax expense (cont'd)

Relationship between tax (credit)/expense and (loss)/profit before tax

A reconciliation between tax (credit)/expense and the product of (loss)/profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	$'000	$'000
(Loss)/profit before tax	(6,495)	599
Tax at the domestic rates applicable to profits in the countries where the Group operates	(1,118)	146
Adjustments:		
Non-deductible items	565	542
Income not subject to taxation	(68)	(261)
Effects of partial tax exemption	(8)	(101)
Over provision in respect of previous years	(42)	(147)
Deferred tax assets not recognised	498	7
Benefits from previously unrecognised tax losses	–	(18)
Total income tax (credit)/expense	(173)	168

The Company and its Singapore subsidiaries are subjected to a tax rate of 17%. Katrina Holdings Sdn. Bhd., PT So Pho International and Straits Organization HK Limited are subjected to tax rates of 24%, 25% and 16.5% respectively.

Deferred tax

Deferred tax as at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Group				
Deferred tax liabilities				
Differences in depreciation for tax purposes	486	395	91	112
Deferred rental expense	(152)	(78)	(74)	12
Provision for restoration cost	(13)	(158)	145	(34)
Deferred revenue	(315)	(22)	(293)	(6)
	6	137	(131)	84
Fair value adjustment on acquisition of subsidiaries	–	5	(5)	–
	6	142	(136)	84

11. Income tax expense (cont'd)

Unrecognised tax losses

As at 31 December 2019, the Group has tax losses of approximately $2,969,000 (2018: $40,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of Singapore.

12. (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the Group's (loss)/profit for the year 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)/profit and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2019	**2018**
	$'000	$'000
(Loss)/profit for the year attributable to owners of the Company	(6,322)	431
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share computation	231,521	231,521

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares during the respective financial years.

13. Property, plant and equipment

Group	Computers	Freehold property	Furniture and fittings	Kitchen and restaurant equipment	Motor vehicle	Office equipment	Renovation	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2018	1,094	1,450	1,400	2,686	60	14	11,886	209	18,799
Additions	221	–	627	638	15	14	1,918	160	3,593
Acquisition of subsidiaries	11	–	24	10	–	2	3	107	157
Transfer to investment property	–	(1,450)	–	–	–	–	–	–	(1,450)
Reclassification	–	–	–	–	–	–	187	(187)	–
Written-off	(61)	–	(15)	(170)	–	–	(1,311)	–	(1,557)
At 31 December 2018 and 1 January 2019	1,265	–	2,036	3,164	75	30	12,683	289	19,542
Additions	400	–	1,218	738	73	3	4,701	307	7,440
Reclassification	–	–	–	–	–	–	285	(285)	–
Written-off	(32)	–	(28)	(116)	–	–	(2,063)	–	(2,239)
Currency realignment	–	–	1	1	–	–	–	–	2
At 31 December 2019	1,633	–	3,227	3,787	148	33	15,606	311	24,745

13. Property, plant and equipment (cont'd)

Group	Computers $'000	Freehold property $'000	Furniture and fittings $'000	Kitchen and restaurant equipment $'000	Motor vehicle $'000	Office equipment $'000	Renovation $'000	Construction in progress $'000	Total $'000
Accumulated depreciation:									
At 1 January 2018	627	358	732	1,532	60	13	7,495	–	10,817
Charge for the year	232	19	261	450	1	2	1,705	–	2,670
Transfer to investment property	–	(377)	–	–	–	–	–	–	(377)
Written-off	(27)	–	(12)	(124)	–	–	(1,174)	–	(1,337)
Impairment loss	–	–	–	–	–	–	88	–	88
At 31 December 2018 and 1 January 2019	832	–	981	1,858	61	15	8,114	–	11,861
Charge for the year	291	–	427	518	14	4	1,748	–	3,002
Written-off	(30)	–	(28)	(115)	–	–	(2,063)	–	(2,236)
Impairment loss	–	–	–	–	–	–	540	–	540
At 31 December 2019	1,093	–	1,380	2,261	75	19	8,339	–	13,167
Net carrying amount:									
At 31 December 2019	540	–	1,847	1,526	73	14	7,267	311	11,578
At 31 December 2018	433	–	1,055	1,306	14	15	4,569	289	7,681

13. Property, plant and equipment (cont'd)

Restoration costs

Included in the net carrying amount of renovation is restoration costs of $660,000 (2018: $525,000).

Impairment of assets

Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In particular, management assesses impairment of property, plant and equipment of loss making restaurants by considering factors such as the maturity of the restaurants and operational strategies.

The recoverable amounts of the property, plant and equipment relating to restaurants with indicators of impairment were determined based on their value in use and the pre-tax discount rate used was between 13% to 16% (2018: 22% to 24%). The management has assessed that the growth rates of the relevant restaurants ranged from 0% to 2% (2018: 3% to 7%) per annum.

An impairment loss of $540,000 (2018: $88,000), representing the write down of these plant and equipment to the recoverable amount was recognised in "Other expenses" (Note 8) line item of profit and loss.

Assets written-off

Property, plant and equipment with net book value amounting to $3,000 (2018: $220,000) were written off mainly due to closure of restaurants. These amounts are included in "Administrative expenses".

Construction in progress

Construction in progress mainly comprises renovation costs for co-living premises (2018: restaurant outlets) which have not commenced operations.

Transfer to investment property

During the year ended 31 December 2018, the Group transferred the freehold property that was held as property, plant and equipment to investment property. The Group has commenced leasing out the unit to third party in October 2018.

14. Intangible assets

	Goodwill $’000	Favourable agreement $’000	Customer contracts $’000	Total $’000
Group				
Cost				
At 1 January 2018, 31 December 2018 and 1 January 2019	480	57	42	579
At 31 December 2019	480	57	42	579
Accumulated amortisation				
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–	–
Amortisation	–	57	42	99
Impairment	468	–	–	468
At 31 December 2019	468	57	42	567
Net carrying amount:				
At 31 December 2019	12	–	–	12
At 31 December 2018	480	57	42	579

Favourable agreement and customer contracts

Favourable agreement and customer contracts include intangible assets acquired through business combinations.

Amortisation expense

The amortisation of intangible assets is included in the "Other operating expense" in the consolidated statements of comprehensive income.

Goodwill and Impairment testing

The carrying amounts of goodwill allocated to two cash-generating units ("CGUs") are as follows:

	TIPL $'000		SOPL $'000		Total $'000	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Goodwill	–	468	12	12	12	480

14. Intangible assets (cont'd)

The Group performed its annual impairment test in December 2019. The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the operating lease contract are as follows:

	TIPL 2019
Pre-tax discount rate	13.84%
Growth rates used to extrapolate cash flows beyond the forecast period	2%

Key assumptions used in the value in use calculations

The calculations of value-in-use for both the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved since the Group acquired the respective businesses.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment–specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate used to extrapolate cash flows beyond the forecast period – The forecasted growth rate is based on published industry research and does not exceed the long-term average growth rate relevant to the CGUs.

Sensitivity to changes in assumptions

With regard to the assessment of the value-in-use, management assessed that the carrying amounts of goodwill allocated to SOPL is not material to the Group.

With regard to the assessment of value-in-use for the goodwill of TIPL, management has recognised an impairment charge of $468,000 in the current year. The impairment charge is recorded within the "Other expenses" (Note 8) in the consolidated statements of comprehensive income.

15. 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:

	Note	Restaurant premises $'000	Residential apartments $'000	Total $'000
Group				
At 1 January 2019		40,272	9,544	49,816
Additions		8,841	36,799	45,640
Impairment charge	8	(929)	–	(929)
Charge for the year	9	(14,980)	(8,866)	(23,846)
Currency realignment		(1)	2	1
At 31 December 2019		33,203	37,479	70,682

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

	Group 2019 $'000
At 1 January	50,039
Additions	45,493
Accretion of interest	4,590
Payments	(25,751)
At 31 December	74,371
Current	24,562
Non-current	49,809
At 31 December	74,371

15. Right-of-use assets and lease liabilities (cont'd)

The maturity analysis of lease liabilities are disclosed in Note 32.

The following are the amounts recognised in profit or loss:

	Note	Group 2019 $'000
Depreciation of right-of-use assets	9	23,846
Interest on finance lease liabilities	7	4,590
Lease expense not capitalised in lease liabilities:		
- Fixed rental expense on short term leases and low value assets	9	2,837
- Contingent rental expense on operating leases	9	1,002
Total amount recognised in profit or loss		32,275

The Group had total cash outflow for leases of $25,751,000 in the financial year ended 31 December 2019.

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 (Note 3.1).

16. Investment property

	$'000
Statement of financial position:	
Cost	
At 1 January 2018	–
Transfer from property, plant and equipment	1,450
At 31 December 2018, 1 January 2019 and 31 December 2019	1,450
Accumulated depreciation	
At 1 January 2018	–
Transfer from property, plant and equipment	377
Depreciation charge	39
At 31 December 2018 and 1 January 2019	416
Depreciation charge	58
At 31 December 2019	474
Net book value	
At 31 December 2019	976
At 31 December 2018	1,034

16. Investment property (cont'd)

	2019	2018
	$'000	$'000
Statement of comprehensive income:		
Rental income from investment property	60	10

The investment property held by the Group as at 31 December 2019 is as follows:

Description and location	Existing Use	Tenure
1 Sims Lane, #05-05 One Sims Lane, Singapore 387355	Tenanted	Freehold

Valuation of investment property

Investment property is stated at cost. The fair value of the freehold property as of 31 December 2018, based on estimated indicative valuations by accredited independent valuer with recent experience in the location and category of the property being valued, is $1,800,000. The valuation is based on the Direct Comparison Method which makes reference to sales of comparable properties with the consideration of their location, tenure, age, floor area, floor level, condition and standard of finishes. In the current year, the management has assessed the fair value based on comparable market transactions that consider the sale of similar properties that have been transacted in the open market and noted that there is no significant change in the fair value from the prior financial year.

The investment property has been pledged to a bank for facilities granted as disclosed in Note 27.

17. Investment in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Shares, at cost	1,165	1,165
Amount due from a subsidiary (non-trade)	4,896	4,896
	6,061	6,061

17. Investment in subsidiaries (cont'd)

Composition of the Group

	Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019	2018
	Held by the Company				
(1)	Katrina Holdings Pte.Ltd. ("KHPL")	Singapore	Investment holding and restaurants operator	100	100
(1)	Straits Organization Pte. Ltd.	Singapore	Residential real estate management	100	100
	Held by Katrina Holdings Pte. Ltd.				
(1)	Bali Thai Food Catering Pte. Ltd.	Singapore	Provision of services to related companies	100	100
(3)	Bayang At The Quay Pte. Ltd.	Singapore	Dormant	100	100
(4)	Renn Thai Pte Ltd	Singapore	Dormant	100	100
(1)	Katrina International Pte. Ltd. ("KIPL")	Singapore	Investment holding and manufacturing and distribution of food	100	100
(1)	Tomo Izakaya Pte Ltd	Singapore	Restaurant operator	100	100
	Held by Katrina International Pte. Ltd.				
(2)	Katrina Holdings Sdn. Bhd.	Malaysia	Dormant	100	100
(5)	PT. So Pho Food Indonesia	Indonesia	Restaurant operator	100	100
	Held by Straits Organization Pte. Ltd.				
(1), (6)	SOPL 1 Pte. Ltd.	Singapore	Residential real estate management	100	100
(7)	SOPL 2 Pte. Ltd.	Singapore	Residential real estate management	100	–
(8)	SO Services Pte. Ltd.	Singapore	Domestic household cleaning	100	–
(9)	Straits Organization HK Limited	Hong Kong	Residential real estate management	100	100

(1) Audited by Ernst & Young LLP, Singapore

(2) The entire equity interest, previously held in trust by Mr. Alan Goh Keng Chian and Mdm. Madaline Catherine Tan Kim Wah, was transferred to KIPL on 13 February 2018 for a consideration of RM100.

(3) Operation was transferred to KHPL with effect from 1 December 2018.

(4) Operation was transferred to KHPL with effect from 1 September 2018.

(5) Incorporated on 24 September 2018 with a share capital of IDR11,600,000,000.

(6) Incorporated on 24 July 2018 with a share capital of S$280,000.

(7) Incorporated on 1 November 2019 with a share capital of S$280,000.

(8) Incorporated on 4 October 2019 with a share capital of S$8,000.

(9) Incorporated on 31 October 2018 with a share capital of HKD10,000.

17. **Investment in subsidiaries (cont'd)**

Acquisition of subsidiaries

(a) Tomo Izakaya Pte Ltd ("TIPL")

On 1 October 2018, Katrina Holdings Pte Ltd, acquired 100% equity interest in TIPL, a restaurant operator in Singapore. Upon the acquisition, TIPL became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of TIPL as at the acquisition date were:

	Fair value recognised on acquisition $'000
Property, plant and equipment	25
Favourable agreement (Intangible asset)	57
Tax recoverable	17
Trade and other receivables	34
Refundable deposits	373
Prepayments	11
Inventories	35
Cash and cash equivalents	268
	820
Trade and other payables	(220)
Accruals	(77)
Provision	(50)
Deferred tax liabilities	(7)
	(354)
Total identifiable net assets at fair value	466
Goodwill arising from acquisition	468
Total cash consideration	934

Effect of the acquisition of TIPL on cash flow:	
Total consideration for 100% equity interest acquired	934
Less: Cash and cash equivalents of subsidiary acquired	(268)
Net cash outflow on acquisition	666

17. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

(b) Straits Organization Pte Ltd ("SOPL")

On 10 December 2018, the Group acquired 100% equity interest in SOPL. SOPL is in the hospitality segment, providing residential apartments to customers in Singapore.

The fair values of the identifiable assets and liabilities of SOPL as at the acquisition date are presented in the following table:

	Fair value recognised on acquisition* $'000
Property, plant and equipment	132
Customer contracts (intangible asset)	42
Deferred tax assets	2
Trade and other receivables	316
Refundable deposits	712
Prepayments	173
Cash and cash equivalents	201
	1,578
Trade and other payables	(142)
Other liabilities	(600)
Contract liabilities	(393)
Shareholder loan (Note A)	(455)
	(1,590)
Total identifiable net assets at fair value	(12)
Goodwill arising from acquisition	12
Total cash consideration paid based on Estimated NTA (Note A)	(358)
Adjustment of purchase consideration due from director (Note A) (Note 22)	358
Adjusted cash consideration (Note A)	–**
Effect of the acquisition of SOPL on cash flow:	
Total consideration for 100% equity interest acquired	358
Less: Cash and cash equivalents of subsidiary acquired	(201)
Net cash outflow on acquisition	157

* There is no significant difference between the finalised and provisional fair values of the identifiable assets and liabilities of SOPL as at 31 December 2018.

** *denotes amount less than $1,000*

17. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Note A

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 purchase price for the acquisition of SOPL and its subsidiaries ("SOPL group") was ascertained to be $358,000 based on the estimated net tangible assets of SOPL group as at 30 November 2018 ("Estimated NTA"). 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 proportionately.

As at 30 November 2018, SOPL group was in a net tangible liabilities position of $50,494.

In accordance with the SPA, the purchase price is adjusted to $1.

Accordingly, the Director has refunded to the Group an amount of $357,999 being the purchase consideration paid based on the Estimated NTA in the current financial year.

On 8 April 2019, the Director has entered into a mutual agreement with SOPL (the "Agreement") to waive the principal amount of $50,495 (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.

18. Investment in joint venture

The Group has 30% (2018: 30%) interest in the ownership and voting rights in a joint venture, So Pho International Limited ("SIPL") that is held through a subsidiary. This joint venture is incorporated in British Virgin Islands.

The Group has not recognised losses relating to SIPL as its share of losses exceeds the Group's cost of investment of $48 in the joint venture. The Group's cumulative share of unrecognised losses at 31 December 2019 was $42,000 (2018: $22,000). The Group has no obligation in respect of these losses.

19. Refundable deposits

	Group 2019	Group 2018
	$'000	$'000
Current		
Refundable rental deposits	1,920	2,260
Utilities deposits	451	153
Other refundable deposits	327	162
	2,698	2,575
Non-current		
Refundable rental deposits	6,997	4,375
Utilities deposits	6	243
Other refundable deposits	21	87
	7,024	4,705
Total refundable deposits	9,722	7,280

Included in the refundable rental deposits is an impact arising from net accretion to present value of $120,000 (2018: net discounting to present value of $30,000), recognised as a finance income (2018: recognised as a finance cost), .

Other refundable deposits of the Group mainly comprise design and fittings deposits and utilities deposits placed with landlords and Public Utilities Board respectively.

20. Inventories

	Group 2019	Group 2018
	$'000	$'000
Consolidated statement of financial position:		
Raw materials (at cost)	176	203
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in profit or loss	14,241	13,100

21. Trade receivables

Trade receivables – food and beverages sector

Trade receivables are non-interest bearing and are generally within 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables – hospitality sector

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

As at 31 December 2018, the Group has no trade receivables that are past due but not impaired at the end of each of the reporting period.

Trade receivables that are impaired

The Group has no trade receivables that are individually impaired at the end of the reporting periods.

<u>Expected credit losses ("ECL")</u>

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Movement in allowance accounts		
At 1 January	–	–
Charge for the year	69	–
At 31 December	69	–

22. Other receivables

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Grants receivables		60	133		–
Other debtors		746	209	12	–
Amount due from a director		–	358	–	358
Amount recoverable from a director		–	50	–	–
Total other receivables		806	750	12	358
Add:					
- Trade receivables	21	2,003	837	–	–
- Refundable deposits	19	9,722	7,280	–	–
- Amount due from a joint venture		103	103	–	–
- Amounts due from subsidiaries		–	–	3,138	2,466
- Cash and cash equivalents	23	5,714	6,538	128	241
Total financial assets carried at amortised cost		18,348	15,508	3,278	3,065

Grants receivables of the Group mainly relate to payroll-related grants.

Amount due from a director

Amount due from a director is related to the purchase consideration for acquisition of SOPL group paid by the Company and is unsecured and non-interest bearing. It was repaid within seven days from the date of the Agreement (Note 17).

Amount recoverable from a director

Amount recoverable from a director was as a result of adjusting the purchase price on acquisition of Straits Organization Pte Ltd and its subsidiaries ("SOPL group") to $1 due to SOPL group being in net liabilities position of $50,494 on 30 November 2019. During the financial year, this amount was settled via waiver of shareholder loan as disclosed in Note 17.

Amount due from a joint venture

Amount due from a joint venture is non-trade related, unsecured, non-interest bearing and repayable upon demand.

Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and are repayable upon demand.

23. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at banks and on hand	5,714	6,538	128	241

Cash at banks earn interest at floating rates based on daily bank deposits rates.

24. Trade and other payables

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Current					
Trade payables		1,871	1,959	–	–
Other payables:					
CPF and salaries payables		2,116	1,980	230	231
GST payable		462	431	36	34
Deferred rental expense		–	200	–	–
Other creditors		1,202	1,535	23	54
		5,651	6,105	289	319
Non-current					
Deferred rental expense		–	257	–	–
Security deposits from tenants		190	–	–	–
Total trade and other payables		5,841	6,362	289	319
Add:					
- Other liabilities		1,520	1,555	244	352
- Amounts due to a director		–	455	–	–
- Lease liabilities (current and non-current)	15	74,371	–	–	–
Less:					–
- GST payable		(462)	(431)	(36)	(34)
- Deferred rental expense		–	(457)	–	–
Total financial liabilities carried at amortised cost		81,270	7,484	497	637

Trade and other payables

These amounts are non-interest bearing and are normally settled on 30 to 60 days terms.

Deferred rental expense

The deferred rental balance represents a deferred rental liability resulting from the straight-lining effect of the operating leases on restaurant premises.

25. Other liabilities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued operating expenses	806	573	36	70
Accrued bonus	714	982	208	282
Contract liabilities	1,768	676	–	–
Accrued unconsumed leave	309	336	9	9
	3,597	2,567	253	361

26. 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	
	2019	2018
	$'000	$'000
At 1 January	1,367	1,125
Additions	321	267
Acquisition of a subsidiary	–	69
Written off	(33)	–
Utilisation	(130)	(95)
Discount rate adjustment	(77)	1
At 31 December	1,448	1,367
Current	376	414
Non-current	1,072	953
At 31 December	1,448	1,367

27. Loans and borrowings

	Maturity	Group 2019 $'000
SGD Bank Loans		
- SGD loan at SIBOR + 2.0% p.a.	2023 (Note i)	851
- SGD loan at SIBOR + 2.5% p.a.	2023 (Note ii)	5,770
- SGD short term loans at SIBOR +3.5% p.a.	Revolving (Note iii)	2,000
		8,621
Current portion		3,807
Non-current portion		4,814
		8,621

(i) SGD loan at SIBOR + 2.0% p.a.

The term loan is repayable in 48 equal monthly instalments commencing in November 2019 and bears interest at Singapore Interbank Offered Rate ("SIBOR"), plus 2.5% per annum.

It is secured by continuing guarantees by the Company, mortgage of the investment property and assignment of rental proceeds relating to the investment property. It includes certain financial covenants. The loan becomes repayable on demand if there is breach of any of the covenants.

(ii) SGD loan at SIBOR + 2.5% p.a.

The term loan is repayable in 48 equal monthly instalments commencing in January 2019 and bears interest at Singapore Interbank Offered Rate ("SIBOR"), plus 2.5% per annum.

It is secured by continuing guarantees by the Company, mortgage of the investment property and assignment of rental proceeds relating to the investment property. It includes certain financial covenants. The loan becomes repayable on demand if there is breach of any of the covenants.

(iii) SGD short term loans

These short term loans are revolving term loans of 1 month, bears interest at SIBOR, plus 3.5% per annum.

All short term loans are secured by continuing guarantees by the Company, mortgage of the investment property and assignment of rental proceeds relating to the investment property.

27. Loans and borrowings (cont'd)

The Group's subsidiaries SGD 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 fulfill the adjusted tangible net worth, debt service ratio and gearing ratio as required in the loan agreements. As at 31 December 2019, the Group's subsidiaries had obtained waiver from its banker with respect to the breach of these loan covenants.

The reconciliation of liabilities arising from financing activities is as follows:

Group	2018	Cash flows		Non-cash changes	2019
		Inflow	Outflow	Accretion of interest	
	$'000	$'000	$'000	$'000	$'000
SGD bank loans:					
- Current	–	4,586	(972)	193	3,807
- Non-current	–	4,814	–	–	4,814
	–	9,400	(972)	193	8,621

28. Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	231,521	8,192	231,521	8,192

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

29. Other reserves

As at 31 December 2019 and 2018, other reserves comprise foreign currency translation reserve, which represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

30. Dividends

	Group and Company	
	2019	2018
	$'000	$'000
Declared and paid/payable during the financial year:		
Dividend on ordinary shares:		
- Final exempt dividend for 2018: Nil (2017: 0.26) cents per share	–	602

31. Related party transactions

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) ***Significant related party transactions***

	Group	
	2019	2018
	$'000	$'000
Licence fee from a joint venture of a subsidiary	10	10
Remuneration of an employee related to directors of the Group	163	–

(b) ***Compensation of key management personnel***

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Group. The directors of the Group and the key management of the Group are considered as key management personnel of the Group.

	Group	
	2019	2018
	$'000	$'000
Directors' fees	121	121
Salaries, bonuses and other costs	1,052	1,146
Central Provident Fund and other pension costs	38	41
Other short-term benefits	52	37
	1,263	1,345
Comprise amounts paid to:		
Directors of the Company	1,097	1,143
Other key management personnel	166	202
	1,263	1,345

32. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group 2019	Group 2018
	$'000	$'000
Capital commitments in respect of property, plant and equipment	1,005	460

(b) *Operating lease commitments – as lessee*

The Group has entered into commercial leases relating to the restaurant premises, residential apartments and co-living premises. Lease terms do not contain restriction on the Group's activities concerning dividends, additional debt or further leasing.

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term leases and low value assets.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $16,805,000.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting periods are as follows:

	Group 2018
	$'000
Not later than one year	19,989
Later than one year but not later than five years	15,188
	35,177

Under the terms of certain lease arrangements relating to restaurant premises, the Group is required to pay monthly contingent rental expense on operating leases, computed based on a certain percentage of monthly gross revenue generated by the Group's operations at the leased premises. The base lease rental for 36 (2018: 33) lease arrangement increases over the lease terms. Contingent rental expenses on operating leases recognised as an expense in profit or loss for the financial year ended 31 December 2019 amounted to $1,002,000 (2018: $775,000).

32. Commitments (cont'd)

(c) ***Operating lease commitments – as lessor***

The Group has entered into residential apartment leases and commercial property lease on its investment property. These non-cancellable leases have remaining lease terms of maximum 5 years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting periods are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Not later than one year	2,173	1,190
Later than one year but not later than five years	1,815	166
More than five years	128	–
	4,116	1,356

33. Fair value of financial instruments

(a) ***Fair value hierarchy***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follow:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the assets or liability.

Fair value measurement that uses inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Except for the non-current refundable deposits and security deposits from tenants, the carrying amount of the remaining financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period. The Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

33. Fair value of financial instruments (cont'd)

(b) ***Assets measured at fair value***

The following table shows an analysis of each class of financial instruments measured at fair value at the end of the reporting period:

	Significant unobservable inputs (Level 3)	
	2019	**2018**
	$'000	$'000
Group		
Assets		
Refundable deposits	7,024	4,705
Liabilities		
Security deposits from tenants	190	–

Determination of fair value

The fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of arrangements at the end of the reporting period.

(c) ***Assets not measured at fair value, for which fair value is disclosed***

The following table shows an analysis of the Group's assets not measured at fair value at 31 December 2019 but for which fair value is disclosed:

	Note	Significant unobservable inputs (Level 3)	
		2019	**2018**
		$'000	$'000
Group			
Asset			
Investment property	16	1,800	1,800

34. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The directors review and agree policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. It is, and has been throughout the current and previous financial years, the Group’s policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group’s exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

34. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

34. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. In analysing the expected credit losses, the Group also incorporates forward looking information based on the forecasted gross domestic product and economic conditions. During the financial year, the Group wrote-off $69,000 of trade receivables which are more than 180 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Group has no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed trade receivables (Note 21).

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

To manage liquidity risk, the Group monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

34. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less	One to five years	After 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2019				
Financial assets:				
Trade receivables	2,003	–	–	2,003
Other receivables	806	–	–	806
Refundable deposits	2,698	6,138	1,006	9,842
Amount due from a joint venture	103	–	–	103
Cash and cash equivalents	5,714	–	–	5,714
Total undiscounted financial assets	11,324	6,138	1,006	18,468
Financial liabilities:				
Trade and other payables	5,189	96	105	5,390
Other liabilities	1,520	–	–	1,520
Lease liabilities	28,760	46,389	10,636	85,785
Loans and borrowings	4,061	5,072	–	9,133
Total undiscounted financial liabilities	39,530	51,557	10,741	101,828
Total net undiscounted financial liabilities	(28,206)	(45,419)	(9,735)	(83,360)

34. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	One year or less $'000	One to five years $'000	After 5 years $'000	Total $'000
Group				
2018				
Financial assets:				
Trade receivables	837	–	–	837
Other receivables	750	–	–	750
Refundable deposits	2,575	4,735	–	7,310
Amount due from a joint venture	103	–	–	103
Cash and cash equivalents	6,538	–	–	6,538
Total undiscounted financial assets	10,803	4,735	–	15,538
Financial liabilities:				
Trade and other payables	5,474	–	–	5,474
Other liabilities	1,555	–	–	1,555
Amounts due to directors	–	455	–	455
Total undiscounted financial liabilities	7,029	455	–	7,484
Total net undiscounted financial assets	3,774	4,280	–	8,054

As at the end of the reporting period, all of the Company’s financial assets and financial liabilities will mature in less than one year based on the carrying amount reflected in the financial statements.

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rates risk arises primarily from its debt obligations. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds are placed with reputable banks.

34. Financial risk management objectives and policies (cont'd)

(c) ***Interest rate risk (cont'd)***

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings, with all other variables held constant and the impact on the Group's loss before tax.

	Group	
	Increase/ decrease in basis points	**Increase/ (decrease) in loss before tax** $'000
2019		
- Singapore dollar	+100	2
- Singapore dollar	-100	(2)

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital comprises equity attributable to the owners of the Company.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

36. Segment information

Business segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products sold and services rendered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services, and serves different markets.

The Group is organised into two operating business segments, namely:

(a) Hospitality; and
(b) Food and beverages

	Hospitality $'000		Food and beverages $'000		Consolidated $'000	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue:						
External customers	15,441	485	68,915	64,308	84,356	64,793
Inter-segment	–	–	–	–	–	–
	15,441	485	68,915	64,308	84,356	64,793
Results:						
Interest on loans and borrowings	(197)	–	(15)	–	(212)	–
Expected credit losses on trade receivables	(69)	–	–	–	(69)	–
Income tax credit/(expense)	–	–	173	(168)	173	(168)
Depreciation of property, plant and equipment	(135)	(1)	(2,867)	(2,669)	(3,002)	(2,670)
Depreciation of right-of-use assets	(14,980)	–	(8,866)	–	(23,846)	–
Depreciation of investment property	–	–	(58)	(39)	(58)	(39)
Amortisation of intangible assets	(42)	–	(57)	–	(99)	–
Impairment loss on goodwill	–	–	(468)	–	(468)	–
Impairment loss on right-of-use assets	–	–	(929)	–	(929)	–
Impairment loss on property, plant and equipment	–	–	(540)	(88)	(540)	(88)
Segment net (loss)/profit	(2,334)	(60)	(3,988)	491	(6,322)	431
Segment assets:	48,620	2,135	53,975	23,558	102,595	25,693
Segment liabilities	(45,515)	(1,695)	(49,386)	(10,015)	(94,901)	(11,710)

36. Segment information (cont'd)

Geographical information

	Revenue		Non-current assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore	83,349	64,793	87,394	13,959
Hong Kong	435	–	785	9
Indonesia	572	–	2,093	31
	84,356	64,793	90,272	13,999

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, investment properties, intangible assets, refundable deposits and deferred tax assets as presented in the consolidated statement of financial position.

37. Events occurring after the reporting period

Impact of the COVID-19 pandemic outbreak

The global and Singapore economy is expected to be adversely impacted by the COVID-19 pandemic since January 2020. The Group is cognizant of the challenges posed by the pandemic on the food and beverages and hospitality segments which it operates in. The Group is continuously formulating action plans in response to the disruptions and impact resulting from the pandemic, in a bid to minimise the impact of weaker demands for the services of both business segments. The Group is in the midst of evaluating reliefs as announced under Singapore Budget 2020 as well as the latest Resilience Budget and Solidarity Budget that it can avail, as well as negotiating with the landlords for rental reliefs and flexibility to operate shorter hours for the food and beverages outlets. As the situation is evolving, the full effect of the pandemic remains uncertain and cannot be accurately ascertained as at the date of this report.

38. Authorisation of financial statements for issue

The financial statements of the Group for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 9 April 2020.

SHAREHOLDINGS STATISTICS

As at 2 April 2020

Issued and Fully Paid-Up Capital	:	S$8,683,006
No. of Ordinary Shares	:	231,521,008
No. of Treasury Shares and percentage	:	Nil
No. of Subsidiary Holdings Held and percentage	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	37	7.48	20,900	0.01
1,001 - 10,000	143	28.89	990,600	0.43
10,001 - 1,000,000	309	62.42	20,591,600	8.89
1,000,001 AND ABOVE	6	1.21	209,917,908	90.67
TOTAL	495	100.00	231,521,008	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	202,720,908	87.56
2	DBS NOMINEES (PRIVATE) LIMITED	2,259,400	0.98
3	SOH KIAN THIAM	1,355,500	0.59
4	SASIKUMARAN PILLAI S/O MANMATHAN PILLAI	1,214,000	0.52
5	ALAN GOH KENG CHIAN	1,193,700*	0.52
6	OCBC SECURITIES PRIVATE LIMITED	1,174,400	0.51
7	TAN KAY TOH	984,000	0.43
8	JAMES ALVIN LOW YIEW HOCK	800,000	0.35
9	TAN QIANSHAN (CHEN QIANSHAN)	650,000	0.28
10	CITIBANK NOMINEES SINGAPORE PTE LTD	540,000	0.23
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	499,700	0.22
12	LIM BOON KER	400,000	0.17
13	LOH HUNG SING	400,000	0.17
14	RAFFLES NOMINEES (PTE.) LIMITED	381,100	0.16
15	HU WENYUAN	328,000	0.14
16	GOH SHEN SHU DONOVAN	327,200	0.14
17	PANG QINGHUI (FENG QINGHUI)	304,900	0.13
18	UOB KAY HIAN PRIVATE LIMITED	304,100	0.13
19	ANG CHAI CHENG	280,000	0.12
20	TOH SOCK KUAN	280,000	0.12
	TOTAL	216,396,908	93.47

* This does not inclulde the 115,000 ordinary shares purchased on 27 March 2020, which was yet to be credited as at 2 April 2020.

SUBSTANTIAL SHAREHOLDERS

As at 2 April 2020

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Alan Goh Keng Chian	1,308,700[(1)]	0.57	202,720,908[(2)]	87.56
Madaline Catherine Tan Kim Wah	–	–	204,029,608[(3)]	88.13

Notes:

(1) This includes the 115,000 ordinary shares acquired on 27 March 2020 but yet to be credited as at 2 April 2020.

(2) Alan Goh Keng Chian is deemed to be interested in 104,860,404 ordinary shares registered in the name of HSBC (Singapore) Nominees Pte Ltd. He is also deemed to be interested in 97,860,504 ordinary shares held by his spouse Madaline Catherine Tan Kim Wah.

(3) Madaline Catherine Tan Kim Wah is deemed to be interested in 97,860,504 ordinary shares registered in the name of HSBC (Singapore) Nominees Pte Ltd. She is also deemed to be interested in 106,169,104 ordinary shares held by her spouse Alan Goh Keng Chian.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 2 April 2020, approximately 11.73% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with the Rule 723 (at least 10% held at public) of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 137 Cecil Street #04-01 Hengda Building Singapore 069537 on Friday, 26 June 2020 at 2.00 p.m. (the "**AGM**") to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019 together with the Independent Auditors' Report thereon. — Resolution 1

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Constitution:

   (a) Mr Alan Goh Keng Chian (Regulation 117); — Resolution 2
   (b) Ms Joan Lau Sau Chee (Regulation 122); and — Resolution 3
   (c) Mr Tan Kong King (Regulation 122). — Resolution 4

   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$121,000 for the financial year ended 31 December 2019 (FY2018: S$121,000). — Resolution 5

4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and authorise the Directors of the Company to fix their remuneration. — Resolution 6

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolution, with or without any amendments:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of Singapore Exchange Securities Trading Limited ("SGX-ST")** — Resolution 7

   That pursuant to Section of 161 of the Companies Act and Rule 806 of Catalist Rules of the SGX-ST, authority be and is hereby given to the Directors of the Company:

   (a) (i) allot and issue share in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force); issue Shares in pursuance of the Instruments made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 100 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed 50 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with the sub-paragraph (2) below);

(2) subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

    (a) new Shares arising from the conversion or exercise of convertible securities which were issued and outstanding or subsisting at the time this Resolution is passed;

    (b) new Shares arising from exercising share options or vesting of share awards which were issued and outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provision of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and

(4) unless revoked or varied by the Company in general meeting, such authority conferred shall continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

By Order of the Board

Wong Siew Chuan
Wee Woon Hong
Company Secretaries

Singapore
15 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Alan Goh Keng Chian will, upon re-election as a Director of the Company, remain as an Executive Chairman and Chief Executive Officer. Please refer to Table C of the Corporate Governance Report on pages 41 to 48 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

Ms Joan Lau Sau Chee will, upon re-election as a Director of the Company, remain as an Independent Director of the Board, Chairman of Remuneration Committee and member of Audit and Nominating Committees, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules of SGX-ST. Please refer to Table C of the Corporate Governance Report on pages 41 to 48 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

Mr Tan Kong King will, upon re-election as a Director of the Company, remain as an Independent Director of the Board, Chairman of Nominating Committee and member of Audit and Remuneration Committees, and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules of SGX-ST. Please refer to Table C of the Corporate Governance Report on pages 41 to 48 in the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of SGX-ST.

(ii) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments. The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares, excluding treasury shares. For issues of Shares other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares, excluding treasury shares at the time this resolution is passed.

Notes:

a. (1) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.

(2) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

b. A proxy needs not be a member of the Company.

c. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Company's office at 180B Bencoolen Street #11-01 to 05 The Bencoolen Singapore 189648 not less than seventy-two (72) hours before the time appointed for holding the AGM.

d. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

e. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Measures to minimise the risk of COVID-19

In view of the constantly evolving COVID-19 situation and to comply with the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020 (the "**Regulations**"), the following steps will be taken for Shareholders and others attending the Annual General Meeting ("**AGM**") of Katrina Group Ltd. (the "**Company**") to help minimise the risk of community spread of the virus:

1. Attendance at the AGM will be restricted to 10 individuals.

2. Shareholders will be able to watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers. Please visit our corporate website at www.katrinagroup.com and SGXNET for pre-registration and to obtain further details relating to the webcast.

3. Shareholders will not be able to vote through the live webcast. The only way for Shareholders to exercise their voting rights at the AGM is via proxy voting. Shareholders will have to submit the proxy form in accordance with the instructions set out in the proxy form and appoint "Chairman of the Annual General Meeting" as their proxy. All votes in the AGM will be taken on a poll.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take such precautionary measures as may be appropriate at the AGM, including any precautionary measures as may be required or recommended by government agencies or the Singapore Exchange Regulation from time to time, in order to minimise the risk of community spread of COVID-19.

The Company may also be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check our corporate website at www.katrinagroup.com and SGXNET for updates on the AGM.

The Company seeks the understanding and cooperation of all Shareholders to help minimise the risk of community spread of the virus.

KATRINA GROUP LTD.

Registration No 201608344N
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT:

1. An Investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SPS Approved Nominees to appoint the Chairman of the AGM to act as their proxy. In which case, the CPF and SRS Investors shall be precluded from attending the AGM.
2. This proxy form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purported to be used by them.

*I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Katrina Group Ltd. (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**AGM**") of the Company to be held at 137 Cecil Street #04-01 Hengda Building Singapore 069537 on Friday, 26 June 2020 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

All resolutions put to the vote at the AGM shall be decided by way of poll

No.	**Resolutions**	**For**	**Against**	**Abstain**
	ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019 together with the Independent Auditors' Report thereon			
2.	Re-election of Mr Alan Goh Keng Chian as a Director			
3.	Re-election of Ms Joan Lau Sau Chee as a Director			
4.	Re-election of Mr Tan Kong King as a Director			
5.	Approval of payment of Directors' Fees of S$121,000 for the financial year ended 31 December 2019			
6.	Re-appointment of Messrs Ernst & Young LLP as the Auditors and authorise the Directors to fix their remuneration			
	SPECIAL BUSINESS			
7.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore			

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll)

Dated this __________ day of ____________________ 2020

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

**Delete where inapplicable*

Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

3. A proxy need not be a member of the Company.

4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Company's office at 180B Bencoolen Street #11-01 to 05 The Bencoolen Singapore 189648 not less than seventy-two (72) hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.

5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.

7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 15 April 2020.

Katrina
GROUP LTD.

KATRINA GROUP LTD.
(Incorporated in the Republic of Singapore on 31 March 2016)
(Company Registration Number: 201608344N)

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