Katrina GROUP LTD.

Incorporated in the Republic of Singapore
Registration No. 201608344N

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	6 months ended 30 June 2021 $'000 (Unaudited)	6 months ended 30 June 2020 $'000 (Unaudited)	Increase/ (Decrease) %
Revenue	4	26,562	25,588	3.8
Cost of sales		(26,876)	(30,394)	(11.6)
Gross loss		(314)	(4,806)	(93.5)
Other income		4,779	6,064	(21.2)
Selling and distribution costs		(775)	(170)	N.M.
Administrative expenses		(2,774)	(4,143)	(33.0)
Finance costs		(1,798)	(2,566)	(29.9)
Other expenses		(403)	–	100.0
Loss before tax	5	(1,285)	(5,621)	(77.1)
Income tax expense	6	(1)	(8)	(87.5)
Loss for the period, representing loss for the period attributable to owners of the Company		(1,286)	(5,629)	(77.2)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation		(3)	(12)	(75.0)
Other comprehensive income for the period, net of tax		(3)	(12)	(75.0)
Total comprehensive income for the period, representing total comprehensive income attributable to owners of the Company		(1,289)	(5,641)	(77.1)
Earnings per share for loss for the period attributable to the owners of the Company during the year:				
Basic and diluted (SGD in cents)	7	(0.56)	(2.44)	

Note:
1. "N.M." denotes not meaningful.

B. Condensed interim statements of financial position

		Group		Company	
	Note	30 June 2021 $'000 (Unaudited)	31 December 2020 $'000 (Audited)	30 June 2021 $'000 (Unaudited)	31 December 2020 $'000 (Audited)
ASSETS					
Non-current assets					
Property, plant and equipment	9	4,377	4,447	4	5
Right-of-use assets	10	34,713	43,534	–	–
Investment property		889	918	–	–
Investment in subsidiaries		–	–	6,061	6,061
Refundable deposits		4,359	4,609	–	–
		44,338	53,508	6,065	6,066
Current assets					
Inventories		126	164	–	–
Trade receivables		985	1,245	–	–
Other receivables		2,943	2,494	–	47
Refundable deposits		2,832	3,842	–	–
Prepayments		312	290	5	5
Amount due from a joint venture		103	103	–	–
Amounts due from subsidiaries		–	–	4,709	4,135
Cash and cash equivalents		5,871	10,638	157	184
		13,172	18,776	4,871	4,371
Total assets		57,510	72,284	10,936	10,437
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables		7,683	10,322	312	291
Other liabilities		2,329	2,875	356	296
Lease liabilities	10	15,370	20,253	–	–
Provision	11	836	598	–	–
Contract liabilities		379	418	–	–
Provision for taxation		–	17	–	–
Loans and borrowings	12	6,116	4,574	–	–
		32,713	39,057	668	587
Net current (liabilities)/assets		(19,541)	(20,281)	4,203	3,784

B. Condensed interim statements of financial position (Cont'd)

	Note	Group 30 June 2021 $'000 (Unaudited)	Group 31 December 2020 $'000 (Audited)	Company 30 June 2021 $'000 (Unaudited)	Company 31 December 2020 $'000 (Audited)
Non-current liabilities					
Contract liabilities		63	61	–	–
Other payables		159	180	–	–
Lease liabilities	10	28,197	33,647	–	–
Provision	11	582	768	–	–
Deferred tax liabilities		6	6	–	–
Loans and borrowings	12	5,733	7,219	–	–
		34,740	41,881	–	–
Total liabilities		67,453	80,938	668	587
Net (liabilities)/assets		(9,943)	(8,654)	10,268	9,850
Equity attributable to owners of the Company					
Share capital	13	8,192	8,192	8,192	8,192
Foreign currency translation reserve		19	22	–	–
(Accumulated losses)/ Retained earnings		(18,154)	(16,868)	2,076	1,658
Total equity		(9,943)	(8,654)	10,268	9,850
Total equity and liabilities		57,510	72,284	10,936	10,437

C. Condensed interim statements of changes in equity

	Attributable to owners of the Company			
	Share capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Group (Unaudited)				
Opening balance at 1 January 2020	8,192	32	(530)	7,694
Loss for the period	–	–	(5,641)	(5,641)
Other comprehensive income:				
Foreign currency translation	–	(12)	–	(12)
Total comprehensive income for the period	–	(12)	(5,641)	(5,653)
Closing balance at 30 June 2020	8,192	20	(6,171)	2,041
Opening balance at 1 January 2021	8,192	22	(16,868)	(8,654)
Loss for the period	–	–	(1,286)	(1,286)
Other comprehensive income:				
Foreign currency translation	–	(3)	–	(3)
Total comprehensive income for the period	–	(3)	(1,286)	(1,289)
Closing balance at 30 June 2021	8,192	19	(18,154)	(9,943)

C. Condensed interim statements of changes in equity (Cont'd)

	Attributable to owners of the Company		
	Share capital $'000	**Retained earnings** $'000	**Total** $'000
Company (Unaudited)			
Opening balance at 1 January 2020	8,192	610	8,802
Profit for the period, representing total comprehensive income for the period	–	540	540
Closing balance at 30 June 2020	8,192	1,150	9,342
Opening balance at 1 January 2021	8,192	1,658	9,850
Profit for the period, representing total comprehensive income for the period	–	418	418
Closing balance at 30 June 2021	8,192	2,076	10,268

D. Condensed interim consolidated statement of cash flows

	6 months ended 30 June 2021 $'000 (Unaudited)	6 months ended 30 June 2020 $'000 (Unaudited)
Operating activities		
Loss before tax	(1,285)	(5,621)
Adjustments for:		
Depreciation of property, plant and equipment	901	1,747
Depreciation of investment property	29	29
Depreciation of right-of-use assets	8,568	13,307
Write-off of property, plant and equipment	123	310
Write-off of right-of-use assets	–	102
Impairment loss on property, plant and equipment	317	–
Impairment loss on right-of-use assets	86	–
Loss on disposal of property, plant and equipment	50	–
Finance costs	156	153
Interest on finance lease liabilities	1,642	2,413
Gain on early termination of leases	(29)	–
Interest income	–	(1)
Currency realignment	(1)	(9)
Total adjustments	11,842	18,051
Operating cash flows before changes in working capital	10,557	12,430
Changes in working capital		
Decrease in inventories	38	41
(Increase)/decrease in trade and other receivables	(189)	685
Decrease in refundable deposits	1,260	281
(Increase)/decrease in prepayments	(22)	237
(Decrease)/increase in trade and other payables	(2,600)	2,615
Decrease in other liabilities	(546)	(1,850)
Increase in amounts due to a director	–	300
Decrease in contract liabilities	(37)	(538)
Total changes in working capital	(2,096)	1,771
Cash flows from operations	8,461	14,201
Income taxes paid	(18)	(8)
Interest received	–	1
Net cash flows generated from operating activities	8,443	14,194
Investing activities		
Purchase of property, plant and equipment	(1,336)	(2,204)
Cash paid for restoration cost	(8)	(36)
Proceeds from disposal of property, plant and equipment	10	–
Net cash flows used in investing activities	(1,334)	(2,240)

D. Condensed interim consolidated statement of cash flows (Cont'd)

	6 months ended 30 June	
	2021	**2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Financing activities		
Proceeds from loan and borrowings	1,000	6,000
Repayments of loan and borrowings	(944)	(903)
Interest paid	(156)	(153)
Lease payments	(11,776)	(15,010)
Cash restricted in use	(1,166)	–
Net cash flows used in financing activities	(13,042)	(10,066)
Net change in cash and cash equivalents	(5,933)	1,888
Cash and cash equivalents at 1 January	10,638	5,714
Cash and cash equivalents at 30 June (1)	4,705	7,602

Note:

1. For the purpose of presenting the consolidated interim statement of cash flows, cash and cash equivalents comprise the following:

	6 months ended 30 June	
	2021	**2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Cash and bank balances	5,871	7,602
Less: Bank deposits pledged	(1,166)	–
Cash and cash equivalents per consolidated interim statement of cash flows	4,705	7,602

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Katrina Group Ltd. ("the Company") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is that of investment holding.

The principal activities of the Group are:
(a) restaurants operator; and
(b) residential real estate management.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

<u>Fundamental accounting concept</u>
The interim financial statements of the Group have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of $1,286,000 (30 June 2020: $5,629,000) for the six months ended 30 June 2021. As of that date, the Group's net liabilities and current liabilities exceeded its net assets and current assets by $9,943,000 (31 December 2020: net liabilities of $8,654,000) and $19,541,000 (31 December 2020: net current liabilities of $20,281,000) respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as going concern.

The directors are of the view that it is appropriate to prepare the Group's interim financial statements on a going concern on the following bases:

(a) the Group will be able to generate sufficient cash flows from its operations to pay its liabilities as and when they fall due;
(b) management intends to manage cashflow of the subsidiaries on overall Group basis, where necessary;

(c) there are no changes in the Group's ability to request for the extension of credit terms granted by suppliers and the Group intends to adhere to the trade payables turnover days consistent with the current financial year; and
(d) the controlling shareholder has indicated through a letter of undertaking to financially support the Group as and when required, for 15 months from 12 August 2021.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted the following new and revised standard:.

Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*

The Group early adopted Amendment to SFRS(I) 16: COVID-19-Related Rent Concessions beyond 30 June 2021 and has applied the practical expedient applicable in this amendment that is effective for annual periods beginning on or after 1 April 2021

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Property, plant and equipment

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10 – Right-of-use assets and lease liabilities
- Note 11 - Provision for restoration costs

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:
(a) Hospitality; and
(b) Food and beverages

4.1. Reportable segments

	Hospitality $'000		**Food and beverages** $'000		**Consolidated** $'000	
1 January to 30 June (Unaudited)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue:						
External customers	5,837	9,049	20,725	16,539	26,562	25,588
	5,837	9,049	20,725	16,539	26,562	25,588
Results:						
Interest on loans and borrowings	(25)	(48)	(131)	(105)	(156)	(153)
Interest on finance lease liabilities	(881)	(1,353)	(761)	(1,060)	(1,642)	(2,413)
Income tax credit/(expense)	–	–	(1)	(8)	(1)	(8)
Depreciation of property, plant and equipment	(174)	(417)	(727)	(1,330)	(901)	(1,747)
Depreciation of right-of-use assets	(3,066)	(5,775)	(5,502)	(7,532)	(8,568)	(13,307)
Depreciation of investment property	–	–	(29)	(29)	(29)	(29)
Write-off of property, plant and equipment	(21)	–	(102)	(310)	(123)	(310)
Impairment loss on property, plant and equipment	(317)	–	–	–	(317)	–
Write-back/(impairment loss) on right-of-use assets	77	–	(163)	–	(86)	–
Loss on disposal of property, plant and equipment	–	–	(50)	–	(50)	–
Gain on early termination of leases	5	–	24	–	29	–
Interest income	–	–	–	1	–	1
Segment net loss	(539)	(1,208)	(747)	(4,421)	(1,286)	(5,629)

Segment breakdown for period ended 30 June 2021 and 31 December 2020 are as follows:

	Hospitality $'000		**Food and beverages** $'000		**Consolidated** $'000	
(Unaudited)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Segment assets:	24,508	28,236	33,002	44,048	57,510	72,284
Segment liabilities	(29,763)	(33,408)	(37,690)	(47,530)	(67,453)	(80,938)

4.2. Disaggregation of revenue

Geographical information

The following table shows the distribution of the Group's revenue from external customers based on the location where goods are sold and services are derived:

	6 months ended 30 June	
	2021	**2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Singapore	26,359	25,196
Hong Kong	13	286
Indonesia	190	106
	26,562	25,588

The following table shows the distribution of the Group's non-current assets excluding deferred tax assets based on the geographical location of customers:

	30 June 2021	**31 December 2020**
	$'000	$'000
	(Unaudited)	(Audited)
Singapore	39,700	47,333
Hong Kong	–	86
Indonesia	682	1,480
	40,382	48,899

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, and investment properties presented in the condensed statement of financial position.

5. Profit before taxation

5.1. Significant items

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

	6 months ended 30 June	
	2021	2020
	$'000	$'000
	(Unaudited)	(Unaudited)
Income		
Government grants [1]	2,786	3,128
Rental rebates [2]	1,834	2,751
Gain on early termination of leases	29	–
Interest income	–	1
Expenses		
Commission fees	(1,290)	(975)
Contingent rental leases on operating leases	(265)	(190)
Depreciation of property, plant and equipment	(901)	(1,747)
Depreciation of investment property	(29)	(29)
Depreciation of right-of-use assets [3]	(8,568)	(13,307)
Employee benefits	(9,596)	(9,736)
Fixed rental expense on operating leases	(731)	(601)
Interest on bank loan	(156)	(153)
Interest on finance lease liabilities [4]	(1,642)	(2,413)
Write-off of property, plant and equipment	(123)	(310)
Loss on disposal of property, plant and equipment	(50)	–
Impairment loss on property, plant and equipment	(317)	–
Impairment loss on right-of-use assets	(86)	–

Notes:

1 Government grants refer mainly to the Jobs Support Scheme, Foreign Worker Levy rebate, Wage Credit Scheme, Property Tax Rebates and Cash Grants.

2 Rental rebates refer to rental support or assistance disbursed from Landlords and government.

3 Depreciation of right-of-use assets relates to leases where the Group is lessee which are capitalised as right-of-use assets following the adoption of SFRS(I) 16 Leases.

4 Interest on finance lease liabilities relates to interest expense from unwinding of lease liabilities arising from adoption of SFRS(I)16 Leases.

5.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the unaudited financial statements.

6. Income tax

The major components of income tax expense for the 6 months ended 30 June 2021 and 2020 are:

	6 months ended 30 June	
	2021	**2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Consolidated statement of comprehensive income:		
Current income tax		
- Under provision in respect of previous years	1	8
Income tax expense recognised in the consolidated statement of comprehensive income	1	8

7. Loss per share

Basic loss per share is calculated by dividing the Group's loss 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 and shares data used in the computation of basic and diluted loss per share for the 6 months ended 30 June 2021 and 2020:

	6 months ended 30 June	
	2021	**2020**
	$'000	$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(1,286)	(5,629)
	Number of ordinary shares	
Weighted average number of ordinary shares for basic and diluted loss per share computation	231,521,008	231,521,008

The basic and diluted EPS are the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

8. Net Asset Value

	Group		Company	
	30 June 2021 (Unaudited)	**31 December 2020 (Audited)**	**30 June 2021 (Unaudited)**	**31 December 2020 (Audited)**
Net asset value ("**NAV**") ($'000)	(9,943)	(8,654)	10,268	9,850
Number of ordinary shares	231,521,008	231,521,008	231,521,008	231,521,008
NAV per ordinary share (cents)	(4.29)	(3.74)	4.44	4.25

9. Property, plant and equipment

Group (Unaudited)	Computers	Furniture and fittings	Kitchen and restaurant equipment	Motor vehicle	Office equipment	Renovation	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2020	1,633	3,227	3,787	148	33	15,606	311	24,745
Additions	102	158	51	–	–	1,771	480	2,562
Reclassification	8	129	–	–	–	627	(764)	–
Written-off	(10)	(245)	(207)	–	(1)	(1,766)	(21)	(2,250)
Currency realignment	–	(6)	(3)	–	–	–	–	(9)
At 31 December 2020 and 1 January 2021	1,733	3,263	3,628	148	32	16,238	6	25,048
Additions	17	122	142	–	–	1,032	23	1,336
Written-off	–	(99)	(12)	–	–	(176)	–	(287)
Disposal	–	–	(87)	–	–	–	–	(87)
Currency realignment	–	(5)	(4)	–	–	–	–	(9)
At 30 June 2021	1,750	3,281	3,667	148	32	17,094	29	26,001
Accumulated depreciation:								
At 1 January 2020	1,093	1,380	2,261	75	19	8,339	–	13,167
Charge for the year	320	546	479	18	4	2,036	–	3,403
Written-off	(9)	(132)	(127)	–	(1)	(1,302)	–	(1,571)
Impairment loss	–	–	–	–	–	5,602	–	5,602
At 31 December 2020 and 1 January 2021	1,404	1,794	2,613	93	22	14,675	–	20,601
Charge for the year	119	253	235	9	2	283	–	901
Written-off	–	(53)	(7)	–	–	(104)	–	(164)
Disposal	–	–	(27)	–	–	–	–	(27)
Impairment loss	–	–	–	–	–	317	–	317
Currency realignment	–	(3)	(1)	–	–	–	–	(4)
At 30 June 2021	1,523	1,991	2,813	102	24	15,171	–	21,624

9. Property, plant and equipment (Cont'd)

Group (Unaudited)	Computers	Furniture and fittings	Kitchen and restaurant equipment	Motor vehicle	Office equipment	Renovation	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net carrying amount:								
At 30 June 2021	227	1,290	854	46	8	1,923	29	4,377
At 31 December 2020	329	1,469	1,015	55	10	1,563	6	4,447

10. 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:

Group (Unaudited)	**Restaurant premises**	**Residential apartments**	**Total**
	$'000	$'000	$'000
At 1 January 2020	33,203	37,479	70,682
Additions	6,224	5,185	11,409
Impairment charge	(2,988)	(3,408)	(6,396)
Charge for the year	(14,541)	(10,924)	(25,465)
Early termination of leases	(59)	(6,607)	(6,666)
Currency realignment	(38)	8	(30)
At 31 December 2020 and 1 January 2021	21,801	21,733	43,534
Additions	203	296	499
(Impairment charge)/write back	(163)	77	(86)
Charge for the period	(5,502)	(3,066)	(8,568)
Early termination of leases	(579)	(56)	(635)
Currency realignment	(31)	–	(31)
At 30 June 2021	15,729	18,984	34,713

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

	30 June 2021	**31 December 2020**
	$'000	$'000
	(Unaudited)	(Audited)
At 1 January	53,900	74,371
Additions	499	11,338
Accretion of interest	1,642	4,579
Payments	(11,776)	(29,399)
Early termination of leases	(664)	(6,989)
Currency realignment	(34)	–
At 30 June / 31 December	43,567	53,900
Current	15,370	20,253
Non-current	28,197	33,647
At 30 June / 31 December	43,567	53,900

10. Right-of-use assets and lease liabilities (Cont'd)

During the financial period ended 30 June 2021, the Group had early terminated various leases as a result of the on-going COVID-19 situation. Consequent to the early termination, the difference between the carrying value of right-of-use assets and the corresponding lease liabilities amounting to $29,000 (31 December 2020: $323,000) was recorded within the "Other income" in the consolidated statements of comprehensive income.

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.

11. 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	
	30 June 2021 $'000 (Unaudited)	**31 December 2020** $'000 (Audited)
At 1 January	1,366	1,448
Additions	60	–
Written off	–	(47)
Utilisation	(8)	(112)
Discount rate adjustment	–	77
At 30 June / 31 December	1,418	1,366
Current	836	598
Non-current	582	768
At 30 June / 31 December	1,418	1,366

12. Loans and borrowings

	30 June 2021 $'000 (Unaudited)	31 December 2020 $'000 (Audited)
Amount repayable in one year or less, or on demand	6,116	4,574
Amount repayable after one year	5,733	7,219
At 30 June / 31 December	11,849	11,793

There are no unsecured loans and borrowings as at 30 June 2021 and 31 December 2020.

Details of any collateral:

1) The Group's borrowings of $2.2 million repayable in one year or less, or on demand, and $0.9 million repayable after one year are both secured by continuing guarantees by the Company, mortgage of the investment property and assignment of rental proceeds relating to the investment property. The investment property is located at 1 Sims Lane #05-05 Singapore 387355.
2) The remaining bank borrowings of $3.9 million repayable in one year or less, or on demand, and $4.8 million repayable after one year are secured by continuing guarantees by the Company.

The Group's subsidiaries 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 fulfil the adjusted tangible net worth, debt service ratio and gearing ratio as required in the loan agreements. As at 30 June 2021, the Group's subsidiaries had obtained waiver from one of its banker with respect to the breach of these loan covenants, while the other banker had indicated that the previous waiver as at 31 December 2020 remains unchanged.

13. Share capital

There was no change in the Company's share capital between 30 June 2020 (being the end of the previous period reported on) and 31 December 2020.

The Company did not have any outstanding options or convertible instruments as at 30 June 2021 and 31 December 2020.

The Company did not have any treasury shares and subsidiary holdings as at 30 June 2021 and 31 December 2020.

OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Katrina Group Ltd and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

REVIEW OF FINANCIAL PERFORMANCE

For management reporting purposes, the Group is organised into business segments based on its services, and has two reportable operating segments as follows:

i. "Food and Beverage ("**F&B**") business" – specialises in multi-cuisine concepts and restaurant operations.

The Group has 36 restaurants (31 December 2020: 37) in Singapore and 1 restaurant (31 December 2020: 2) in Indonesia under 8 different F&B brands (31 December 2020: 9).

ii. "Hospitality business" – offers fully furnished corporate serviced apartments under the brand of ST Residences; affordable luxurious co-living hotel under ST Signature and to provide one-stop domestic household cleaning services to the customers staying in service apartments and co-living hotels, SO Services Pte. Ltd. was incorporated.

The Group had approximately 99 units of service apartment (31 December 2020: 200) and 4 co-living hotels (31 December 2020: 4).

Revenue

The Group's revenue for the period ended 30 June 2021 ("**HY2021**") was $26.6 million, an increase of $1.0 million or 3.8% as compared to $25.6 million for the period ended 30 June 2020 ("**HY2020**").

Revenue for the Group F&B increased by $4.2 million or 25.3% from $16.5 million in HY2020 to $20.7 million in HY2021, mainly attributed to the lifting of the Covid-19 restriction for dine-in sales for most of the period under review.

Revenue for Group Hospitality decreased by $3.2 million or 35.5% from $9.0 million in HY2020 to $5.8 million in HY2021. The decrease was due to the longer duration of Covid-19 impact in HY2021 vis-à-vis HY2020 as well as the reduction in tenants for the service apartments.

Cost of sales

Cost of sales mainly comprises of food and beverages cost, payroll cost, depreciation of property, plant and equipment, 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.

The Group's cost of sales decreased by $3.5 million or 11.6% from $30.4 million in HY2020 to $26.9 million in HY2021.

Cost of sales for Group F&B decreased by $1.2 million or 5.3% from $22.7 million in HY2020 to $21.5 million in HY2021 mainly attributable to the decrease in depreciation for right-of-use assets and property plant and equipment of $2.0 million and $0.5 million respectively, largely due to the impairment charge recognized in FY2020. This is offset by the increase in food and operating costs of $1.2 million corresponding to the increase in revenue.

Cost of sales for Group Hospitality decreased by $2.3 million or 31.2% from $7.7 million in HY2020 to $5.4 million in HY2021 in line with the decrease in revenue, aided by the decrease in depreciation for right of use assets and property plant and equipment of $2.7 million and $0.3 million respectively, largely due to the impairment charge recognised in FY2020.

Gross loss

Gross loss decreased by $4.5 million or 93.5% for HY2021 as compared to HY2020. Group F&B reported a gross loss of $0.8 million and Group Hospitality reported a gross profit of $0.5 million.

Gross loss margin for the Group has decreased from 19.3% in HY2020 to 1.2% in HY2021. The gross loss margin for the Group F&B decreased from 37.6% in HY2020 to 3.9% in HY2021, whereas the gross profit margin for the Group Hospitality decreased from 14.2% in HY2020 to 8.6% in HY2021.

Other income

Other income mainly relates to the government grants, which include Jobs Support Scheme, Foreign Worker Levy rebate, Wage Credit Scheme, as well as the rental rebates under the Rental Relief Framework legislated by the government under the Covid-19 (Temporary Measures) Act 2020.

Other income decreased by $1.3 million or 21.2% from $6.1 million in HY2020 to $4.8 million in HY2021.

The decrease is largely attributable to the decrease in rental rebate of $0.9 million and decrease in government grants of $0.3 million. Rental rebates have decreased due to the lower rental rebates received by landlords during this period under review. Government grants have decreased due to the grants received under the Jobs Support Scheme ("JSS") as the government gradually tapered down the level of grants provided from the second half of calendar year 2020, coupled with the decrease in the Group's eligible headcount due to attrition and closure of outlets.

Selling and distribution costs

The selling and distribution costs increased by $0.6 million or 355.9% from $0.2 million in HY2020 to $0.8 million in HY2021.

This is due to
(a) entertainment, electronic payment charges and transportation expenses that were reclassified from administrative expenses to selling and distribution costs in HY2021; and
(b) increase of $0.2 million marketing and advertising expense in order to boost the brand awareness as well as to generate increased sales.

Administrative expenses

Administrative expenses decreased by $1.4 million or 33.0% from $4.1 million in HY2020 to $2.8 million in HY2021 as a result of the paycut undertaken by the management team of $0.4 million, as well as reclassification of the following expenses:
(a) $0.4 million of staff cost from administrative expenses to cost of sales; and
(b) $0.4 million of entertainment, electronic payment charges and transportation expenses from administrative expenses to selling and distribution costs.

Finance costs

Finance costs decreased by $0.8 million or 29.9% from $2.6 million in HY2020 to $1.8 million in HY2021. The decrease was mainly related to the decrease in lease interest expense.

Other expenses

Other expenses related to the impairment loss on right-of-use assets and property, plant and equipment of $0.1 million and $0.3 million respectively.

Loss for the period, representing loss for the period attributable to owners of the Company

As a result of the aforementioned, the Group reported a net loss after tax of $1.3 million in HY2021 vis-à-vis a net loss after tax of $5.6 million in HY2020.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group’s non-current assets decreased by $9.2 million from $53.5 million as at 31 December 2020 to $44.3 million as at 30 June 2021.

This was mainly due to (a) a decrease in right of use assets of $8.8 million largely due to the depreciation of the right of use assets; (b) a decrease in refundable deposits (non-current) of $0.2 million due to the reclassification to refundable deposits (current); and (c) a decrease in property, plant and equipment of $0.1 million as a result of the impairment loss recognised of $0.3 million and depreciation of $1.0 million, offset by the acquisition of property, plant and equipment of $1.2 million.

Current assets

The Group’s current assets decreased by $5.6 million from $18.8 million as at 31 December 2020 to $13.2 million as at 30 June 2021.

This was mainly due to (a) a decrease in cash and cash equivalents of $4.8 million; (b) a decrease in refundable deposits (current) of $1.0 million; and (c) a decrease in trade receivables of $0.3 million due to tighter credit control.

The decrease was offset by an increase in other receivables of $0.4 million. Other receivables increased due to the increase in other debtors of $0.7 million, offset by the decrease in grant receivables of $0.3 million. Other debtors increased mainly due to the increase in security deposits refundable from landlords of $0.6 million as the Group has returned some units upon the expiry of leases while grant receivables deceased in line with the decrease in grant income.

Current liabilities

The Group’s current liabilities decreased by $6.3 million from $39.0 million as at 31 December 2020 to $32.7 million as at 30 June 2021.

The decrease was mainly due to (a) a decrease in lease liabilities (current) of $4.9 million; (b) a decrease in trade and other payables of $2.6 million; and (c) a decrease in other liabilities of $0.5 million.

Trade and other payables have decreased in line with the decrease in reduced expenses incurred in the period under review. Other liabilities have decreased mainly due to the decrease in accrued operating expenses.

The decrease was offset by (a) an increase in loans and borrowings (current) of $1.5 million; and (b) an increase in provision (current) of $0.2 million.

Non-current liabilities

The Group's non-current liabilities decreased by $7.2 million from $41.9 million as at 31 December 2020 to $34.7 million as at 30 June 2021.

This is due to (a) the decrease in lease liabilities (non-current) of $5.5 million; (b) the decrease in loans and borrowings (non-current) of $1.5 million; and (c) the decrease in provision (non-current) of $0.2 million. Both loans and borrowings (non-current) and provision (non-current) have been reclassified to current liabilities as some of the loans and borrowings and provision have maturity less than 12 months.

Overall, total lease liabilities had decreased by $10.4 million, largely due to the lease payments made of $11.8 million, offset by the accretion of interest of $1.6 million during the period under review.

Shareholders' equity

The Group's shareholders' equity decreased by $1.3 million from negative $8.6 million as at 31 December 2020 to negative $9.9 million as at 30 June 2021. The decrease resulted from the net loss incurred during the period.

Negative working capital

As at 30 June 2021, the Group was in a negative working capital position of $19.5 million (31 December 2020: $20.3 million). The management had prepared cash flow forecasts which was derived from the financial budget to assess whether the Group can meet its debt obligations as and when they fall due.

The Board of Directors of the Company ("**Board**") noted that a controlling shareholder had provided a letter of undertaking to provide the financial support to the Group, as and when required, for 15 months from 12 August 2021 to enable the Group to meet its liabilities as and when the Group is unable to meet such liabilities. Also, the Group would continue to implement various strategic measures to contain cost and preserve cash liquidity.

REVIEW OF CASH FLOWS

The Group's net cash generated from operating activities in HY2021 was $8.4 million. This was mainly due to operating cash flows before changes in working capital of $10.6 million and working capital outflow of $2.1 million.

Net cash used in investing activities amounted to $1.3 million mainly arising from purchase of plant and equipment for both segments.

Net cash used in financing activities of $13.0 million was mainly due to the principal payment of lease payments of $11.8 million and increase in cash restricted in use (earmarked for repayment of bank loans) of $1.2 million.

The cash and cash equivalents for the period decreased by $5.9 million compared to 31 December 2020.

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

The Group had on 11 August 2021 issued a profit guidance announcement cautioning shareholders that the Group expects to report a loss for the HY2021.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Singapore is planning to move into a new normal way of living with Covid-19 ultimately reaching an endemic status. As the country begins its transition with increased vaccination rate and eased restrictions, more business and social activities will resume. This will bode well for our Group's businesses.

For the Group's F&B business, we will continue to review the viability of the existing portfolio and at the same time, explore new revenue channels, e.g., we have embarked on the cloud kitchen concept to support more online deliveries.

For Hospitality business, under the new norm, we expect the border to reopen and the business environment to improve, resulting in improved occupancy rate and revenue.

5. Dividend information

There is no dividend declared or recommended in HY2021 as the Group is loss-making for the period.

6. Interested persons transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

The following are the IPT transactions during the current financial period:

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

Details of the aggregate indemnities provided by these Interested Persons in connection with the security bonds during the Relevant Period are as follows:

	30 June 2021 ($'000)
Aggregate indemnity in connection with the security bonds	190

7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of Section B of the SGX-ST Listing Manual.

8. Negative Confirmation Pursuant to Rule 705(5)

We, Alan Goh Keng Chian and Madaline Catherine Tan Kim Wah, being two Directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company ("the **Board**") that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 30 June 2021 to be false or misleading in any material aspect.

9. Disclosure of acquisition (including incorporations) and sale of shares under Catalist Rule 706A

The Group has struck off 2 of the subsidiaries, Bayang at the Quay Pte. Ltd. and Renn Thai Pte Ltd, from the Register of Companies in April 2021. There is no material impact on the net tangible assets or earnings per share of the Group for the financial period ending 30 June 2021.

On behalf of the Board

Alan Goh Keng Chian
Executive Chairman and CEO

Madaline Catherine Tan Kim Wah
Executive Director

14 August 2021