

Katrina GROUP LTD.

Incorporated in the Republic of Singapore
Registration No. 201608344N

RESPONSE TO QUERIES FROM SGX ON THE “MATERIAL VARIANCE AND PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021” ANNOUNCEMENT DATED 18 MARCH 2022

The Board of Directors (“**Board**”) of Katrina Group Ltd. (“**Company**”, and together with its subsidiaries, “**Group**”) refers to the queries raised by SGX in relation to the announcement released by the Company on 18 March 2022 on the “Material variance and profit guidance for the financial year ended 31 December 2021” (“**Announcement**”).

We refer to Katrina Group Limited’s (the “**Company**”, and together with its subsidiaries, “**Group**”) announcement on 18 March 2022, in relation to the potential material variance and profit guidance for the financial year ended 31 December 2021.

We note that expected potential material variance arose due to the receipt of invoices relating to the newly recorded fixed assets not being received by the finance team of the Group’s subsidiary and therefore not recorded in the Group’s accounts prior to the release of the unaudited results.

- 1) **Please provide the reasons why the receipt of invoices were not received by the finance team of the Group’s subsidiary and not recorded in the Group’s account.**

Company’s response

The invoices were issued by a particular vendor who only mails out their invoices and does not send out Statement of Accounts. None of these invoices have been paid by the Company. The majority of these invoices were for work done during 2020 and were mailed out during the period whereby the Group’s subsidiary was experiencing high staff turnover. As such, the group finance team was not aware of these invoices until they did a reconciliation in March 2022. Thereupon, they discovered that these invoices were not recorded in the Group’s accounts.

- 2) **Please provide a breakdown and elaborate on the newly recorded fixed assets.**

Company’s response:

Date of purchase	Locations	Fixed assets category	Amount (S\$)
16 March 2020	South Bridge Road	Renovation	3,155.00
23 November 2020	South Bridge Road	Renovation	98,793.00
23 November 2020	Tras Street	Renovation	300,000.00
			401,948.00

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3) When were the new fixed assets acquired and the reasons why there is a need to impair it now?

Company's response:

The new fixed assets were acquired in the financial year ended 31 December 2020. Please refer to the details set out in Point (2).

4) In accordance with SFRS(I) 1-36, the renovations are subjected to the yearly impairment exercise. As the carrying values are more than the recoverable amounts, these renovations are impaired in FY2021. Please provide information regarding the extent of loss the Group is expected to make in FY2021.

Company's response:

The Group is expected to make a loss of approximately S\$214,000. This figure is subjected to finalisation of the audited accounts by the external auditors.

5) What are the measures and controls put in place to ensure that all material information are recorded to ensure accuracy in the unaudited results released.

Company's response:

The Group had revised existing and implemented new standard operating procedures ("SOPs") to address this issue.

These revised and new SOPs have been implemented and in force with effect from 1 March 2022.

The relevant SOPs are:

- FIN-003 Appendix C Opening and Closure Policy (new)
- FIN-003 Delegation of Authority (revised)
- FIN-009 Fixed Assets (revised)
- FIN-010 Accounting Close & Controls (revised)

These policies are to address the controls for the opening of new hotels/outlets/service apartments, the requisition of new fixed assets, the approval required before proceeding with such actions, and the reconciliation of the vendor statement to the accounting records.

We will conduct annual refresher to the staff on the SOPs, as well as task the Internal Auditors to conduct a thorough review in FY2022 on the adherence to the SOPs.

BY ORDER OF THE BOARD

Alan Goh Keng Chian
Executive Chairman and Chief Executive Officer
23 March 2022

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

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