


KATRINA GROUP LTD.

(Incorporated in the Republic of Singapore on 31 March 2016)

(Company Registration Number: 201608344N)

PLACEMENT OF 35,800,000 NEW ORDINARY SHARES IN THE CAPITAL OF KATRINA GROUP LTD. (THE “PLACEMENT SHARES”) AT S\$0.21 FOR EACH PLACEMENT SHARE (THE “PLACEMENT”)

Prior to making a decision to subscribe for the Placement Shares, you should carefully consider all the information contained in the offer document dated 15 July 2016 issued by Katrina Group Ltd. (the “Company” and together with its subsidiaries, the “Group”) in respect of the Placement (the “Offer Document”). This Product Highlights Sheet should be read in conjunction with the Offer Document. You will be subject to various risks and uncertainties, including the potential loss of your entire principal amount invested. If you are in doubt as to investing in the Placement Shares, you should consult your legal, financial, tax or other professional adviser.

This Product Highlights Sheet¹ is an important document.

- It highlights the key information and risks relating to the Placement contained in the Offer Document. It complements the Offer Document.
- You should not subscribe for the Placement Shares if you do not understand the nature of this investment in our ordinary shares, our business or are not comfortable with the accompanying risks.
- If you wish to subscribe for the Placement Shares, you will need to make an application in the manner set out in the Offer Document. If you do not have a copy of the Offer Document, please contact us to ask for one².

Issuer	Katrina Group Ltd.	Place of incorporation	Singapore
Details of this Placement	A total of 35,800,000 Placement Shares to be issued pursuant to the Placement	Total amount to be raised in this Placement	<ul style="list-style-type: none"> • Gross proceeds – approximately S\$7.5 million • Net proceeds – approximately S\$6.3 million
Placement Price	S\$0.21 for each Placement Share	Listing status of Issuer and the Securities	An application has been made to the SGX-ST for permission to deal in, and for quotation of, all of our Shares
Sponsor, Issue Manager and Placement Agent	Hong Leong Finance Limited		

¹ This Product Highlights Sheet does not constitute, or form any part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities in the Company nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. This Product Highlights Sheet shall be read in conjunction with the Offer Document. Any decision to subscribe for securities must be made solely on the basis of information contained in the Offer Document. Capitalised terms used in this Product Highlights Sheet, unless otherwise defined, shall bear the meanings as defined in the Offer Document.

² The Offer Document, registered by the SGX-ST acting as agent on behalf of the Authority on 15 July 2016, may be obtained on request, subject to availability, during office hours from Hong Leong Finance Limited, 16 Raffles Quay #01-05 Hong Leong Building Singapore 048581, or accessible on the SGX-ST’s website at <http://www.sgx.com>.

OVERVIEW

WHO ARE WE AND WHAT DO WE DO?

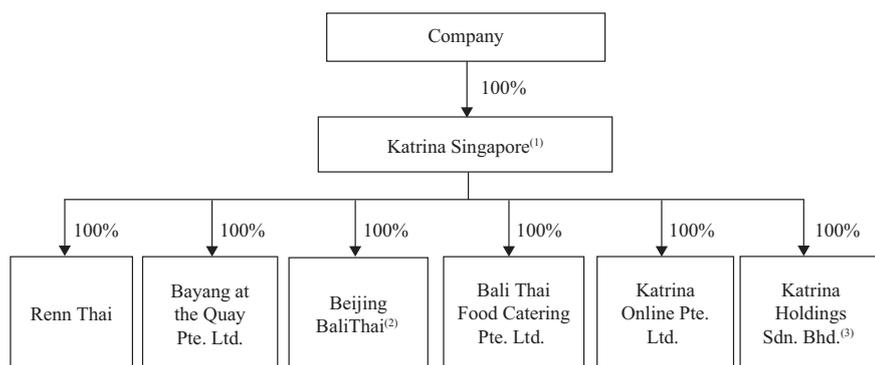
We are an operator of chains of restaurants and cafes under different F&B brands and concepts. Our Group owns and operates restaurants under nine different F&B brands that are developed and owned by us as at the Latest Practicable Date. Each brand provides different dining options in order to cater to a wide spectrum of patrons and different market segments.

Each of our brands serves authentic cuisines of different ethnicity, namely Indonesian, Thai, Hong Kong, Yunnan, northern Chinese cuisine, Mexican and Vietnamese. In addition, each brand is accompanied by tailored décor and designs in our restaurants and cafes in order to provide patrons with comfortable ambience. Amongst our nine own proprietary brands, restaurants under four of our own proprietary brands namely Bali Thai, So Pho, Streets and Indobox, are certified “Halal” in Singapore, save for the Bali Thai restaurant at IMM Building.

Our restaurants are located in Singapore and overseas. Within Singapore, our casual dining brands are generally located in the heartlands of Singapore, such as Jurong East and Tampines. Meanwhile, the contemporary upmarket brands are located within the central business district vicinity of Singapore. We also operate restaurants outside Singapore, currently located in Beijing, PRC. In the PRC, our Group owns and operates two Bali Thai restaurants. Food served in our Bali Thai restaurants in the PRC has been tailored and fine-tuned to suit the tastes of the local consumers in the PRC. We have identified certain locations within Malaysia, Vietnam and Indonesia for our overseas expansion.

Refer to the “Business Overview” section of the Offer Document on pages 75 to 79 for more information on our background and business.

The structure of our Group as at the date of the Offer Document is as follows:



Notes:

(1) Katrina Singapore wholly owns the following businesses as the sole-proprietor:

- (a) Indobox Cafe
- (b) Muchos Mexican Bar & Restaurant
- (c) So Pho Viet Cafe
- (d) Streets Hong Kong Cafe

The above businesses are currently dormant. These businesses were registered merely to protect the respective restaurant brands, whereas the restaurant operations under such restaurant brands are conducted by Katrina Singapore. We have subsequently applied for the relevant trademark registrations to protect our intellectual property rights under these restaurant brands and we intend to de-register these businesses after completion of the trademark registration.

Refer to “Group Structure” on pages 68 to 69 of the Offer Document for the structure of our Group.

- (2) Beijing BaliThai wholly owns a branch in Beijing, PRC. Prior to 1 January 2016, the entire equity interest in Beijing BaliThai was held on trust by Katrina Singapore in favour of Alan Goh and Catherine Tan equally. On 1 January 2016, Katrina Singapore acquired the entire equity interest in Beijing BaliThai from Alan Goh and Catherine Tan. Accordingly, the aforesaid trust arrangement was revoked.
- (3) The entire equity interest of Katrina Holdings Sdn. Bhd. is held on trust by Alan Goh and Catherine Tan in favour of Katrina Singapore since incorporation of Katrina Holdings Sdn. Bhd.

WHO ARE OUR DIRECTORS AND KEY EXECUTIVES?

Our Board of Directors comprise:

- (a) Alan Goh Keng Chian (CEO and Executive Chairman)
- (b) Madaline Catherine Tan Kim Wah (Executive Director)
- (c) Goh Shen Shu Donovan (Non-Executive Director)
- (d) Ang Miah Khiang (Lead Independent Director)
- (e) Chow Wen Kwan (Independent Director)
- (f) Eric Low Siak Meng (Independent Director)

Our Executive Officer is Lee Li Eng who is our Chief Financial Officer.

Refer to "Directors" on pages 108 to 112 and "Executive Officer" on page 113 of the Offer Document for more information on our Directors and Executive Officer.

WHO ARE OUR CONTROLLING SHAREHOLDERS?

Immediately before the Placement, our Controlling Shareholders, namely, Alan Goh and Catherine Tan held 50% of our Company's total pre-Placement share capital respectively.

Immediately after the Placement, Alan Goh and Catherine Tan are expected to hold approximately 42.3% of our Company's total post-Placement share capital respectively. Accordingly, Alan Goh and Catherine Tan will remain as Controlling Shareholders after the Placement.

Refer to "Shareholders" on pages 70 to 71 of the Offer Document for more information on our Controlling Shareholders.

HOW WAS OUR HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL POSITION?

Key Combined Statements of Comprehensive Income information

(S\$'000)	← Audited →		
	FY2013	FY2014	FY2015
Revenue	40,700	45,410	52,443
Gross profit	7,477	8,477	8,831
Profit before tax	4,338	4,169	5,116
Profit for the year, representing profit attributable to owners of the Company	3,701	3,292	4,262
EPS (cents)	1.89	1.68	2.18
EPS (as adjusted for the Placement) (cents)	1.60	1.42	1.84

Refer to "Summary of Our Financial Information" on pages 45 to 47 of the Offer Document for more information on our historical financial performance and financial position.

Key Combined Statements of Financial Position information

(S\$'000)	← Audited →	
	As at 31 December 2014	As at 31 December 2015
Current assets	9,564	12,618
Non-current assets	9,676	10,865
Current liabilities	6,738	6,741
Non-current liabilities	995	967
Total equity	11,507	15,775
NTA per Share (cents)	5.88	8.06

Key Combined Statements of Cash flows information

(S\$'000)	← Audited →		
	FY2013	FY2014	FY2015
Net cash generated from operating activities	5,994	5,777	6,713
Net cash used in investing activities	(3,938)	(2,039)	(2,772)
Net cash used in financing activities	(3,011)	(1,623)	(776)
Net (decrease)/increase in cash and bank balances	(955)	2,115	3,165
Effects of exchange rate changes on cash and cash equivalents	18	5	1
Cash and cash equivalents at the beginning of the financial year	5,941	5,004	7,124
Cash and cash equivalents at the end of the financial year	5,004	7,124	10,290

The most significant factors contributing to our financial performance in FY2015 as compared to FY2014 were as follows:

- Our revenue increased by 15.4% or S\$7.0 million from S\$45.4 million in FY2014 to S\$52.4 million in FY2015. The increase in revenue was mainly attributed to the net addition of one restaurant between 31 December 2014 and 31 December 2015, bringing the total number of restaurants to 32. In FY2015, we opened five new restaurants and closed four restaurants. We also received revenue from the full year sales registered by the five restaurants opened in FY2014 (one restaurant in January 2014, two restaurants in October 2014 and two restaurants in November 2014).
- Our gross profit increased by 3.5% or S\$0.3 million from S\$8.5 million in FY2014 to S\$8.8 million in FY2015. Our gross profit margin declined slightly from 18.7% in FY2014 to 16.8% in FY2015 primarily due to the increase in the operations and restaurants staff costs.
- In FY2015, we generated net cash from operating activities of S\$6.7 million. This was a result of operating cash flow before working capital changes of S\$7.4 million and working capital inflows of S\$0.2 million, partially offset by income taxes and interest paid totalling S\$0.9 million. Our net cash used in investing activities amounted to S\$2.8 million due mainly to the purchases of plant and equipment for our restaurants. In FY2015, our net cash used in financing activities of S\$0.7 million was due to net repayment of amount due to directors of S\$0.8 million and repayment of loans and borrowings of S\$0.2 million, partially offset by decrease in fixed deposit pledged of S\$0.3 million.

The above factors are not the only factors contributing to our financial performance in FY2013, FY2014 and FY2015. Please refer to the other factors set out in “Management’s Discussion and Analysis of Results of Operations and Financial Position” on pages 48 to 64 of the Offer Document.

INVESTMENT HIGHLIGHTS

WHAT ARE OUR BUSINESS STRATEGIES AND FUTURE PLANS?

Launch of our online food ordering and delivery system. We have our own customised online food ordering and delivery system which allows customers to place orders and make payments directly on our website without going through a third party application or system. Following the placing of orders and payment online, customers may elect to collect their orders from their desired restaurant or to request food delivery to their doorstep. In December 2015, we launched our online food ordering services for three eatery chains operating under the brands, Bali Thai, So Pho and Streats. We have plans to expand our online ordering and food delivery services to all our nine F&B brands in 2016. We believe that such an online ordering system will enable us to reach out to a wider spectrum of customers and it will increase the efficiency of our delivery process.

Growing our restaurants for three “Halal” certified brands. To the best of our knowledge, we believe that there are potential demands for “Halal” certified Asian food other than Malay cuisine. Our Group intends to intensify the expansion of our three “Halal” certified brands, namely Bali Thai, So Pho and Streats, in Singapore, Malaysia and Indonesia. We plan to set up more restaurants under these three brands across Singapore to attain an overall increase in revenue. While set-up costs may affect our financials in the initial period, the continued growth in the number of our restaurants under our Group will increase our revenue and eventually contribute significantly to the growth of our Group.

Geographical expansion into new regional markets. As at the Latest Practicable Date, our market is predominantly in Singapore with 32 restaurants and cafes operating under nine different F&B brands and concepts. We believe that with our established presence in Singapore, there is a good potential to develop our F&B brands outside Singapore. We have identified Malaysia, Vietnam and Indonesia as potential markets for our business expansion. Barring unforeseen circumstances, we are planning to open and operate at least two restaurants in Kuala Lumpur, Malaysia in the next 12 months under the brands of So Pho and Streats.

Expansion through strategic alliances, acquisitions and joint ventures. Our Group may consider expanding our business through strategic alliances, acquisitions or joint ventures with parties who will add values to our existing business. Through such strategic alliances, acquisitions or joint ventures, we will look to strengthen our market position, expand our business operations, as well as expand into new businesses complementary to our current business. We believe that if our Company achieves its status as listed company, there will be more room for expansion. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders, Sponsor and/or the relevant authorities in accordance with the requirements of the applicable laws and regulations.

Refer to “Business Strategies and Future Plans” on pages 97 to 98 of the Offer Document for more information on our business strategies and future plans.

WHAT ARE THE KEY TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS WHICH ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON US?

Based on the revenue and operations of our Group as at the Latest Practicable Date, our Directors have observed the following trends for FY2016:

- (a) There was an increase of revenue mainly due to the opening of new restaurants, and cafes as well as continuous increased contribution from our existing restaurants and cafes. Barring unforeseen circumstances, our revenue is expected to continue increasing in line with the opening of new restaurants and cafes in Singapore.
- (b) In tandem with the increase in revenue, our operating costs and expenses are expected to increase accordingly which is mainly attributable to (i) the increase in staff costs as a result of higher headcounts, and (ii) increase in rental expenses as a result of setting up new restaurants and cafes.

The above are not the only trends, uncertainties, demands, commitments or events that could affect us. Please refer to the other factors set out in “Risk Factors” on pages 30 to 38, “Management’s Discussion and Analysis of Results of Operations and Financial Position” on pages 48 to 64 and “Prospects, Business Strategies and Future Plans” on pages 95 to 98 of the Offer Document for further details.

WHAT ARE THE KEY RISKS WHICH HAD MATERIALLY AFFECTED OR COULD MATERIALLY AFFECT US AND YOUR INVESTMENT IN OUR SECURITIES?

We consider the following to be the most important key risks which may materially affect our business, operations, reputation, prospects, financial position and/or financial results, and your investment in our Shares.

- **We are subject to regulatory requirements for our operations.** Our business in Singapore is subject to various laws, rules and regulations, including but not limited to the Environmental Public Health Act and the Sale of Food Act. We are also required to comply with the regulations and policies of relevant authorities, such as the NEA. Our business and operations in the PRC are subject to the laws and regulations in the PRC. We may be required to comply with any further and/or stricter requirements if there are changes to the applicable laws, regulations or policies in Singapore or PRC.
- **Our business may be affected by macroeconomic factors and other factors beyond our control.** Macroeconomic factors, such as general economic conditions, market sentiment and consumer confidence, may affect our business. Various factors may influence these macroeconomic conditions, including without limitation, unemployment rates and real disposable income, inflation, recession, stock market performance, the interest rate environment, the availability of consumer credit, and regulatory (including fiscal and other governmental policies), social or political change, all of which are beyond our control. Any adverse macroeconomic conditions may lead customers to becoming more budget conscious which will result in a decrease in discretionary consumer spending. Further, unforeseeable circumstances and other factors such as changes in consumer preferences, labour disputes, severe weather conditions and natural disasters, may disrupt our operations and cause loss and damage to our restaurants. Terrorist attacks or other acts of violence, may also materially and adversely affect the global businesses and general consumer confidence. If any of these events occur, our business, operations and financial performance may be materially and adversely affected.

- **Our business may be affected by the spread or an outbreak of any contagious or virulent disease in livestock or food scares.** Any outbreak of diseases in livestock, for instance, Avian Influenza or Nipah encephalitis virus, may lead to a disruption in supply and reduction in the consumption of the affected types of meat or food by the patrons. Where there is any outbreak of any contagious or virulent disease, for instance, severe acute respiratory syndrome (SARS), consumer sentiments may be adversely affected and the willingness of our patrons to dine at our restaurants will reduce. As a consequence, consumer confidence will drop leading to a decline in the patronage at our restaurants and thereby materially and adversely affecting our business.
- **We are dependent on key management personnel for our continued success and growth.** The expertise of our key management personnel contributes to our success to-date. Our key management personnel, particularly, our CEO and Executive Chairman, Alan Goh and our Executive Director, Catherine Tan, each have extensive experience and knowledge of the F&B industry. Our continued success and growth will depend, to a large extent, on our ability to retain the services of our Executive Directors. The loss of services of any key management personnel without suitable and timely replacements may materially and adversely affect our business and financial performance. Further, in order to attract and/or retain any key management personnel, we may need to increase employee compensation levels substantially resulting in increase of costs and thus, affecting our financial performance.
- **Our Group is exposed to the risk of manpower shortage in the F&B industry in Singapore.** Our industry requires large amount of labour, in particular skilled and experienced personnel, for our operations. There is a supply shortage of qualified individuals with requisite skills in the F&B industry in Singapore and thus, the competition for these personnel especially skilled master chefs is intense. Our continued success is dependent on our ability to attract, recruit, motivate and retain a sufficient number of suitable employees at competitive remuneration. Any material increase in employee turnover rates in any of our existing restaurants or failure to recruit suitable personnel and to retain our key employees may have an adverse impact on our operations and expansion plans. In addition, competition for qualified employees may require us to pay higher wages to attract and retain sufficient and capable employees. This could result in higher labour and related expenses and adversely affect our profitability.

- **We are subject to labour and immigration laws and policies that govern the employment of foreign workers.** Any changes in applicable laws, regulations or policies of Singapore or those of the foreigners' countries of origin may result in labour shortages and/or increase our operating costs. In Singapore, the availability of foreign workers is regulated by MOM through policy instruments such as the imposition of levies and quotas. We are susceptible to any increase in such levies and any changes in the supply and/or quota of foreign workers that we are permitted to hire and thus, our labour costs may increase. Further, we may be restricted from hiring more foreign workers and could face difficulties in procuring alternative sources of foreign workers with the same or lower costs. If our labour costs increase substantially, our business, operations and financial performance may be materially and adversely affected. In addition, we are required to comply with the conditions stipulated in work permits issued to our foreign workers, and may be liable if we contravene such conditions. If we contravene the conditions stipulated in the work permits issued to our foreign workers, such contravention may result in a statutory penalty, a curbing in our foreign workers' quota and/or a ban by the MOM on our applications and renewals of work permits for foreign workers. Such an event may result in the disruption of our operations and/or an increase in our labour costs, which may materially and adversely affect our business and financial performance.
- **We face food contamination and tampering risks, and may be exposed to negative publicity, customer complaints and potential litigation.** Food contamination and tampering is a risk inherent to F&B operations. Our business mainly uses fresh ingredients purchased from various suppliers. Fresh ingredients are perishable and susceptible to contamination and tampering if not properly stored or packed. They may also be contaminated during the food preparation process as a result of lapses in food handling hygiene or cleanliness of our restaurants. Poor food handling and storage can also cause pest infestation. Such incidents have caused us to incur demerit points for some of our restaurants from time to time under the system administrated by NEA for regulating food establishments. Contaminated ingredients may result in customers falling ill and may give rise to bad publicity, and we may be ordered by the relevant authorities to suspend or cease all or part of our business operations, which will materially affect our business. We may also be adversely affected by negative publicity or health concerns about certain food groups. Further, our restaurants may also be subject to customer complaints regarding food or service quality. Bad publicity, whether merited or not, may adversely affect our reputation and business. In the event of legal actions taken by customers, we would have to divert management resources and expend costs, thereby further affecting our business and financial performance. There is no assurance that material litigation will not be brought against us in future. Any loss, liability or expense incurred pursuant to such claims may adversely affect our financial position and results of operations.

The above are not the only risk factors that may have a material effect on our business, operations, reputation, prospects, financial position and/or financial results, and your investment in our Shares. Please refer to "Risk Factors" on pages 30 to 38 of the Offer Document for a discussion on other risk factors and for more information on the above risk factors. Prior to making a decision to subscribe for the Placement Shares, you should consider all the information contained in the Offer Document.

WHAT ARE THE RIGHTS ATTACHED TO THE SECURITIES OFFERED?

As at the date of the Offer Document, the issued and paid up share capital of our Company is S\$1,165,006 comprising 195,721,008 Shares.

We have only one class of shares, being ordinary shares. The Placement Shares will, upon issue and allotment, rank pari passu in all respects with the existing issued Shares. All dividends are paid pro-rata amongst our shareholders in proportion to the amount paid up on each shareholder's Shares, unless the rights attaching to an issue of any Share provide otherwise. There is no restriction on the transfer of fully paid Shares in scripless form except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed.

Refer to "Share Capital" on pages 65 to 67, and "Description of our Shares" on pages E-1 to E-5 of the Offer Document for more information on the Placement Shares.

HOW WILL THE PROCEEDS OF THE OFFER BE USED?

The net proceeds to be raised by our Company from the issue of the Placement Shares (after deducting the estimated expenses of approximately S\$1.2 million) are approximately S\$6.3 million. The allocation of each principal intended use of proceeds and the estimated listing expenses are set out below:–

Refer to "Use of Proceeds from the Placement and Expenses Incurred" on pages 25 to 26 of the Offer Document for more information on our use of proceeds.

	S\$'000	As a percentage of gross proceeds from the Placement (%)
Use of proceeds		
Business expansion through:	5,070	67.4
• Increasing the number of restaurants for the "Halal" certified brands		
• Online food ordering and delivery business in Singapore;		
• Geographical expansion into new regional markets; and		
• Forming alliances, acquisition and joint ventures		
General working capital and corporate purposes	1,200	16.0
Net proceeds from the Placement	6,270	83.4
Expenses to be borne by our Company		
Listing and processing fees	32	0.4
Professional fees and expenses	928	12.4
Placement commission	263	3.5
Miscellaneous expenses	25	0.3
Gross proceeds from the Placement	7,518	100.0

WILL WE BE PAYING DIVIDENDS AFTER THE OFFER?

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares will depend on our earnings, financial position, results of operations, cash flow, capital needs, the terms of the borrowing arrangements (if any), plans for expansion and other factors which our Directors may deem appropriate. Subject to the above, our Directors intend to recommend and distribute dividends of not less than 60.0% of our net profits attributable to our Shareholders in respect of FY2016 (“Proposed Dividend”). However, investors should note that all foregoing statements, including the statements on the Proposed Dividend, are merely statements of our present intention and do not constitute a legally binding obligation on the part of our Company in respect of the payment of any dividends, which may be subject to modification (including any reduction or non-declaration thereof) in our Directors’ sole and absolute discretion.

Refer to “Dividend Policy” on page 44 of the Offer Document for more information on our dividend policy.

CONTACT INFORMATION

WHO CAN YOU CONTACT IF YOU HAVE ENQUIRIES RELATING TO OUR OFFER?

HOW DO YOU CONTACT US?

The Company	Katrina Group Ltd.
Registered Office Address	1 Sims Lane #05-05 Singapore 387355
Telephone Number	+65 6292 4748
Facsimile Number	+65 6292 4238
Website	www.katrinagroup.com
Sponsor, Issue Manager and Placement Agent	Hong Leong Finance Limited
Address	16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581
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