

NEWS RELEASE

Katrina reports 1H2017 results, opens three new restaurants in Singapore; poised to surpass 40 restaurants by end-2017

- Katrina reports revenue of S\$27.7 million and net profit of S\$0.3 million for 1H2017
- Katrina takes opportunity in adversity, securing prime locations in high foot traffic malls such as Bedok Mall, Clementi Mall and VivoCity
- Although upfront costs were incurred in Group's expansion, Group remains optimistic that it is on track to strengthen its revenue base and support its aims of extending its regional reach

Singapore, 11 August 2017 – Katrina Group Ltd. ("Katrina" or the "Group"), an established and recognised Food & Beverage ("F&B") group specialising in multi-cuisine concepts and restaurant operations, today announced its financial results for the half-year ended 30 June 2017 ("1H2017") and that it has opened three new restaurants in Singapore and continues to seek opportunities both at home and abroad.

Financial Highlights	1H2017 ('000)	1H2016 ('000)	Chg (%)
Revenue	27,650	28,091	(1.6)
Gross profit	2,564	4,367	(41.3)
<i>Gross profit margin (%)</i>	<i>9.3</i>	<i>15.5</i>	<i>(6.2) ppt</i>
Operating expenses ¹	2,395	2,290	4.6
Net profit	334	1,412	(76.3)
<i>Net profit margin (%)</i>	<i>1.2</i>	<i>5.0</i>	<i>(3.8) ppt</i>

¹ Operating expenses comprise selling and distribution costs and administrative expenses
ppt: percentage points

The Group posted revenue of S\$27.7 million for 1H2017, a decrease of 1.6% year-on-year ("yoy"). This was mainly attributed to weaker consumer spending in 1H2017, the strategic closure of Gemdale Beijing outlet and slower sales from existing outlets. The closure of the Group's outlets in the People's Republic of China ("PRC") is part of its long-term strategy to engage synergistic partners in the region that provide the Group with a stronger foothold for expansion in new markets. The Group mitigated the decrease in revenue through more aggressive expansion of online sales and will convert the concept of "Streets" in Raffles City to "Honguo" to boost sales after reviewing the profile of its target customers in the mall.

The Group's gross profit decreased 41.3% yoy to S\$2.6 million, with the Group's gross profit margin at 9.3% for 1H2017. The decrease was mainly due to increased costs associated with setting up new outlets such as utilities, rental lease and staff costs, which take time to breakeven.

The increase in the Group's operating expenses was mainly due to additional recurring statutory filing requirements and maintenance of its new Enterprise Resource Planning system.

Overall, the Group's net profit was S\$0.3 million for 1H2017.

The Group has opened three new restaurants for 2017, one in Bedok Mall under the brand name "Streets" and one each in Clementi Mall and VivoCity under the brand name "So Pho". This brings the total number of restaurants operated by the Group to 37 as at end-July 2017. Extending its coverage in Singapore, the Group is set to open new restaurants in malls such as Causeway Point, Suntec City, The Heart at Marina One and Northpoint City by end-2017. The Group, working with the Ajisen Group, also aims to re-establish its presence in the PRC and Hong Kong in the next 12 to 18 months.

Figure 1 & 2. The Group's new So Pho restaurant in Clementi Mall (left) and Vivocity (right)



Commenting on the Group's results and expansion plans, **Mr. Alan Goh ("吴景轩")**, **Founder, CEO and Executive Chairman of Katrina** said, "It is encouraging to see that our plans for expansion are being carried out smoothly. Understandably, consumer spending has weakened coming into 2017 and we have used this downtime to establish ourselves in prime locations in high-footfall malls that would have been otherwise unavailable. As we continue to strengthen our base for expansion here in Singapore through new restaurants and stronger online food order and delivery penetration, we also focus on diversifying our revenue stream through overseas expansion. On that note, we hope to update the market soon with more news on our developments in the PRC and Hong Kong."

Figure 3. The Group's new Streets restaurant in Bedok Mall



Looking ahead, the Group plans to advance its presence in key locations in the PRC and Hong Kong as well as seek further viable opportunities in other new markets through acquisitions, joint ventures,



franchising agreements or strategic alliances which will help it establish a strong foothold and bolster its regional presence.

Figure 4. Ms. Poon of Ajisen Group and Mr. Goh of Katrina at the signing ceremony in July 2017



Business Outlook

The Food and Beverage (“F&B”) industry in Singapore continued to face headwinds coming into 2017. Despite the pick-up in economic performance in 1Q2017¹, the services sector, which includes the F&B industry, diverged from this recovery, likely due to weak labour market conditions² weighing on consumer spending.

As a result, the Food & Beverage Services Index (“FSI”) in Singapore declined an average of 4.2% a month for the first five months of 2017 when compared at constant prices to the corresponding months in 2016, with the restaurant sector contributing a decline of an average 10.3% a month.³

In view of this, the Group will continue to execute its re-strategised growth plans. This encompasses moving forward with expansion during this downtime to secure prime locations in high footfall shopping malls, maximising sales from its online food ordering and delivery services and, seeking opportunities to collaborate with strategic partners to expand its operations overseas.

By the end of July 2017, the Group opened three new restaurants in Singapore bringing the total number of restaurants for the Group to 37 restaurants. Additionally, the Group has four more outlets in the pipeline for FY2017.

The Group also made headway in its overseas expansion, signing an agreement with Hong Kong-listed Ajisen Group to grow “So Pho” brand in the PRC and Hong Kong. The Group is optimistic that it may further its regional presence through more restaurant openings in the PRC or Hong Kong in the next 12 to 18 months.

Online food ordering and delivery services continued to show promising results with revenue growing to approximately S\$2.8 million for 1H2017 surpassing revenue achieved of S\$2.5 million for FY2016. As the Group has expanded the number of online platform vendors it uses in mid-1H2017, it expects this segment to come into full swing in 2H2017.



The Group also commenced the upgrading of its Enterprise Resource Planning and Point-Of-Sales systems to improve customer experience and increase staff proficiency and productivity while lowering costs in the long run.

Overall, the Group will continue to focus on improving long term shareholder value and customer experience.

¹https://www.singstat.gov.sg/docs/default-source/default-document-library/news/press_releases/gdp1q2017.pdf

²<http://www.mom.gov.sg/newsroom/mom-statements/2017/0315-statement-on-labour-market-developments>

³http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications_and_papers/services/mrsmay17.pdf

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ABOUT KATRINA GROUP LTD. (BLOOMBERG TICKER KTG:SP)

With an established history since 1995, Katrina Group Ltd. (“Katrina” or the “Group”) is a Food & Beverage group that specialises in multi-cuisine concepts and restaurant operations. The Group owns and operates 37 restaurants in Singapore under nine different proprietary F&B brands, namely, Bali Thai, Streats, Honguo, So Pho, Indobox, Muchos, RENNthai, Bayang and Hutong. These brands serve a multitude of cuisines, namely Indonesian, Thai, Hong Kong, Yunnan, northern Chinese, Mexican and Vietnamese.

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 nine brands, five are casual dining brands and four are mid-ranged dining brands, all strategically located in convenient and high foot traffic locations. In addition, four of the Katrina Group's brands – Bali Thai, Streats, So Pho and Indobox – are Halal-certified.

<http://katrinagroup.com/>

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