Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

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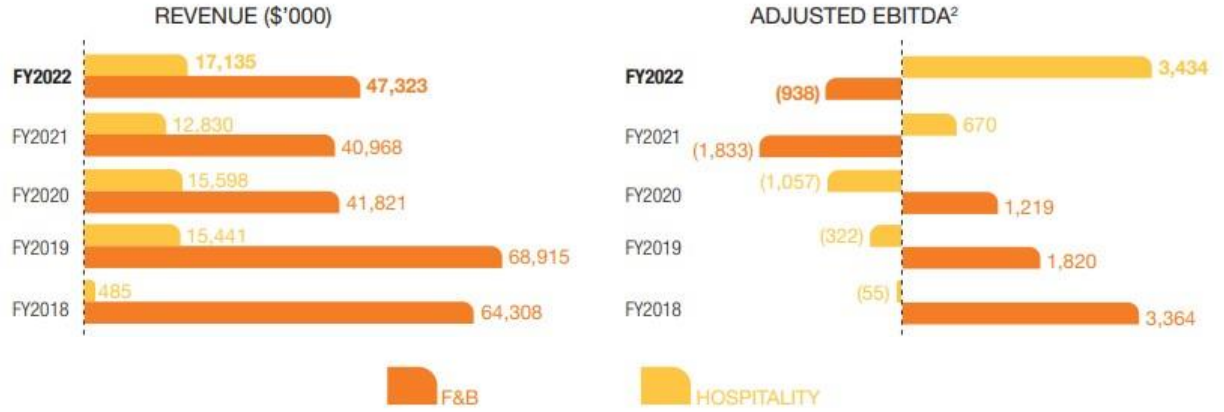
Stock code: 1A0

Meeting details:
Date: 28 April 2023
Time: 2.00 p.m.
Venue: <<live webcast>>

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Q1. As shown in the financial highlights, revenue from the group's food and beverage (F&B) business increased by 16% to $47.3 million. The cost of sales was affected by higher food and operating costs of $0.9 million, higher rental expenses of $0.6 million (due to lease modifications), higher utility cost of $0.3 million and higher repair and maintenance cost of $0.2 million.

Gross profit for the F&B segment was $5.9 million and the net loss after tax was $0.3 million. In FY2022, the adjusted EBITDA of the F&B segment remains negative at $(938,000) (2021: $(1.83) million).



(Source: company annual report)

(i) **What has been the trend in same-store sales for the group's F&B outlets?**

(ii) **What are the management's priorities for FY2023 to improve the F&B segment?**

(iii) Other F&B companies listed on SGX have reported revenue and earnings that exceeded the pre-COVID levels. **Has the board conducted a benchmarking analysis of the group's F&B operations against those of its listed counterparts?**

(iv) **Is the board considering conducting a strategic review of the group's F&B business, which may include comprehensive brand audit of the F&B portfolio?**

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Q2. In June 2022, the company disclosed that certain employees of ST Hospitality Pte. Ltd. are assisting with an investigation by the Urban Redevelopment Authority ("URA") into possible breaches of the minimum stay requirement in respect of the provision of short-term accommodation provided by ST Hospitality Pte. Ltd. and/or its subsidiaries.

The on-going investigation by the URA was highlighted as an emphasis of matter by the independent auditors. Details of the investigation can be found in Note 31(C).

(i) **Can the company disclose which of the group's properties are approved as hotels and which are approved as serviced apartments?**

(ii) **What measures are in place to ensure compliance with licensing requirements concerning minimum lease periods in the co-living business? How does the board/management monitor adherence to these requirements?**

(iii) **Were such operational risks identified by the board and included in the circular to shareholders in December 2018 when the company sought shareholders' approval to acquire Straits Organization Pte. Ltd. (now known as ST Hospitality Pte. Ltd. with effect from 18 September 2020) from the vendor? Did the vendor provide any indemnity to the company?**

(iv) **What are the improvements made to the group's systems and processes to ensure compliance with regulatory requirements?**

(v) **What are the findings by the internal auditor in 2022?**

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Q3. The independent auditors have also highlighted the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern (page 104). The group is of the view that it is appropriate to prepare its financial statements on a going concern basis as it has the ability to generate sufficient cash flows from its operations to pay its liabilities.

As of 31 December 2022, the group's net liabilities and current liabilities exceeded its net assets and current assets by $5,304,000 and $19,975,000 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 financial statements on a going concern basis because, inter alia, the group will be able to generate sufficient cash flows from its operations to pay its liabilities as and when they fall due and that the controlling shareholder has indicated through a letter of undertaking to financially support the group as and when required, for 15 months from 24 February 2023.

(i) **Can the management clarify if the F&B had been able to generate positive cash flow from its operations?** The reported EBITDA in 2022 was $(938,000).

(ii) **Can the board, especially the independent directors, help shareholders better understand the form of the "financial support" offered by the controlling shareholder? Has the group drawn down on the financial support? Is there a limit to the level of financial support offered to the group? Did the board also assess that the controlling shareholder has sufficient financial resources to provide financial support to the group, as and when needed?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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