

Koufu Group Limited
(Incorporated in Singapore)
Company Registration No: 201732833D

Unaudited Financial Statements
For the second quarter and half year ended 30 June 2018

Background

Koufu Group Limited (the “Company”) was incorporated in Singapore on 15 November 2017 under the Companies Act as a private company limited by shares under the name of “Koufu Group Pte Ltd”. The Company was converted into a public limited company and renamed “Koufu Group Limited” on 19 June 2018.

On 18 July 2018, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The group comprising the Company and its subsidiaries (the “Group”) was formed pursuant to a restructuring exercise (the “Restructuring Exercise”) undertaken as part of a corporate reorganisation implemented for the purposes of the Company’s listing on SGX-ST. Please refer to the Company’s prospectus dated 11 July 2018 for further details on the Restructuring Exercise.

For the purpose of this announcement, the results of the Group for the financial period ended 30 June 2018 and the comparative results of the Group for the financial period ended 30 June 2017 have been prepared on the assumption that the Group’s structure following the completion of the Restructuring Exercise has been in place since the beginning of the earliest period presented.

The directors of the Company are pleased to make the following announcement of the unaudited results for the second quarter (“2Q”) and half year (“1H”) ended 30 June 2018.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Profit or Loss

	Group		Increase/	Group		Increase/
	2Q 2018	2Q 2017	(decrease)	1H 2018	1H 2017	(decrease)
	S\$'000	S\$'000	+/(-) %	S\$'000	S\$'000	+/(-) %
Revenue	54,147	53,501	1.2%	109,227	106,936	2.1%
Other income	1,002	620	61.6%	2,478	2,050	20.9%
Cost of inventories consumed	(8,833)	(8,946)	(1.3)%	(17,497)	(17,578)	(0.5)%
Staff costs	(8,655)	(9,527)	(9.2)%	(18,431)	(19,196)	(4.0)%
Depreciation of investment properties, property, plant and equipment	(3,038)	(2,306)	31.7%	(5,925)	(4,601)	28.8%
Property rentals and related expenses	(25,234)	(23,540)	7.2%	(50,849)	(47,451)	7.2%
Distribution and selling expenses	(608)	(583)	4.3%	(1,132)	(1,110)	2.0%
Administrative expenses	(1,110)	(1,014)	9.5%	(2,178)	(2,089)	4.3%
Other operating expenses	(502)	(1,048)	(52.1)%	(1,150)	(2,650)	(56.6)%
Results from operating activities	7,169	7,157	0.2%	14,543	14,311	1.6%
Finance income	61	358	(83.0)%	90	682	(86.8)%
Finance costs	(66)	(140)	(52.9)%	(121)	(200)	(39.5)%
Net finance (costs)/income	(5)	218	N.M	(31)	482	N.M
Share of profit of associates and partnership , net of tax	49	95	(48.4)%	145	195	(25.6)%
Profit before tax	7,213	7,470	(3.4)%	14,657	14,988	(2.2)%
Tax expense	(1,095)	(1,151)	(4.9)%	(2,366)	(2,456)	(3.7)%
Profit for the period	6,118	6,319	(3.2)%	12,291	12,532	(1.9)%
Profit for the period attributable to:						
Owners of the Company	6,155	6,319	(2.6)%	12,355	12,532	(1.4)%
Non-controlling interest	(37)	-	N.M	(64)	-	N.M
	6,118	6,319	(3.2)%	12,291	12,532	(1.9)%

1(a)(i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Statement of Comprehensive Income

	Group		Increase/ (decrease)	Group		Increase/ (decrease)
	2Q 2018	2Q 2017	(decrease)	1H 2018	1H 2017	(decrease)
	S\$'000	S\$'000	+ / (-) %	S\$'000	S\$'000	+ / (-) %
Profit for the period	6,118	6,319	(3.2)%	12,291	12,532	(1.9)%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences – foreign operations	285	(198)	(243.9)%	192	(262)	(173.3)%
Total other comprehensive income for the period	285	(198)	(243.9)%	192	(262)	(173.3)%
Total comprehensive income for the period	6,403	6,121	4.6%	12,483	12,270	1.7%
Total comprehensive income for the period attributable to:						
Owners of the Company	6,440	6,121	5.2%	12,547	12,270	2.3%
Non-controlling interest	(37)	-	N.M	(64)	-	N.M
	6,403	6,121	4.6%	12,483	12,270	1.7%

Notes:

- (1) 2Q denotes financial period from 1 April to 30 June
- (2) 1H denotes financial period from 1 January to 30 June
- (3) N.M denotes not meaningful

1 (a)(ii) Notes to the Statement of Profit or Loss

	Group		Increase/ (Decrease)	Group		Increase/ (Decrease)
	2Q 2018	2Q 2017	(Decrease)	1H 2018	1H 2017	(Decrease)
	S\$'000	S\$'000	+ / (-) %	S\$'000	S\$'000	+ / (-) %
Employee benefits expenses	8,655	9,527	(9.2%)	18,431	19,196	(4.0)%
Gain on disposal of property, plant & equipment	(30)	-	N.M	(30)	6	N.M
Government grants	(59)	(90)	(34.4)%	(610)	(798)	(23.6)%
Impairment loss on trade receivables	151	-	N.M	361	171	111.1%
Operating lease expenses	14,196	12,751	11.3%	28,830	25,811	11.7%
Write off of property, plant & equipment	21	19	10.5%	34	31	9.7%
Interest expenses on bank loans	65	134	(51.5)%	119	193	(38.3)%
Interest income	(61)	(358)	(83.0)%	(90)	(682)	(86.8)%
Foreign exchange loss (net)	1	6	(83.3)%	2	7	(71.4)%
Under provision of tax	-	34	N.M	55	34	61.8%
Amortisation of intangible assets	43	35	22.9%	97	71	36.6%

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant & equipment	21,183	18,886	-	-
Intangible assets	83	180	-	-
Investment properties	11,341	9,990	-	-
Subsidiaries	-	-	1,000	-
Associates and partnership	546	401	-	-
Other investments	1,600	1,600	-	-
Trade and other receivables	11,195	11,129	-	-
Deferred tax assets	103	-	-	-
Total non-current assets	46,051	42,186	1,000	-
Current assets				
Inventories	1,252	1,295	-	-
Trade and other receivables	16,346	10,687	407	21
Cash and cash equivalents	42,483	53,043	20	100
Total current assets	60,081	65,025	427	121
Total assets	106,132	107,211	1,427	121
LIABILITIES				
Current liabilities				
Trade and other payables	44,127	45,206	440	23
Loans and borrowings	233	184	-	-
Current tax liabilities	6,716	6,779	-	-
Provision for reinstatement cost	1,275	1,296	-	-
Total current liabilities	52,351	53,465	440	23
Non-current liabilities				
Trade and other payables	6,455	6,492	-	-
Loans and borrowings	2,722	1,573	-	-
Deferred tax liabilities	-	14	-	-
Provision for reinstatement cost	2,550	2,551	-	-
Total non-current liabilities	11,727	10,630	-	-
Total liabilities	64,078	64,095	440	23
EQUITY				
Share capital	1,000	1,000	1,000	100
Reserves	(203)	(395)	-	-
Retained earnings/(Accumulated losses)	41,171	42,361	(13)	(2)
Equity attributable to owners of the Company	41,968	42,966	987	98
Non-controlling interest	86	150	-	-
Total equity	42,054	43,116	987	98
Total equity and liabilities	106,132	107,211	1,427	121

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
233	-	184	-

Amount repayable after one year

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,722	-	1,573	-

Details of any collateral

The borrowings are secured by the following:

- Leasehold properties and certain investment properties
- Assignment of rental proceeds in respect of certain investment properties
- Personal guarantees by the directors of a subsidiary

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Cash Flows

	Group		Group	
	2Q 2018	2Q 2017	1H 2018	1H 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit for the period	6,118	6,319	12,291	12,532
Adjustments for:				
Amortisation of intangible assets	43	35	97	71
Depreciation of property, plant and equipment	2,902	1,830	5,651	3,647
Depreciation of investment properties	136	476	274	954
(Gain)/Loss on disposal of property, plant and equipment	(30)	-	(30)	6
Impairment loss on trade receivables (net)	151	-	361	171
Net finance costs/(income)	5	(218)	31	(482)
Share of profit of associates and partnership	(49)	(95)	(145)	(195)
Write off of property, plant and equipment	21	19	34	31
Tax expense	1,095	1,151	2,366	2,456
	<u>10,392</u>	<u>9,517</u>	<u>20,930</u>	<u>19,191</u>
Changes in working capital				
Inventories	48	126	43	205
Trade and other receivables	(666)	(531)	(2,606)	5,864
Trade and other payables	(3,405)	(1,182)	(1,433)	(4,654)
Cash generated from operations	<u>6,369</u>	<u>7,930</u>	<u>16,934</u>	<u>20,606</u>
Tax paid	(1,867)	(1,756)	(2,449)	(2,263)
Net cash generated from operating activities	<u>4,502</u>	<u>6,174</u>	<u>14,485</u>	<u>18,343</u>
Cash flows from investing activities				
Interest received	61	358	90	682
Proceeds from disposal of property, plant and equipment	75	-	75	10
Purchase of:				
- intangible assets	-	(59)	-	(59)
- investment property	(1,089)	(695)	(1,300)	-
- property, plant and equipment	(3,196)	(2,026)	(11,531)	(4,184)
Net cash used in investing activities	<u>(4,149)</u>	<u>(2,422)</u>	<u>(12,666)</u>	<u>(3,551)</u>

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Statement of Cash Flows (cont'd)

	Group		Group	
	2Q 2018	2Q 2017	1H 2018	1H 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Capital injection from non-controlling interest	-	69	-	69
Distribution of profits to the then-existing owners of sole-proprietors and partnership	(350)	(562)	(1,045)	(1,476)
Dividends paid to equity holders of the Company	-	-	(12,500)	(500)
Proceeds from loans and borrowings	1,300		1,300	650
Repayments of loans and borrowings	(56)	(770)	(102)	(10,861)
Interest paid	(65)	(175)	(118)	(198)
Net cash generated from/(used in) financing activities	829	(1,438)	(12,465)	(12,316)
Net increase/(decrease) in cash and cash equivalents	1,182	2,314	(10,646)	2,476
Cash and cash equivalents at beginning of financial period	41,003	52,459	53,043	51,897
Effect of exchange rate fluctuations on cash held	298	(174)	86	226
Cash and cash equivalents at end of financial period	42,483	54,599	42,483	54,599

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

	<-----Attributable to owners of the Company----->			Non-controlling interest S\$'000	Total equity S\$'000	
	Share capital S\$'000	Translation Reserve S\$'000	Retained earnings S\$'000			Total S\$'000
Group						
At 1 January 2018	1,000	(395)	42,361	42,966	150	43,116
Profit for the period	-	-	6,200	6,200	(27)	6,173
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	(93)	-	(93)	-	(93)
Total other comprehensive income for the period	-	(93)	-	(93)	-	(93)
Total comprehensive income for the period	-	(93)	6,200	6,107	(27)	6,080
<u>Contribution by and distributions to owners</u>						
Dividends paid	-	-	(12,500)	(12,500)	-	(12,500)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(695)	(695)	-	(695)
Total contribution by and distributions to owners	-	-	(13,195)	(13,195)	-	(13,195)
At 31 March 2018 and 1 April 2018	1,000	(488)	35,366	35,878	123	36,001
Profit for the period	-	-	6,155	6,155	(37)	6,118
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	285	-	285	-	285
Total other comprehensive income for the period	-	285	-	285	-	285
Total comprehensive income for the period	-	285	6,155	6,440	(37)	6,403
<u>Contribution by and distributions to owners</u>						
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(350)	(350)	-	(350)
Total contribution by and distributions to owners	-	-	(350)	(350)	-	(350)
At 30 June 2018	1,000	(203)	41,171	41,968	86	42,054

1(d)(i) Statement of Changes in Equity (cont'd)

	<-----Attributable to owners of the Company----->			Non-controlling interest S\$'000	Total equity S\$'000	
	Share capital S\$'000	Translation Reserve S\$'000	Retained earnings S\$'000			Total S\$'000
Group						
At 1 January 2017	1,000	(129)	102,015	102,886	-	102,886
Profit for the period	-	-	6,213	6,213	-	6,213
<u>Other comprehensive income</u>						
Foreign currency translation reserve	-	(65)	-	(65)	-	(65)
Total other comprehensive income for the period	-	(65)	-	(65)	-	(65)
Total comprehensive income for the period	-	(65)	6,213	6,148	-	6,148
<u>Contribution by and distributions to owners</u>						
Dividends paid	-	-	(500)	(500)	-	(500)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(914)	(914)	-	(914)
Total contribution by and distributions to owners	-	-	(1,414)	(1,414)	-	(1,414)
At 31 March 2017 and 1 April 2017	1,000	(194)	106,814	107,620	-	107,620
Profit for the period	-	-	6,319	6,319	-	6,319

1(d)(i) Statement of Changes in Equity (cont'd)

	<-----Attributable to owners of the Company----->				Non-controlling interest S\$'000	Total equity S\$'000
	Share capital S\$'000	Translation Reserves S\$'000	Retained earnings S\$'000	Total S\$'000		
Group						
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	(197)	-	(197)	-	(197)
Total other comprehensive income for the period	-	(197)	-	(197)	-	(197)
Total comprehensive income for the period	-	(197)	6,319	6,122	-	6,122
<u>Contribution by and distributions to owners</u>						
Contribution by non-controlling interest	-	-	-	-	69	69
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(562)	(562)	-	(562)
Total contribution by and distributions to owners	-	-	(562)	(562)	69	(493)
At 30 June 2017	1,000	(391)	112,571	113,180	69	113,249

1(d)(i) Statement of Changes in Equity (cont'd)

	Attributable to owners of the Company		
	Share capital S\$'000	Retained earnings S\$'000	Total S\$'000
Company			
At 1 January 2018	100	(2)	98
Loss and total comprehensive income for the period	-	-	-
At 31 March 2018 and 1 April 2018	100	(2)	98
Loss and total comprehensive income for the period	-	(11)	(11)
<u>Contribution by and distributions to owners</u>			
Issuance of new shares	900	-	900
Total contribution by and distributions to owners	900	-	900
At 30 June 2018	1,000	(13)	987

The Company was incorporated on 15 November 2017 with an issued and paid up capital of S\$100,000.

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Fully paid ordinary shares, with no par value	No. of shares '000	S\$'000
At 1 January 2018	100	100
Issuance of new shares	900	900
	1,000	1,000
Shares arising from share split	482,000	-
At 30 June 2018	483,000	1,000

On 1 April 2018, Jun Yuan Holdings Pte Ltd subscribed for 900,000 ordinary shares in the capital of the Company ("Shares") for a total consideration of S\$900,000, which was determined based on the issued and paid-up share capital of the Company on such date. The consideration was fully satisfied in cash.

On 27 June 2018, in preparation for the Company's listing on the Mainboard of the SGX-ST, the Company undertook a share split exercise pursuant to which each Share was sub-divided into 483 Shares, thereby increasing the number of Shares from 1,000,000 to 483,000,000.

There were no convertible instruments as at 30 June 2018 and 31 December 2017.

The Company has no treasury shares as at 30 June 2018 and 31 December 2017.

1(d)(iii) Total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued ordinary shares as at 30 June 2018 and 31 December 2017 were 483,000,000 and 1,000,000 respectively. There were no treasury shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

Not applicable.

(2) Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

(3) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

(4) Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and

methods of computation in the preparation of the financial statements for the current reporting period compared with the audited combined financial statements for the year ended 31 December 2017.

(5) If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group has applied the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 - *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 - *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 - *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 - *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The adoption of the above standards and interpretations is assessed to have no significant impact on the financial statements.

(6) Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	2Q 2018	2Q 2017	1H 2018	1H 2017
Basic earnings per share (cents)	1.27	1.31	2.56	2.59
Weighted average number of shares	483,000,000	483,000,000	483,000,000	483,000,000
Fully diluted earnings per share (cents)	1.27	1.31	2.56	2.59
Weighted average number of shares	483,000,000	483,000,000	483,000,000	483,000,000

On 27 June 2018, every one share was sub-divided into 483 shares (the "Share Split"). For comparative purposes, the basic and diluted earnings per share have been computed based on the share capital assuming the Restructuring Exercise and Share Split were effected.

(7) Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Net asset value per share (cents)	8.71	8.93	0.20	0.02
Weighted average number of shares	483,000,000	483,000,000	483,000,000	483,000,000

For comparative purposes, the net asset value per share have been computed based on the share capital assuming the Restructuring Exercise and Share Split were effected.

(8) A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must include a discussion of any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on

OVERVIEW

Statements of Comprehensive Income

2Q 2018 vs 2Q 2017

The Group generated profit before taxation of S\$7.2 million in Q2 2018 as compared to S\$7.5 million in Q2 2017.

Revenue

Group revenue increased by S\$0.6 million or 1.2% from S\$53.5 million in Q2 2017 to S\$54.1 million in Q2 2018. This was mainly due to increase in revenue contribution from the outlet and mall management segment attributable to 2 new food courts opened in Q1 and Q2 2018 at Fusionopolis and Oasis Terrace respectively, partially offset by the closure of 1 unprofitable coffee shop at Block 204 Choa Chu Kang Avenue 1 in Q1 2018. Increase in revenue contribution from the F&B retail business segment of S\$0.06 million was attributable to 2 new F&B stalls in the foodcourts at Fusionopolis and Oasis Terrace, 2 F&B kiosks at Oasis Terrace and Cotai Sands, Macau and 2 Quick Service Restaurants ("QSR") at Millenia Walk and Fusionopolis which commenced operations in Q1 and Q2 2018, partially offset by the closure of 2 F&B stalls, 1 within the coffeeshop at Block 204 Choa Chu Kang Avenue 1 and the other in a third party foodcourt at Ang Mo Kio Hub that was closed in Q1 2018.

Other Income

Other income increased by S\$0.4 million or 61.6% from S\$0.6 million in Q2 2017 to S\$1.0 million in Q2 2018 mainly due to an increase in reimbursement of renovation fees charged to the stall operators arising from the renovation of existing and new food courts.

Cost of Inventories Consumed

Cost of inventories decreased by S\$0.1 million or 1.3% from S\$8.9 million in Q2 2017 to S\$8.8 million in Q2 2018 despite a slight increase in the revenue contribution from the F&B segment, a result of better management and control of costs.

Staff Costs

Staff costs decreased by S\$0.9 million or 9.2% from S\$9.5 million in Q2 2017 to S\$8.7 million in Q2 2018, mainly due to write back of provision of prior year's staff incentives in Q2 2018.

Depreciation of Investment Properties, Property, Plant and Equipment

Depreciation charges increased by S\$0.7 million or 31.7% from S\$2.3 million in Q2 2017 to S\$3.0 million in Q1 2018. This was due to additional property, plant and equipment incurred attributable to new F&B Outlets and F&B stalls.

Property Rentals and Related Expenses

Property rentals and related expenses increased by S\$1.7 million or 7.2% from S\$23.5 million in Q2 2017 to S\$25.2 million in Q2 2018 mainly due to the increase in the number F&B Outlets in 2H 2017 and 1H 2018.

Distribution and Selling Expenses

Distribution and selling expenses remained relatively constant at S\$0.6 million for both Q2 2017 and Q2

2018.

Administrative Expenses

Administrative expenses increased by S\$0.1 million or 9.5% from \$1.0 million in Q2 2017 to S\$1.1 million in Q2 2018 mainly due to increase in bank charges and professional fees.

Other Operating Expenses

Other operating expenses decreased by S\$0.5 million or 52.1% from S\$1.0 million in Q2 2017 to S\$0.5 million in Q2 2018 mainly due to provision made in Q2 2017 for impairment loss on assets and liabilities held for sale for the 6 coffeeshops and foodcourts and 3 other freehold properties as part of the restructuring exercise in 2017.

Finance Income

Finance income decreased by S\$0.3 million or 83.0% from S\$0.4 million in Q2 2017 to S\$0.1 million in Q2 2018 mainly due to decrease in interest income from the Convertible Loan Notes which was disposed in FY2017 as part of the restructuring exercise.

Finance Costs

Finance costs remained relatively constant at S\$0.1 million for both Q2 2017 and Q2 2018.

Tax Expense

Tax expenses correspondingly decreased by S\$0.1 million or 4.9% from S\$1.2 million in Q2 2017 to S\$1.1 million in Q2 2018.

1H 2018 vs 1H 2017

The Group generated profit before taxation of S\$14.7 million in 1H 2018 as compared to S\$15.0 million in 1H 2017.

Revenue

Group revenue increased by S\$2.3 million or 2.1% from S\$106.9 million in 1H 2017 to S\$109.2 million in 1H 2018. This was mainly due to:-

- (a) Increase in revenue contribution from the outlet and mall management segment by S\$1.8 million attributable to the 2 new foodcourts at Fusionopolis and Oasis Terrace in 1H 2018 and the contribution from the 2 new food courts and coffee shops and 1 hawkler centre which commenced operations in FY2017. The increase is partially offset by (i) the closure of 3 foodcourts and 1 coffeeshop in FY2017 and 1 coffee shop at Block 204 Choa Chu Kang Avenue 1 in 1H 2018 (ii) the temporary closure in two phases of the foodcourt at Marina Bay Sands from April to July 2018 for refurbishment and upgrading works.
- (b) Increase in revenue contribution from the F&B retail business segment of S\$0.5 million attributable to the 2 new F&B stalls located in the foodcourts at Fusionopolis and Oasis Terrace, 2 F&B kiosks at Oasis Terrace and Cotai Sands, Macau and 2 QSRs at Millenia Walk and Fusionopolis which commenced operations in 1H 2018. The increase is also contributed from the 2 new F&B kiosks, 2 QSRs, 1 full-service restaurant and 3 self-operated F&B stalls which commenced operations during FY2017. This was partially offset by (i) the closure of 8 F&B stalls in FY2017, (ii) the closure of 2 F&B stalls, 1 within the coffeeshop at Block 204 Choa Chu Kang Avenue 1 and the other one in a third party foodcourt at Ang Mo Kio Hub in 1H 2018 and (iii) temporary closure of 3 F&B stalls at the foodcourt at Marina Bay Sands for refurbishment and upgrading works from April to July 2018.

Other Income

Other income increased by S\$0.4 million or 20.9% from S\$2.1 million in 1H 2017 to S\$2.5 million in 1H 2018 attributable to an increase in reimbursement of renovation fees charged to the stall operators arising from the renovation of existing and new food courts of S\$0.6 million, partially offset by the decrease in

government grants resulting from the reduction in the government's co-funding under the Wage Credit Scheme of S\$0.2 million.

Cost of Inventories Consumed

Cost of inventories decreased by S\$0.1 million or 0.5% from S\$17.6 million in 1H 2017 to S\$17.5 million in 1H 2018 despite an increase in the revenue contribution from the F&B segment, a result of better management and control of costs.

Staff Costs

Staff costs decreased by S\$0.8 million or 4.0% from S\$19.2 million in 1H 2017 to S\$18.4 million in 1H 2018, mainly due to write back of provision of prior year's staff incentives in 2Q 2018.

Depreciation of Investment Properties, Property, Plant and Equipment

Depreciation charges increased by S\$1.3 million or 28.8% from S\$4.6 million in 1H 2017 to S\$5.9 million in 1H 2018. This was due to additional property, plant and equipment incurred attributable to new F&B outlets and F&B stalls.

Property Rentals and Related Expenses

Property rentals and related expenses increased by S\$3.3 million or 7.2% from S\$47.5 million in 1H 2017 to S\$50.8 million in 1H 2018 mainly due to the increase in the number F&B Outlets in 2H 2017 and 1H 2018.

Distribution and Selling Expenses

Distribution and selling expenses remained constant at S\$1.1 million for both 1H 2017 and 1H 2018.

Administrative Expenses

Administrative expenses increased by S\$0.1 million or 4.3% from S\$2.1 million in 1H 2017 to S\$2.2 million in 1H 2018 mainly due to increase in bank charges and professional fees.

Other Operating Expenses

Other operating expenses decreased by S\$1.5 million or 56.6% from S\$2.7 million in 1H 2017 to S\$1.2 million in 1H 2018 mainly due to provision made in 1H 2017 for impairment loss on assets and liabilities held for sale for the 6 coffeeshops and foodcourts and 3 other freehold properties as part of the restructuring exercise in 2017.

Finance Income

Finance income decreased by S\$0.6 million or 86.8% from S\$0.7 million in 1H 2017 to S\$0.1 million in 1H 2018 mainly due to decrease in interest income from the Convertible Loan Notes which was disposed in FY2017 as part of the restructuring exercise.

Finance Costs

Finance costs decreased by S\$0.1 million or 39.5% from S\$0.2 million in 1H 2017 to S\$0.1 million in 1H 2018 due to decrease in interest expenses on bank loans for investment properties which were disposed in FY2017 as part of the restructuring exercise.

Tax Expense

Tax expenses correspondingly decreased by S\$0.1 million or 3.7% from S\$2.5 million in 1H 2017 to S\$2.4 million in 1H 2018. The effective tax rates were 16.4% and 16.1% in 1H 2017 and 1H 2018 respectively.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of Financial Position

The comparative performance for assets and liabilities are based on financial statements as at 31 December 2017 and 30 June 2018.

Non-Current Assets

As at 30 June 2018, non-current assets increased by S\$3.9 million from S\$42.2 million to S\$46.1 million. The increase was mainly due to the increase in investment properties by S\$1.3 million from S\$10.0 million as at 31 December 2017 to S\$11.3 million as at 30 June 2018 and property, plant and equipment by S\$2.3 million from S\$18.9 million as at 31 December 2017 to S\$21.2 million as at 30 June 2018. The increase in investment properties was due to the progress payments made for the investment property at Tampines as it was still under construction as at 1H 2018. The increase in property, plant and equipment was due to additions to renovations, furniture and fittings and kitchen equipment with the opening of new F&B Outlets and self-operated F&B stalls, additions to plant and machinery and computer for the tray return robots and self-ordering kiosks used at our foodcourts and hawker centre in 2H 2017 and 1H 2018.

Current Assets

As at 30 June 2018, current assets decreased by S\$4.9 million from S\$65.0 million to S\$60.1 million. The decrease was mainly due to decrease in cash and cash equivalents by S\$10.5 million from S\$53.0 as at 30 June 2018 to S\$42.5 million as at 31 December 2017 and offset by the increase in trade and other receivables by S\$5.6 million from S\$16.3 million as at 30 June 2018 to S\$10.7 million as at 31 December 2017. The decrease in cash and cash equivalents is due to the interim dividends of S\$12.5 million paid in March 2018. Other receivables increase was mainly due to the prepayment of the land premium for the integrated facility of S\$3.5 million paid in advance for the 30 years lease period in February 2018 and listing expenses of S\$0.8 million recognised as prepayments.

Non-Current Liabilities

Non-current liabilities increase by S\$1.1 million from S\$10.6 million as at 31 December 2017 to S\$11.7 million as at 30 June 2018. The increase was mainly due to increase in loans and borrowings by S\$1.1 million from S\$1.6 million as at 31 December 2017 to S\$2.7 million as at 30 June 2018 due to the progress payments made to the developer for the investment property at Tampines.

Current Liabilities

Current liabilities decrease by S\$1.1 million from S\$53.5 million as at 31 December 2017 to S\$52.4 million as at 30 June 2018 mainly due to decrease in trade and other payables of S\$1.1 million from S\$45.2 as at 31 December 2017 to S\$44.1 million as at 30 June 2018.

Statement of Cash Flows

Q2 2018 vs Q2 2017

The Group generated net cash flows from operating activities in Q2 2018 of S\$4.5 million, a result of operating profit before working capital changes of S\$10.4 million, adjusted for net working capital outflows of S\$4.0 million and income taxes paid of S\$1.9 million.

Net cash flows used in investing activities in Q2 2018 amount to S\$4.1 million, which was attributable to the cash inflows from (i) disposal of plant and equipment of S\$0.08 million and (ii) interest received of S\$0.06 million on fixed deposits placed with banks, partially offset by (i) purchase of property, plant and equipment of S\$3.2 million for the expansion and renovation of outlets and (ii) progress payments made to the developer for the investment property at Tampines of S\$1.1 million.

Net cash flows from financing activities in Q2 2018 amount to S\$0.8 million, which was attributable to the proceeds from loans and borrowings of S\$1.3 million, partly offset by the distribution of profits to the then-existing owners of sole-proprietors and a partnership of S\$0.4 million, repayments of loans and borrowings of S\$0.06 million and payment of interest of S\$0.07 million.

1H 2018 vs 1H 2017

The Group generated net cash flows from operating activities in 1H 2018 of S\$14.5 million, a result of operating profit before working capital changes of S\$20.9 million, adjusted for net working capital outflows of S\$4.0 million and income taxes paid of S\$2.4 million.

Net cash flows used in investing activities in 1H 2018 amount to S\$12.7 million, which was attributable to the cash inflows from (i) disposal of plant and equipment of S\$0.08 million and (ii) interest received of S\$0.09 million on fixed deposits placed with banks, partially offset by (i) purchase of property, plant and equipment of S\$8.1 million for the expansion and renovation of outlets, (ii) land premium for the integrated facility of S\$3.5 million and (iii) progress payments made to the developer for the investment property at Tampines of S\$1.3 million.

Net cash flows used in financing activities in 1H 2018 amount to S\$12.5 million, which was attributable to distribution of profits to the then-existing owners of sole-proprietors and a partnership of S\$1.0 million, dividends paid to the equity holder of the Company of S\$12.5 million, repayments of loans and borrowings of S\$0.1 million and payment of interest of S\$0.1 million, partly offset by the proceeds from loans and borrowings of S\$1.3 million.

As a result of the above, there was a net decrease in our Group's cash and cash equivalents by S\$10.5 million in 1H 2018, from S\$53.0 million to S\$42.5 million, after adjusting for the effect of exchange rate fluctuations on cash held of S\$0.09 million.

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

Not applicable.

(10) 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.

The food and beverage (F&B) industry which has low barriers of entry continues to be highly competitive with new food concepts and options available for consumers. Increasing rental costs and labour costs as a result of labour shortage continues to be the key challenges faced in the F&B industry.

The Group remains focused in expanding our market share in food courts and coffeeshops and expanding our F&B concept stores bringing new food options and varieties to our consumers. The Group will continue to look for and secure new premises to expand our number of F&B Outlets.

The construction of the Group's integrated facility is expected to commence in Q4 2018. The Group is exploring partners for its business to be operated in the integrated facility.

In addition, the Group is expanding its "R&B Tea" and "Super Tea" in both Singapore and the overseas market.

Barring any unforeseen circumstances, the Group expects to continue to grow its business and remain profitable in FY2018.

(11) If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Books closure date

Not applicable.

(12) If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended for the current financial period reported on.

(13) If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable for the reporting period as the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited only on 18 July 2018.

(14) Negative Confirmation by the Board pursuant to Rule 705(5).

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the second quarter and half year ended 30 June 2018 to be false or misleading in any material respect.

(15) Confirmation Pursuant to Rule 720(1) of the Listing Manual.

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Pang Lim
Executive Chairman and Chief Executive Officer

29 August 2018

DBS Bank Ltd. was the sole issue manager, global coordinator, bookrunner and underwriter (the “**Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter**”) for the initial public offering of shares in, and listing of, Koufu Group Limited on the Main Board of the Singapore Exchange Securities Trading Limited. The Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.