



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

Unaudited Financial Statements
For the second quarter and half year ended 30 June 2019

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 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 2019.

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/ (decrease) +/(-) %	Group		Increase/ (decrease) +/(-) %
	2Q 2019 S\$'000	2Q 2018 S\$'000		1H 2019 S\$'000	1H 2018 S\$'000	
Revenue	58,083	54,147	7.3%	115,860	109,227	6.1%
Other income	1,596	1,002	59.3%	3,441	2,478	38.9%
Cost of inventories consumed	(9,087)	(8,833)	2.9%	(17,886)	(17,497)	2.2%
Staff costs	(9,597)	(8,655)	10.9%	(19,925)	(18,431)	8.1%
Depreciation of investment properties and property, plant and equipment ⁽⁴⁾	(18,828)	(3,038)	N.M	(37,165)	(5,925)	N.M
Property rentals and related expenses ⁽⁴⁾	(10,703)	(25,234)	(57.6)%	(21,236)	(50,849)	(58.2)%
Distribution and selling expenses	(149)	(608)	(75.5)%	(450)	(1,132)	(60.2)%
Administrative expenses	(1,174)	(1,110)	5.8%	(2,395)	(2,178)	10.0%
Reversal of/(Impairment loss) on trade receivables	18	(151)	N.M	(198)	(361)	(45.2)%
Other operating expenses	(951)	(351)	N.M	(1,676)	(789)	N.M
Results from operating activities	9,208	7,169	28.4%	18,370	14,543	26.3%
Finance income	252	61	N.M	453	90	N.M
Finance costs ⁽⁴⁾	(978)	(66)	N.M	(1,990)	(121)	N.M
Net finance (costs)/income	(726)	(5)	N.M	(1,537)	(31)	N.M
Share of profit of associates and partnership , net of tax	109	49	N.M	203	145	40.0%
Profit before tax	8,591	7,213	19.1%	17,036	14,657	16.2%
Tax expense	(1,406)	(1,095)	28.4%	(2,893)	(2,366)	22.3%
Profit for the period	7,185	6,118	17.4%	14,143	12,291	15.1%
Profit for the period attributable to:						
Owners of the Company	7,151	6,155	16.2%	14,113	12,355	14.2%
Non-controlling interests	34	(37)	N.M	30	(64)	N.M
	7,185	6,118	17.4%	14,143	12,291	15.1%

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 2019 S\$'000	2Q 2018 S\$'000		1H 2019 S\$'000	1H 2018 S\$'000	
Profit for the period	7,185	6,118	17.4%	14,143	12,291	15.1%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences – foreign operations	26	285	(90.9)%	(76)	192	N.M
Total other comprehensive income for the period	26	285	(90.9)%	(76)	192	N.M
Total comprehensive income for the period	7,211	6,403	12.6%	14,067	12,483	12.7%
Total comprehensive income for the period attributable to:						
Owners of the Company	7,177	6,440	11.4%	14,037	12,547	11.9%
Non-controlling interests	34	(37)	N.M	30	(64)	N.M
	7,211	6,403	12.6%	14,067	12,483	12.7%

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
- (4) The significant increases or decrease are due to the adoption of Singapore Financial Reporting Standards (International) ("SFRS (I)") 16 Leases which is effective from 1 January 2019 (refer to paragraph 5 on page 12 for details)

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

	Group		Increase/ (Decrease) +/(-) %	Group		Increase/ (Decrease) +/(-) %
	2Q 2019 S\$'000	2Q 2018 S\$'000		1H 2019 S\$'000	1H 2018 S\$'000	
Employee benefits expenses	9,597	8,655	10.9%	19,925	18,431	8.1%
(Gain)/Loss on disposal of property, plant & equipment	140	(30)	N.M	137	(30)	N.M
Government grants	12	(59)	N.M	(380)	(610)	(37.7)%
(Reversal of)/Impairment loss on trade receivables	(18)	151	N.M	198	361	(45.2)%
Operating lease expenses	849	14,196	(94.0)%	1,954	28,830	(93.2)%
Write off of property, plant & equipment	13	21	(38.1)%	13	34	(61.8)%
Impairment loss on property, plant & equipment	300	-	N.M	592	-	N.M
Interest expenses on loans and borrowings	72	65	10.8%	175	119	47.1%
Interest income	(246)	(61)	N.M	(447)	(90)	N.M
Foreign exchange (gain)/loss (net)	(6)	1	N.M	(6)	2	N.M
Interest expenses on lease liabilities ⁽¹⁾	905	-	N.M	1,777	-	N.M
(Over)/Under provision of tax	(83)	-	N.M	(48)	55	N.M
Amortisation of intangible assets	13	43	(69.8)%	32	97	(67.0)%

⁽¹⁾ The significant increases or decreases are due to the adoption of SFRS(I) 16 Leases which is effective from 1 January 2019 (refer to paragraph 5 on page 12 for details)

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.

	Group		Company	
	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant & equipment ⁽¹⁾	197,356	21,383	-	-
Lease prepayment ⁽¹⁾	-	3,658	-	-
Intangible assets	107	143	1	1
Investment properties ⁽¹⁾	22,377	13,765	-	-
Subsidiaries	-	-	1,000	1,000
Associates and partnership	244	262	-	-
Other investments	1,600	1,600	-	-
Deferred tax assets	431	-	-	-
Trade and other receivables	10,687	11,329	-	-
Total non-current assets	232,802	52,140	1,001	1,001
Current assets				
Inventories	1,414	1,288	-	-
Lease prepayment ⁽¹⁾	-	130	-	-
Trade and other receivables	9,401	10,158	42,229	41,374
Time deposits	3,000	35,000	-	-
Cash and cash equivalents	93,099	60,979	9,745	12,040
Total current assets	106,914	107,555	51,974	53,414
Total assets	339,716	159,695	52,975	54,415
LIABILITIES				
Current liabilities				
Trade and other payables	41,076	46,021	126	1,115
Lease liabilities ⁽¹⁾	61,864	-	-	-
Loans and borrowings	543	411	-	-
Current tax liabilities	5,546	6,009	85	180
Provision for reinstatement cost	1,769	1,329	-	-
Total current liabilities	110,798	53,770	211	1,295
Non-current liabilities				
Trade and other payables	6,111	6,763	-	-
Lease liabilities ⁽¹⁾	121,387	-	-	-
Loans and borrowings	3,951	4,364	-	-
Deferred tax liabilities	16	14	-	-
Provision for reinstatement cost	2,828	3,256	-	-
Total non-current liabilities	134,293	14,397	-	-
Total liabilities	245,091	68,167	211	1,295
EQUITY				
Share capital	44,961	44,961	44,961	44,961
Reserves	(363)	(287)	-	-
Treasurv shares	(240)	-	(240)	-
Retained earnings	49,926	46,737	8,043	8,159
Equity attributable to owners of the Company	94,284	91,411	52,764	53,120
Non-controlling interests	341	117	-	-
Total equity	94,625	91,528	52,764	53,120
Total equity and liabilities	339,716	159,695	52,975	54,415

⁽¹⁾ The significant increases or decreases are due to the adoption of SFRS(I) 16 Leases which is effective from 1 January 2019 (refer to paragraph 5 on page 12 for details)

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 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
543	-	411	-

Amount repayable after one year

As at 30 Jun 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,951	-	4,364	-

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
- Corporate guarantees issued by the Company to its 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 2019	2Q 2018	1H 2019	1H 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit for the period	7,185	6,118	14,143	12,291
Adjustments for:				
Amortisation of intangible assets	13	43	32	97
Depreciation of property, plant and equipment ⁽¹⁾	17,559	2,902	34,627	5,651
Depreciation of investment properties ⁽¹⁾	1,269	136	2,538	274
(Gain)/Loss on disposal of property, plant and equipment	140	(30)	137	(30)
Impairment loss on property, plant & equipment	300	-	592	-
(Reversal of)/Impairment loss on trade receivables (net)	(18)	151	198	361
Finance income	(252)	(61)	(453)	(90)
Finance costs ⁽¹⁾	978	66	1,990	121
Share of profit of associates and partnership	(109)	(49)	(203)	(145)
Write off of property, plant and equipment	13	21	13	34
Tax expense	1,406	1,095	2,893	2,366
	28,484	10,392	56,507	20,930
Changes in working capital				
Inventories	(66)	48	(126)	43
Trade and other receivables	473	(666)	1,224	(2,606)
Trade and other payables	(18)	(3,405)	(2,331)	(1,433)
Cash generated from operations	28,873	6,369	55,274	16,934
Tax paid	(2,476)	(1,867)	(3,156)	(2,449)
Net cash generated from operating activities	26,397	4,502	52,118	14,485
Cash flows from investing activities				
Interest received	243	61	444	90
Proceeds from disposal of property, plant and equipment	141	75	144	75
Purchase of:				
- investment property	-	(1,089)	-	(1,300)
- property, plant and equipment	(5,455)	(3,196)	(10,713)	(11,531)
Dividends from equity-accounted investees	221	-	221	-
Withdrawal of time deposits placed with bank	29,177	-	32,000	-
Net cash generated from/(used in) investing activities	24,327	(4,149)	22,096	(12,666)

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 2019	2Q 2018	1H 2019	1H 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Payment of lease liabilities ⁽¹⁾	(16,129)	-	(32,718)	-
Capital contribution from non-controlling interest	200	-	200	-
Distribution of profits to the then-existing owners of sole-proprietors and partnership	-	(350)	-	(1,045)
Dividends paid to equity holders of the Company	(6,662)	-	(6,662)	(12,500)
Proceeds from loans and borrowings	-	1,300	-	1,300
Purchase of treasury shares	(240)	-	(240)	-
Repayment of loans from fellow subsidiary of immediate and ultimate holding company	(192)	-	(385)	-
Repayments of loans and borrowings	(140)	(56)	(281)	(102)
Interest paid ⁽¹⁾	(977)	(65)	(1,953)	(118)
Net cash (used in)/generated from financing activities	(24,140)	829	(42,039)	(12,465)
Net increase/(decrease) in cash and cash equivalents	26,584	1,182	32,175	(10,646)
Cash and cash equivalents at beginning of financial period	66,557	41,003	60,979	53,043
Effect of exchange rate fluctuations on cash held	(42)	298	(55)	86
Cash and cash equivalents at end of financial period	93,099	42,483	93,099	42,483

⁽¹⁾ The significant increases or decreases are due to the adoption of SFRS(I) 16 Leases which is effective from 1 January 2019 (refer to paragraph 5 on page 12 for details)

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 interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Translation Reserve S\$'000	Retained earnings S\$'000	Total S\$'000			
Group								
At 1 January 2019	44,961	-	(287)	46,737	91,411	117	91,528	
Adjustment on initial application of SFRS(I)16 Leases	-	-	-	(4,262)	(4,262)	(6)	(4,268)	
Adjusted balance at 1 January 2019	44,961	-	(287)	42,475	87,149	111	87,260	
Profit for the period	-	-	-	6,962	6,962	(4)	6,958	
<u>Other comprehensive income</u>								
Foreign currency translation differences	-	-	(102)	-	(102)	-	(102)	
Total other comprehensive income for the period	-	-	(102)	-	(102)	-	(102)	
Total comprehensive income for the period	-	-	(102)	6,962	6,860	(4)	6,856	
At 31 March 2019	44,961	-	(389)	49,437	94,009	107	94,116	
Profit for the period	-	-	-	7,151	7,151	34	7,185	
<u>Other comprehensive income</u>								
Foreign currency translation differences	-	-	26	-	26	-	26	
Total other comprehensive income for the period	-	-	26	-	26	-	26	
Total comprehensive income for the period	-	-	26	7,151	7,177	34	7,211	
<u>Contribution by and distributions to owners</u>								
Dividends paid	-	-	-	(6,662)	(6,662)	-	(6,662)	
Purchases of treasury shares	-	(240)	-	-	(240)	-	(240)	
Total contribution by and distributions to owners	-	(240)	-	(6,662)	(6,902)	-	(6,902)	
<u>Change in ownership interests in subsidiary</u>								
Issuance of new shares to non-controlling interest	-	-	-	-	-	200	200	
Total change in ownership interests in subsidiary	-	-	-	-	-	200	200	
Total transactions with owners	-	(240)	-	(6,662)	(6,902)	200	(6,702)	
At 30 June 2019	44,961	(240)	(363)	49,926	94,284	341	94,625	

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 interests 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 reserve	-	(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>						
Dividend paid	-	-	(12,500)	(12,500)	-	(12,500)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(696)	(696)	-	(696)
Total contribution by and distributions to owners	-	-	(13,196)	(13,196)	-	(13,196)
At 31 March 2018	1,000	(488)	35,365	35,877	123	36,000
Profit for the period	-	-	6,155	6,155	(37)	6,118
<u>Other comprehensive income</u>						
Foreign currency translation reserve	-	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)	41,170	41,967	86	42,053

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

	Attributable to owners of the Company			
	Share capital S\$'000	Treasury Shares S\$'000	Retained earnings S\$'000	Total S\$'000
Company				
At 1 January 2019	44,961	-	8,159	53,120
Profit and total comprehensive income for the period	-	-	243	243
At 31 March 2019	44,961	-	8,402	53,363
Profit and total comprehensive income for the period	-	-	6,303	6,303
<u>Contribution by and distributions to owners</u>				
Dividends paid	-	-	(6,662)	(6,662)
Purchases of treasury shares	-	(240)	-	(240)
Total contribution by and distributions to owners	-	(240)	(6,662)	(6,902)
At 30 June 2019	44,961	(240)	8,043	52,764
At 1 January 2018	100		(2)	98
Profit and total comprehensive income for the period	-		-	-
At 31 March 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

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.

Share capital – Ordinary Shares

	No. of shares '000	Issued and paid up capital S\$'000
Balance as at 1 January 2019 and 31 March 2019	555,163	44,961
Less: Treasury shares	(349)	(240)
As at 30 June 2019	554,814	44,721

During Q2 2019, the Company had bought back 349,300 shares by way of market acquisition and all shares acquired are held as treasury shares. Following the purchase, the Company has 349,300 treasury shares as at 30 June 2019 (30 Jun 2018: Nil). The Company did not have any subsidiary holdings or other convertible instruments as at 30 June 2019 and 31 December 2018.

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.

	30 June 2019	31 December 2018
Total number of issued shares ('000)	555,163	44,961
Les: Total number of treasury shares ('000)	(349)	-
Total number of issued shares ('000)	554,814	44,961

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.

There were no sales, transfers, disposals, cancellation and/or use of treasury shares as at end of the current financial period reported on.

(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 financial statements for the year ended 31 December 2018.

(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.

The Group and the Company adopted the following new Singapore Financial Reporting Standards (International) ("SFRS(I)"), amendments and interpretations of SFRS(I)s effective from 1 January 2019:

- SFRS(I)16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I)1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I)1-19)

The adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s is assessed to have no material financial effect on the results and financial position of the Group and the Company for the year ending 31 December 2019 except for SFRS(I)16 Leases. The Group's assessment of SFRS(I)16, which is expected to have a more significant impact on the Group is described below.

SFRS(I)16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group applied SFRS(I)16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

The following reconciliation summarises the impact on initial application of SFRS(I)16 on the Group's consolidated statement of financial position as at 1 January 2019.

	As previously reported S\$'000	Effects of adoption of SFRS(I)16 S\$'000	As at 1 Jan 2019 S\$'000
1 January 2019			
ASSETS			
Property, plant & equipment	21,383	121,935	143,318
Lease prepayment	3,658	(3,658)	-
Investment properties	13,765	2,494	16,259
Deferred tax assets	-	628	628
Others	13,334	-	13,334
Non-current assets	52,140	121,399	173,539
Lease prepayment	130	(130)	-
Others	107,425	-	107,425
Current assets	107,555	(130)	107,425
Total assets	159,695	121,269	280,964
LIABILITIES			
Trade and other payables	(46,021)	1,507	(44,514)
Lease liabilities	-	(52,606)	(52,606)
Others	(7,749)	-	(7,749)
Current liabilities	(53,770)	(51,099)	(104,869)
Trade and other payables	(6,763)	1,079	(5,684)
Lease liabilities	-	(75,517)	(75,517)
Others	(7,634)	-	(7,634)
Non-current liabilities	(14,397)	(74,438)	(88,835)
Total liabilities	(68,167)	(125,537)	(193,704)
Retained earnings	(46,737)	4,262	(42,475)
Non-controlling interest	(117)	6	(111)
Others	(44,674)	-	(44,674)
Total equity	(91,528)	4,268	(87,260)
Total equity and liabilities	(159,695)	(121,269)	(280,964)

The Group has presented ROU assets that do not meet the definition of investment property within property, plant and equipment in the statement of financial position – i.e. the same line item as it presents underlying assets of the same nature that it owns. ROU assets that are held for rental that meet the definition of investment property are presented within investment properties.

(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 2019	2Q 2018	1H 2019	1H 2018
Basic earnings per share (cents)	1.29	1.27	2.54	2.56
Weighted average number of shares*	555,095,556	483,000,000	555,129,092	483,000,000
Fully diluted earnings per share (cents)	1.29	1.27	2.54	2.56
Weighted average number of shares*	555,095,556	483,000,000	555,129,092	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.

* The weighted average number of shares takes into account the share buy-backs transacted during the respective period.

(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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value per share (cents)	16.99	16.47	9.51	9.57
Number of shares issued at end of financial period	554,813,700	555,163,000	554,813,700	555,163,000

(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 2019 vs 2Q 2018

The Group generated profit before taxation of S\$8.6 million in Q2 2019 as compared to S\$7.2 million in Q2 2018.

Revenue

Group revenue increased by S\$4.0 million or 7.3% from S\$54.1 million in Q2 2018 to S\$58.1 million in Q2 2019.

- (a) Revenue contribution from the outlet and mall management segment increased by S\$3.0 million from S\$26.5 million in Q2 2018 to S\$29.5 million in Q2 2019. This was mainly attributable to (i) 1 new food court at University of Macau and 1 new coffee shop at 289C Compassvale Crescent opened in Q2 2019 (ii) higher revenue contribution as compared to Q2 2018 for the food court at Marina Bay Sands which was partially closed from April to July 2018, and (iii) overall revenue growth from most of the food courts and coffee shops.
- (b) Revenue from the food & beverage ("F&B") retail business segment increased by S\$1.0 million from S\$27.6 million in Q2 2018 to S\$28.6 million in Q2 2019. This was mainly attributable to (i) 3 new food and beverage ("F&B") stalls in the newly opened food court and coffee shop and 4 new F&B kiosks at HarbourFront Centre, Wisma Atria, Rivervale Plaza and Singapore Polytechnic which commenced operations in Q2 2019 and (ii) overall revenue growth from most of the food courts and coffee shops.

Other Income

Other income increased by S\$0.6 million or 59.3% from S\$1.0 million in Q2 2018 to S\$1.6 million in Q2 2019 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 increased by S\$0.3 million or 2.9% from S\$8.8 million in Q2 2018 to S\$9.1 million in Q2 2019 generally in line with the increase in the revenue contribution from the F&B segment.

Staff Costs

Staff costs increased by S\$0.9 million or 10.9% from S\$8.7 million in Q2 2018 to S\$9.6 million in Q2 2019 was mainly due to increase in headcount of management team and new F&B outlets.

Depreciation of Investment Properties, Property, Plant and Equipment

Depreciation charges increased by S\$15.8 million from S\$3.0 million in Q2 2018 to S\$18.8 million in Q2 2019. This was mainly due to depreciation charge in Q2 2019 for the ROU assets classified on investment properties and property, plant and equipment recognised upon the adoption of SFRS(I)16 as described in Section (5) with effect from 1 January 2019.

Property Rentals and Related Expenses

Property rentals and related expenses decreased by S\$14.5 million or 57.6% from S\$25.2 million in Q2 2018 to S\$10.7 million in Q2 2019. This was mainly due to the adoption of SFRS(I)16 with effect from 1 January 2019, whereby the fixed portion of the property rentals are now recognised as depreciation of the ROU assets within property, plant and equipment and investment properties instead of property rentals and related expenses, while the contingent rental continued to be recognised as property rentals and its related expenses.

Distribution and Selling Expenses

Distribution and selling expenses decreased by S\$0.5 million or 75.5% from S\$0.6 million in Q2 2018 to S\$0.1 million in Q2 2019 due to the adoption of SFRS(I)16 with effect from 1 January 2019.

Administrative Expenses

Administrative expenses increased marginally by S\$0.1 million or 5.8% from \$1.1 million in Q2 2018 to S\$1.2 million in Q2 2019.

Impairment Loss on Trade Receivables

Impairment loss on trade receivables in Q2 2019 decreased marginally by S\$0.2 million.

Other Operating Expenses

Other operating expenses increased by S\$0.6 million from S\$0.4 million in Q2 2018 to S\$1.0 million in Q2 2019 mainly due to impairment loss on property, plant and equipment recognised for cash generating units with recurring losses and loss on disposal for property, plant and equipment.

Finance Income

Finance income increased marginally by S\$0.2 million from S\$0.1 million in Q2 2018 to S\$0.3 million in Q2 2019.

Finance Costs

Finance costs increased by S\$0.9 million from S\$0.1 million in Q2 2018 to S\$1.0 million in Q2 2019. The increase was mainly due to interest expenses on lease liabilities recognised with the adoption of SFRS(I)16.

Tax Expense

Tax expenses increased by S\$0.3 million or 28.4% from S\$1.1 million in Q2 2018 to S\$1.4 million in Q2 2019 due to (i) higher profits generated in Q2 2019 as compared to Q2 2018 and (ii) deferred tax expenses recognised in Q2 2019. The effective tax rates were 16.4% and 15.2% for Q2 2019 and 2018 respectively.

1H 2019 vs 1H 2018

The Group generated profit before taxation of S\$17.0 million in 1H 2019 as compared to S\$14.7 million in 1H 2018.

Revenue

Group revenue increased by S\$6.7 million or 6.1% from S\$109.2 million in 1H 2018 to S\$115.9 million in 1H 2019. This was mainly due to:-

- (a) Revenue contribution from the outlet and mall management segment increased by S\$5.4 million from S\$53.8 million in 1H 2018 to S\$59.2 million in 1H 2019. This was mainly attributable to (i) 3 new food courts and 1 coffee shop opened in 1H 2019 and (ii) overall revenue growth from most of the food courts and coffee shops, including the food court at Marina Bay Sands which was partially closed from April to July 2018.
- (b) Revenue from the F&B business segment increased by S\$1.3 million from S\$55.4 million in 1H 2018 to S\$56.7 million in 1H 2019. This was mainly attributable to (i) 5 F&B stalls in the food courts and coffee shops and 10 new F&B kiosks opened in 1H 2019 and (ii) overall revenue growth from most of the food courts and coffee shops, including food court at Marina Bay Sands which was partially closed from April to July 2018.

Other Income

Other income increased by S\$0.9 million or 38.9% from S\$2.5 million in 1H 2018 to S\$3.4 million in 1H 2019 mainly attributable 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 increased by S\$0.4 million or 2.2% from S\$17.5 million in 1H 2018 to S\$17.9 million in 1H 2019 generally in line with the increase in revenue from F&B retail business.

Staff Costs

Staff costs increased by S\$1.5 million or 8.1% from S\$18.4 million in 1H 2018 to S\$19.9 million in 1H 2019. This was mainly due to increase in headcount of management team and new F&B outlets.

Depreciation of Investment Properties, Property, Plant and Equipment

Depreciation charges increased by S\$31.3 million from S\$5.9 million in 1H 2018 to S\$37.2 million in 1H 2019. This was mainly due to depreciation charge in 1H 2019 for the ROU assets classified on investment properties and property, plant and equipment recognised upon the adoption of SFRS(I)16 as described in Section (5) with effect from 1 January 2019.

Property Rentals and Related Expenses

Property rentals and related expenses decreased by S\$29.6 million or 58.2% from S\$50.8 million in 1H 2018 to S\$21.2 million in 1H 2019. This was mainly due to the adoption of SFRS(I)16 with effect from 1 January 2019, whereby the fixed portion of the property rentals are now recognised as depreciation of the ROU assets within property, plant and equipment and investment properties instead of property rentals and related expenses, while the contingent rental continued to be recognised as property rentals and its related expenses.

Distribution and Selling Expenses

Distribution and selling expenses decreased by S\$0.6 million or 60.2% from S\$1.1 million in 1H 2018 to S\$0.5 million in 1H 2019 was mainly due to the adoption of SFRS(I)16 with effect from 1 January 2019.

Administrative Expenses

Administrative expenses increased by S\$0.2 million or 10.0% from S\$2.2 million in 1H 2018 to S\$2.4 million in 1H 2019 mainly due to recurring listing expenses and professional fees.

Impairment Loss on Trade Receivables

Impairment loss on trade receivables decreased marginally by S\$0.2 million from S\$0.4 million in 1H 2018 to S\$0.2 million in 1H 2019.

Other Operating Expenses

Other operating expenses increased by S\$0.9 million from S\$0.8 million in 1H 2018 to S\$1.7 million in 1H 2019 mainly due to impairment loss on property, plant and equipment recognised for cash generating units with recurring losses.

Finance Income

Finance income increased by S\$0.4 million from S\$0.1 million in 1H 2018 to S\$0.5 million in 1H 2019 was mainly due to interest earned on time deposits placed with bank.

Finance Costs

Finance costs increased by S\$1.9 million from S\$0.1 million in 1H 2018 to S\$2.0 million in 1H 2019 mainly due to interest expenses on lease liabilities recognised with the adoption of SFRS(I)16.

Tax Expense

Tax expenses increased by S\$0.5 million or 22.3% from S\$2.4 million in 1H 2018 to S\$2.9 million in 1H 2019 due to (i) higher profits generated in 1H 2019 as compared to 1H 2018 and (ii) deferred tax expenses recognised in 1H 2019. The effective tax rates were 17.0% and 16.1% for 1H 2019 and 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 2018 and 30 June 2019.

Non-Current Assets

As at 30 June 2019, non-current assets increased by S\$180.7 million from S\$52.1 million to S\$232.8 million. The increase was due to (i) increase in investment properties by S\$8.6 million from S\$13.8 million as at 31 December 2018 to S\$22.4 million as at 30 June 2019, a result of the recognition of ROU assets (ii) increase in property, plant and equipment by S\$176.0 million from S\$21.4 million as at 31 December 2018 to S\$197.4 million as at 30 June 2019, for the additions to property, plant and equipment of S\$10.7 million for the renovations, kitchen equipment and furniture and fittings purchased with the opening of new F&B outlets and self-operated F&B stalls in FY2019, and the recognition of ROU assets of S\$171.5 million, with corresponding decrease in lease prepayment of the land premium for the integrated facility of S\$3.7 million as at 30 June 2019 and (iii) deferred tax assets of S\$0.4 million arising from the timing difference of actual lease payment and depreciation of ROU assets. The increase was partially offset by decrease in trade and other receivables of S\$0.6 million relating to refundable deposits placed with landlords.

Current Assets

As at 30 June 2019, current assets decreased by S\$0.7 million from S\$107.6 million to S\$106.9 million. The decrease was mainly due to decrease in trade and other receivables for rental deposits placed with landlords.

Non-Current Liabilities

Non-current liabilities increase by S\$119.9 million from S\$14.4 million as at 31 December 2018 to S\$134.3 million as at 30 June 2019. The increase was mainly due to the recognition of lease liabilities with the adoption of SFRS(I)16 as at 30 June 2019.

Current Liabilities

Current liabilities increased by S\$57.0 million from S\$53.8 million as at 31 December 2018 to S\$110.8 million as at 30 June 2019.

The increase was mainly due to the recognition of lease liabilities of S\$61.9 million with the adoption of SFRS(I)16 as at 30 June 2019, partially offset by decrease in trade and other payables of S\$4.9 million from S\$46.0 million as at 31 December 2018 to S\$41.1 million as at 30 June 2019, of which S\$1.5 million relates to decrease in accrued lease rental which were offset against retained earnings in accordance with SFRS(I)16.

Statement of Cash Flows

Q2 2019 vs Q2 2018

The Group generated net cash flows from operating activities in Q2 2019 of S\$26.4 million, a result of operating profit before working capital changes of S\$28.5 million, adjusted for net working capital inflows of S\$0.4 million and income taxes paid of S\$2.5 million. Net cash generated from operating activities before working capital changes of S\$28.5 million in Q2 2019 increased, as compared to that of S\$10.4 million in Q2 2018, due to the non-cash adjustment for depreciation of property, plant and equipment and depreciation of investment properties arising from the adoption of SFRS(I)16.

Net cash flows generated from investing activities in Q2 2019 amount to S\$24.3 million, was mainly attributable to the cash inflows from (i) withdrawal of time deposits placed with bank of S\$29.2 million, (ii) interest received from the time deposits placed with bank of S\$0.2 million, (iii) proceeds from disposal of property, plant and equipment of S\$0.1 million and (iv) net investment received from associate of S\$0.2 million, partially offset by purchase of property, plant and equipment of S\$5.5 million for the expansion and renovation of outlets.

Net cash flows used in financing activities in Q2 2019 amount to S\$24.1 million, was attributable to the cash outflows from (i) the payment of interest and lease liabilities of S\$1.0 million and S\$16.1 million respectively, (ii) repayment of loans and borrowings and loans from fellow subsidiary of immediate and ultimate holding company of S\$0.1 million and S\$0.2 million respectively, (iii) dividend paid to equity shareholders of S\$6.7 million, (iv) purchase of treasury shares of S\$0.2 million, partly offset by capital contribution from non-controlling interest of S\$0.2 million.

1H 2019 vs 1H 2018

The Group generated net cash flows from operating activities in 1H 2019 of S\$52.1 million, a result of operating profit before working capital changes of S\$56.5 million, adjusted for net working capital outflows of S\$1.2 million and income taxes paid of S\$3.2 million.

Net cash flows generated from investing activities in 1H 2019 amount to S\$22.1 million, was mainly attributable to the cash inflows from (i) withdrawal of time deposits placed with bank of S\$32.0 million, (ii) interest received from the time deposits placed with bank of S\$0.4 million, (iii) proceeds from disposal of property, plant and equipment of S\$0.1 million and (iv) net investment received from associate of S\$0.2 million, partially offset by purchase of property, plant and equipment of S\$10.7 million for the expansion and renovation of outlets.

Net cash flows used in financing activities in 1H 2019 amount to S\$42.0 million, was attributable to the cash outflows from (i) the payment of interest and lease liabilities of S\$2.0 million and S\$32.7 million respectively, (ii) repayment of loans and borrowings and loans from fellow subsidiary of immediate and ultimate holding company of S\$0.2 million and S\$0.4 million respectively, (iii) dividend paid to equity shareholders of S\$6.7 million, (iv) purchase of treasury shares of S\$0.2 million, partly offset by capital contribution from non-controlling interest of S\$0.2 million.

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

This is in line with what was previously disclosed by the Company.

(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 continues to be competitive and challenging. Increasing rental costs and labour costs as a result of labour shortage are also key challenges faced in the F&B industry. Despite these challenges, the Group is expected to remain competitive as it continues its productivity efforts and expansion plans.

The Group remains focused on expanding its market share in food courts and coffee shops, as well as its F&B concept stores, bringing new food options and varieties to consumers.

The Group opened one new food court and one coffee shop in Q2 2019 and secured another four food courts leases, one of which is in Macau. These food courts are expected to be opened progressively in Q3 2019 to FY 2020.

The expansion of the tea beverage brands in Singapore has seen the Group secure eight new locations to-date for the *R&B Tea* outlets in Singapore, all of which are targeted to open progressively from Q3 to Q4 2019. This brings the total number of outlets for the tea beverage brands to 23 by end-FY 2019. The Group will continue to look for and secure new premises to expand the number of F&B outlets.

The Group has secured a lease in Malacca, Malaysia to operate its first tea beverage kiosk in Q4 2019. The Group has also signed a joint venture agreement with its partners in Indonesia, taking a 32.4% effective stake, with an initial focus on Jakarta’s Grade A malls, as announced on 4 July 2019.

The Group will continue to explore working with partners to operate its brands regionally.

The construction of the Group's integrated facility has commenced in Q4 2018 and is expected to obtain its temporary occupation permit by 1H 2020.

Barring any unforeseen circumstances, the Group expects to remain profitable in the next 12 months.

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

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

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share	1 cent per ordinary share
Tax Rate	Tax-exempt (one-tier)

(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).

The dividend is tax exempt.

(d) The date the dividend is payable.

The interim dividend will be paid on 30 August 2019.

(e) Books closure date

The Share Transfer Books and Register of Members of Koufu Group Limited (the "Company") will be closed on 21 August 2019, 5.00 p.m. for the purpose of determining the entitlements of the Company's shareholders ("Shareholders") to the interim one-tier tax-exempt dividend of 1.0 cent per ordinary share for the financial year ending 31 December 2019 ("Interim Dividend").

Duly stamped and completed transfer received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619, at 5.00 p.m. on 21 August 2019 will be registered to determine Shareholders entitlements to the Interim Dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares of the Company as at 5.00 p.m. on 21 August 2019, will be entitled to the Interim Dividend.

The Interim Dividend will be paid on 30 August 2019.

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

Not applicable.

(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.

The Group has obtained the renewal of the general mandate from shareholders in the Extraordinary General Meeting held on 24 April 2019. Details of the IPTs were disclosed in pages 20 to 29 of the Circular dated 9 April 2019.

Name of Interested Persons	Aggregate value of all IPTs during the financial period under review (excluding transactions conducted under the Shareholder's Mandate pursuant to Rule 920 of the Listing Manual and transactions less than S\$100,000)		Aggregate value of all IPTs conducted under the Shareholder's Mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)	
	3 months ended 30 June 2019	6 months ended 30 June 2019	3 months ended 30 June 2019	6 months ended 30 June 2019
	S\$'000	S\$'000	S\$'000	S\$'000
Great Solutions Pte Ltd Dishwashing, cleaning, landscaping and vector control services ⁽¹⁾	-	-	131	280

⁽¹⁾ As disclosed in our Group's Circular to Shareholders dated 9 April 2019, our Group obtains dishwashing (offsite and on premises), cleaning (general, toilet and car park), landscaping and vector control services from Great Solutions Pte. Ltd. in respect of the Hawker Centre for a period of 2 years from 3 October 2017 payable upon service rendered on a monthly basis.

Save for the above, there are no other IPTs which exceed S\$100,000 for the period under review.

(14) Use of IPO proceeds

The Company received gross proceeds amounting to approximately S\$45.5 million raised from the IPO on the Main Board of SGX-ST on 18 July 2018.

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:-

	Allocated	Utilised	Balance
	S\$'000	S\$'000	S\$'000
Capital expenditure for integrated facility	30,000	(4,643)	25,357
Refurbishment and renovation of new and existing F&B Outlets	8,000	(4,271)	3,729
Acquisitions, joint ventures, strategic alliances or investments	5,000	-	5,000
Listing expenses	2,500	(2,500)	-
Total	45,500	(11,414)	34,086

The above utilisations are in accordance with the intended use of IPO net proceeds, as stated in the Company's Prospectus.

(15) 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 2019 to be false or misleading in any material respect.

(16) 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

7 August 2019

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.