



KOUFU GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 201732833D)

BUSINESS UPDATES ON IMPACT OF COVID-19

The Board of Directors of Koufu Group Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to provide an update to shareholders on the impact of the COVID-19 pandemic on the Group’s operating environment.

IMPACT OF THE COVID-19 PANDEMIC

The impact of COVID-19 is unprecedented on many fronts. Despite the difficulties, the Group is committed to ensuring our essential products and services that support the community will carry on with minimal or no disruption, while ensuring the health and safety of our employees, business partners and customers. The Group has implemented necessary COVID-19 mitigation measures as required by the respective governments and regulators in its countries of operations, mainly Macau and Singapore and has also activated its business continuity plans.

Singapore

The COVID-19 impact has affected most industries, especially the F&B industry. As the Group’s core business is in the operations of food courts and coffee shops, we serve the fundamental needs of the community and are generally considered as an “essential service” that is permitted to operate during the circuit breaker periods, except that dine-ins are not permitted. To support and encourage companies to continue employment for workers during this prolonged period, the Government has announced its budgetary support through the Jobs Support Scheme (JSS). Under the JSS, the Government will support the Group with the payment of 50% (highest support for F&B services) of local wages for 9 months subject to a qualifying salary ceiling, and for the months of April and May 2020, the support is increased to 75%. In addition, for the months of April and May 2020, the Group’s foreign worker levies are waived and will also receive support in the form of foreign worker rebates. The Group has also received support from the landlords in the form of rental waivers or rebates in addition to the 100% of the property tax rebates passed down from the landlords.

In the recent announcement on the phased approach towards the re-opening of activities in Singapore commencing from 2 June 2020, it was announced that dining-in at food outlets and bubble-tea outlets will still not be permitted in Phase 1. Phase 1 is to last for at least a month from 2 June 2020, depending on the success in containing the Covid-19 situation. The Group expects that its business operations will further improve in Phase 2 when dining-in at food outlets and our *R&B Tea* operations are permitted.

F&B retail business

While the Group’s business operations generally remain within the ambit of “essential services” during the circuit breaker period, certain food court operations have nonetheless been impacted by significantly lower footfall at food courts located near offices, down-town areas, tourist hotspots (including Marina Bay Sands) and in tertiary institutions where staff and students have transitioned to home-based learning. For the remainder of food court and coffee shop operations, footfall remains reduced especially during the circuit breaker period where dining-in is not allowed. However, this is partially mitigated by the increase in delivery services.

The Group has temporarily suspended the operations of 10 food courts, 3 quick-service restaurants and 2 full-service restaurants during the circuit breaker period in order to reduce operating costs due to low footfalls at these outlets. The affected food courts are located at Marina Bay Sands, Marina Square, Millenia Walk, Square 2, Singapore Polytechnic, ITE, Ngee Ann Polytechnic, SMU, Cathay Cineleisure, and 164 Kallang Way. In line with the further tightening of circuit breaker measures, the Group has suspended operations of all but one R&B tea kiosks from 22 April 2020. All operational outlets are opened only for takeaways and delivery services during this circuit breaker period.

As mentioned earlier, while the Group's operations are likely to improve when dine-ins and *R&B Tea* operations are allowed under Phase 2 of the re-opening of the economy, the impact on the Group's revenue from the F&B retail segment may still be prolonged depending on the extent and duration of the various phases of circuit breaker relaxation measures and on the states of the F&B industry and economy in general.

Outlet & mall management segment

Whilst the Group's revenue from the outlet & mall management segment comprises largely fixed rental income from stall tenants, a portion of the Group's revenue is also directly linked to the performance of stallholders in certain food outlets, where a component of the fee is variable in nature and pegged to the gross turnover of the stall in question. As stallholders' businesses have also been impacted by COVID-19, the Group expects that variable fee income from stallholders will also be affected. The Group is monitoring its stall occupancy closely and will actively source for new tenants to replace any outgoing stallholders.

The negative impact has been mitigated to an extent by grants from the government and rental waivers or rebates as well as property tax rebates passed down by landlords. The Group is also mindful of the impact to stallholders, and cost-savings where received, have also been passed on to stallholders.

Macau

Business operations in Macau were first impacted in February 2020 when casinos were closed for fifteen days. The Macau Government subsequently closed its borders in phases in March 2020, barring non-Chinese nationals as well as those from Greater China from entry. Given Macau's dependence on mainland Chinese visitors and the implementation of lockdown measures in China during that time, the Group's Macau operations were impacted by significantly lower footfall even though the food courts at University of Macau and Cotai Sands remained operational.

Macau has slowly opened up its borders with a five-phased approach after resuming regular operating hours of the Hongkong-Zhuhai-Macau bridge and Portos do Cerco border in early May 2020. In Phase 3 of its re-opening measures, only its own citizens and work permit holders working in Macau are allowed to enter the country. Business operations remain at a reduced level and is expected to improve only when Macau opens its borders to visitors from Greater China in Phase 4.

As in the case of Singapore, the negative impact on Macau's business has also been mitigated to an extent from the rental waivers and rebates passed down by the landlords. Similarly, any waivers and rebates have also passed down to stallholders. The occupancy rate for the food stalls in Macau remains at 100%.

New Outlets

The opening of two new food courts and two new R&B tea kiosks initially slated for opening in the second quarter of 2020 have been tentatively moved to third quarter of 2020.

Integrated Facility

The progress of the construction of the integrated facility has been delayed due to the COVID-19 measures introduced in both Singapore and Malaysia (where certain materials have been sourced from). The Group expects TOP to be in the third quarter of 2020, at the earliest.

Group's Plans

Notwithstanding the challenges amidst the COVID-19 situation, the Group continues to have a strong balance sheet and expects to remain competitive with cautious growth and expansion plans. Where opportunities arise, the Group will look to capitalise on these opportunities with its strong cash position.

The Group will remain vigilant and explore strategies to support and reinforce its relationships with stakeholders.

Financial Impact

As the COVID-19 situation continues to evolve, the extent of any financial impact is difficult to ascertain at present. The Group has also not finalised the accounting treatment of the rent concessions received from the landlords due to proposed amendments to IFRS 16 Leases.

In April 2020, the International Accounting Standards Board (IASB) proposed to amend IFRS 16 Leases to provide lessees with practical relief during the COVID-19 pandemic while enabling them to continue providing useful information about their leases to users of financial statements. These amendments will need to be formally issued by IASB and thereafter adopted by the Accounting Standards Council Singapore before adoption by Singapore companies. The Group will finalise the accounting for rent concessions in subsequent reporting periods when the amendments are effective.

Nonetheless, consistent with most similar businesses in the sector, the Group expects both revenue and operating profits to be affected, contributed largely by periods of temporary closures or low footfalls at the food courts especially at Marina Bay Sands, Singapore and Cotai Sands, Macau.

The Group's revenue in Q2 2020 has been impacted more than in Q1 2020 since the circuit breaker measures were implemented in full from April 2020 onwards. The Group's total revenue on a same stores basis excluding new outlets decreased by 15% for the period 1 January 2020 to 30 April 2020 as compared to the same period in 2019.

The Group's operating profits for the first half ("1H") of 2020 is expected to be significantly lower than 1H 2019 due to (i) the impact of COVID-19, and (ii) new outlets opened in FY 2019 that are still in their stabilisation phases and have yet to contribute positively. However, most of the government grants and rental rebates from landlords will be received in Q2 and Q3 2020, and should, to a certain extent, mitigate the negative impact.

The Group has been vigilant in conserving its cash flow and managing its balance sheet over the years and will continue to preserve liquidity and manage its balance sheet prudently. It has a strong and healthy cash flow and is confident of meeting its operating requirements during this difficult period.

The Group will continue to monitor the situation in the key markets it operates in, including any national regulations issued to address the spread of the virus and will adapt its preparedness and business continuity plans accordingly. The Board will keep Shareholders updated on any further material impact of COVID-19 on the Group's business activities.

**By Order of the Board
Koufu Group Limited**

Pang Lim
Executive Chairman and Chief Executive Officer

22 May 2020

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.