

Unaudited Third Quarter Financial Statements and Dividend Announcement
For the financial period ended 30 September 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 September 2018 and the comparative results of the Group for the financial period ended 30 September 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 third quarter (“3Q”) and period ended 30 September 2018 (“9M”).

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/
	3Q 2018	3Q 2017	(decrease)	9M 2018	9M 2017	(decrease)
	S\$'000	S\$'000	+/(-) %	S\$'000	S\$'000	+/(-) %
Revenue	57,565	55,579	3.6%	166,792	162,515	2.6%
Other income	1,439	1,370	5.0%	3,917	3,420	14.5%
Cost of inventories consumed	(8,991)	(9,118)	(1.4)%	(26,488)	(26,696)	(0.8)%
Staff costs	(9,877)	(9,652)	2.3%	(28,308)	(28,848)	(1.9)%
Depreciation of investment properties, property, plant and equipment	(3,156)	(2,211)	42.7%	(9,081)	(6,812)	33.3%
Property rentals and related expenses	(27,843)	(24,136)	15.4%	(78,692)	(71,587)	9.9%
Distribution and selling expenses	(583)	(563)	3.6%	(1,715)	(1,673)	2.5%
Administrative expenses	(2,507)	(1,533)	63.5%	(4,685)	(3,622)	29.3%
Other operating expenses	(540)	(1,658)	(67.4)%	(1,690)	(4,308)	(60.8)%
Results from operating activities	5,507	8,078	(31.8)%	20,050	22,389	(10.4)%
Finance income	88	417	(78.9)%	178	1,099	(83.8)%
Finance costs	(54)	(104)	(48)%	(175)	(304)	(42.4)%
Net finance (costs)/income	34	313	N.M	3	795	N.M
Share of profit of associates and partnership , net of tax	96	101	(5.0)%	241	296	(18.6)%
Profit before tax	5,637	8,492	(33.6)%	20,294	23,480	(13.6)%
Tax expense	(981)	(1,413)	(30.6)%	(3,347)	(3,869)	(13.5)%
Profit for the period	4,656	7,079	(34.2)%	16,947	19,611	(13.6)%
Profit for the period attributable to:						
Owners of the Company	4,644	7,094	(34.5)%	16,999	19,626	(13.4)%
Non-controlling interests	12	(15)	N.M	(52)	(15)	N.M
	4,656	7,079	(34.2)%	16,947	19,611	(13.6)%

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)
	3Q 2018	3Q 2017	(decrease)	9M 2018	9M 2017	(decrease)
	S\$'000	S\$'000	+ / (-) %	S\$'000	S\$'000	+ / (-) %
Profit for the period	4,656	7,079	(34.2)%	16,947	19,611	(13.6)%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences – foreign operations	(52)	10	(620)%	140	(252)	155.6%
Total other comprehensive income for the period	(52)	10	(620)%	140	(252)	155.6%
Total comprehensive income for the period	4,604	7,089	(35.1)%	17,087	19,359	(11.7)%
Total comprehensive income for the period attributable to:						
Owners of the Company	4,592	7,104	(35.4)%	17,139	19,374	(11.5)%
Non-controlling interests	12	(15)	N.M	(52)	(15)	N.M
	4,604	7,089	(35.1)%	17,087	19,359	(11.7)%

Notes:

- (1) 3Q denotes financial period from 1 July to 30 September
- (2) 9M denotes financial period from 1 January to 30 September
- (3) N.M denotes not meaningful

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

	Group		Increase/ (Decrease)	Group		Increase/ (Decrease)
	3Q 2018	3Q 2017	(Decrease)	9M 2018	9M 2017	(Decrease)
	S\$'000	S\$'000	+ / (-) %	S\$'000	S\$'000	+ / (-) %
Employee benefits expenses	9,877	9,652	2.3%	28,308	28,848	(1.9)%
Gain on disposal of property, plant & equipment	(2)	(46)	N.M	(32)	(40)	N.M
Government grants	(175)	(172)	1.7%	(785)	(970)	(19.1)%
(Reversal of)/Impairment loss on trade receivables (net)	(36)	(17)	N.M	325	154	N.M
Operating lease expenses	16,147	13,243	21.9%	44,977	38,943	15.5%
Write off of property, plant & equipment	136	12	1033.3%	170	43	295.35%
Interest expenses on bank loans	51	103	(50.5)%	170	296	(42.6)%
Interest income	(46)	(349)	(86.8)%	(136)	(1,030)	(86.8)%
Foreign exchange gain (net)	(41)	(68)	(39.7)%	(39)	(61)	(36.1)%
Under provision of tax	-	-		55	34	61.8%
Amortisation of intangible assets	17	11	54.5%	114	82	39.0%
Write off of intangible assets	-	77	N.M	-	77	N.M

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 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant & equipment	21,228	18,886	-	-
Intangible assets	160	180	1	-
Investment properties	13,418	9,990	-	-
Subsidiaries	-	-	1,000	-
Associates and partnership	247	401	-	-
Other investments	1,600	1,600	-	-
Trade and other receivables	15,152	11,129	-	-
Total non-current assets	51,805	42,186	1,001	-
Current assets				
Inventories	1,176	1,295	-	-
Trade and other receivables	11,683	10,687	36,496	21
Time deposits	35,000	-	-	-
Cash and cash equivalents	55,842	53,043	17,427	100
Total current assets	103,701	65,025	53,923	121
Total assets	155,506	107,211	54,924	121
LIABILITIES				
Current liabilities				
Trade and other payables	45,302	45,206	1,969	23
Loans and borrowings	370	184	-	-
Current tax liabilities	5,025	6,779	-	-
Provision for reinstatement cost	1,234	1,296	-	-
Total current liabilities	51,931	53,465	1,969	23
Non-current liabilities				
Trade and other payables	6,618	6,492	-	-
Loans and borrowings	4,408	1,573	-	-
Deferred tax liabilities	14	14	-	-
Provision for reinstatement cost	2,798	2,551	-	-
Total non-current liabilities	13,838	10,630	-	-
Total liabilities	65,769	64,095	1,969	23
EQUITY				
Share capital	45,115	1,000	45,115	100
Reserves	(255)	(395)	-	-
Retained earnings/(Accumulated losses)	44,779	42,361	7,840	(2)
Equity attributable to owners of the Company	89,639	42,966	52,955	98
Non-controlling interests	98	150	-	-
Total equity	89,737	43,116	52,955	98
Total equity and liabilities	155,506	107,211	52,924	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 Sep 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
370	-	184	-

Amount repayable after one year

As at 30 Sep 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,408	-	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	
	3Q 2018 S\$'000	3Q 2017 S\$'000	9M 2018 S\$'000	9M 2017 S\$'000
Cash flows from operating activities				
Profit for the period	4,656	7,079	16,947	19,611
Adjustments for:				
Amortisation of intangible assets	17	11	114	82
Depreciation of property, plant and equipment	2,893	1,530	8,544	5,177
Depreciation of investment properties	198	681	472	1,635
Gain on disposal of property, plant and equipment	(2)	(46)	(32)	(40)
Impairment loss on property, plant and equipment	(169)	982	(169)	982
(Reversal of)/Impairment loss on trade receivables (net)	(36)	(17)	325	154
Net finance costs/(income)	(34)	(313)	(3)	(795)
Share of profit of associates and partnership	(96)	(101)	(241)	(296)
Write off of property, plant and equipment	136	12	170	43
Write off of intangible assets	-	77	-	77
Tax expense	981	1,413	3,347	3,869
	8,544	11,308	29,474	30,499
Changes in working capital				
Inventories	76	(13)	119	192
Trade and other receivables	1,125	(7,992)	(1,480)	(2,064)
Trade and other payables	3,345	9,633	1,930	5,050
Cash generated from operations	13,090	12,936	30,043	33,677
Tax paid	(2,560)	(1,605)	(5,009)	(3,868)
Net cash generated from operating activities	10,530	11,331	25,034	29,809
Cash flows from investing activities				
Interest received	44	349	132	1,031
Proceeds from disposal of property, plant and equipment	2	47	77	57
Proceeds from disposal of assets held for sales	-	38,873	-	38,873
Net investments in associates	-	(85)	-	(85)

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	
	3Q 2018	3Q 2017	9M 2018	9M 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Purchases of:				
- intangible assets	(94)	(36)	(94)	(95)
- investment property	(2,275)	-	(4,375)	-
- property, plant and equipment	(3,440)	(2,390)	(14,159)	(6,574)
Time deposits placed with bank	(35,000)	-	(35,000)	-
Net cash (used in)/from investing activities	(40,763)	36,758	(53,419)	33,207
Cash flows from financing activities				
Capital injection from non-controlling interest	-	131	-	200
Distribution of profits to the then-existing owners of sole-proprietors and partnership	(1,036)	(50)	(2,081)	(1,526)
Dividends paid to equity holders of the Company	-	(51,993)	(12,500)	(52,493)
Proceeds from issuance of new shares pursuant to Initial Public Offering	45,462	-	45,462	-
Listing expenses paid	(2,634)	-	(2,634)	-
Proceeds from loans and borrowings	1,950	650	3,250	1,300
Repayments of loans and borrowings	(127)	(15,245)	(229)	(26,106)
Interest paid	(51)	(104)	(170)	(296)
Net cash generated from/(used in) financing activities	43,564	(66,611)	31,098	(78,921)
Net increase/(decrease) in cash and cash equivalents	13,331	(18,522)	2,713	(15,905)
Cash and cash equivalents at beginning of financial period	42,483	54,599	53,043	51,897
Effect of exchange rate fluctuations on cash held	28	68	86	153
Cash and cash equivalents at end of financial period	55,842	36,145	55,842	36,145

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----->			Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Translation Reserve S\$'000	Retained earnings S\$'000			
Group						
At 1 January 2018	1,000	(395)	42,361	42,966	150	43,116
Profit for the period	-	-	12,355	12,355	(64)	12,291
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	192	-	192	-	192
Total other comprehensive income for the period	-	192	-	192	-	192
Total comprehensive income for the period	-	192	12,355	12,547	(64)	12,483
<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	-	-	(1,045)	(1,045)	-	(1,045)
Total contribution by and distributions to owners	-	-	(13,545)	(13,545)	-	(13,545)
At 30 June 2018	1,000	(203)	41,171	41,968	86	42,054
Profit for the period	-	-	4,644	4,644	12	4,656
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	(52)	-	(52)	-	(52)
Total other comprehensive income for the period	-	(52)	-	(52)	-	(52)
Total comprehensive income for the period	-	(52)	4,644	4,592	12	4,604
<u>Contribution by and distributions to owners</u>						
Issuance of new shares pursuant to IPO	45,462	-	-	45,462	-	45,462
Capitalisation of listing expenses	(1,347)	-	-	(1,347)	-	(1,347)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(1,036)	(1,036)	-	(1,036)
Total contribution by and distributions to owners	44,115	-	(1,036)	43,079	-	43,079
At 30 September 2018	45,115	(255)	44,779	89,639	98	89,737

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

Group	<-----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		
At 1 January 2017	1,000	(129)	102,015	102,886	-	102,886
Profit for the period	-	-	12,532	12,532	-	12,532
<u>Other comprehensive income</u>						
Foreign currency translation reserve	-	(262)	-	(262)	-	(262)
Total other comprehensive income for the period	-	(262)	-	(262)	-	(262)
Total comprehensive income for the period	-	(262)	12,532	12,270	-	12,270
<u>Contribution by and distributions to owners</u>						
Contribution by non-controlling interest	-	-	-	-	69	69
Dividends paid	-	-	(500)	(500)	-	(500)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(1,476)	(1,476)	-	(1,476)
Total contribution by and distributions to owners	-	-	(1,976)	(1,976)	69	(1,907)
At 30 June 2017	1,000	(391)	112,571	113,180	69	113,249
Profit for the period	-	-	7,094	7,094	(15)	7,079
<u>Other comprehensive income</u>						
Foreign currency translation differences	-	10	-	10	-	10
Total other comprehensive income for the period	-	10	-	10	-	10
Total comprehensive income for the period	-	10	7,094	7,104	(15)	7,089
<u>Contribution by and distributions to owners</u>						
Contribution by non-controlling interests	-	-	-	-	131	131
Dividend paid	-	-	(51,993)	(51,993)	-	(51,993)
Distribution of profits to the then-existing owners of sole proprietors and partnership	-	-	(50)	(50)	-	(50)
Total contribution by and distributions to owners	-	-	(52,043)	(52,043)	131	(51,912)
At 30 September 2017	1,000	(381)	67,622	68,241	185	68,426

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	-	(11)	(11)
<u>Contribution by and distribution to owners</u>			
Issuance of new shares	900	-	900
Total contribution by and distribution to owners	900	-	900
At 30 June 2018	1,000	(13)	987
Loss and total comprehensive income for the period	-	7,853	7,853
<u>Contribution by and distributions to owners</u>			
Issuance of new shares pursuant to IPO	45,462	-	45,462
Capitalisation of listing expenses	(1,347)	-	(1,347)
Total contribution by and distributions to owners	44,115	-	44,115
At 30 September 2018	45,115	7,840	52,955

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.

The Company was incorporated on 15 November 2017 with 100,000 shares. 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. 21,000,000 Cornerstone shares and 51,163,000 New Shares were issued and allotted on 17 July 2018 in connection with the Initial Public Offering ("IPO").

Details of the changes in the issued and paid-up share capital of the Company from 1 January 2018 and the resultant issued and paid-up share capital immediately after the IPO and the Cornerstone Tranche are as follows:-

	No. of shares '000	Issued and paid-up share capital S\$'000
Fully paid ordinary shares, with no par value		
At 1 January 2018	100	100
Issuance of new shares	900	900
	1,000	1,000
Shares arising from share split	482,000	-
	483,000	1,000
At 30 June 2018	483,000	1,000
Cornerstone shares issued	21,000	13,230
Issuance of new shares pursuant to IPO	51,163	32,232
Capitalisation of listing expenses	-	(1,347)
	555,163	45,115
At 30 September 2018	555,163	45,115

There were no convertible instruments as at 30 September 2018 and 30 September 2017.

The Company has no treasury shares as at 30 September 2018 and 30 September 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 September 2018 and 31 December 2017 are 555,163,000 and 1,000,000 respectively. There are no treasury shares held by the Company.

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	
	3Q 2018	3Q 2017	9M 2018	9M 2017
Basic earnings per share (cents)	0.86	1.47	3.38	4.06
Weighted average number of shares	542,613,000	483,000,000	503,089,000	483,000,000
Fully diluted earnings per share (cents)	0.86	1.47	3.38	4.06
Weighted average number of shares	542,613,000	483,000,000	503,089,000	483,000,000

(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 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Net asset value per share (cents)	16.15	8.90	9.54	0.02
Number of shares issued at end of the financial period	555,163,000	483,000,000	555,163,000	483,000,000

(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

3Q 2018 vs 3Q 2017

The Group generated profit before taxation of S\$5.6 million in Q3 2018 as compared to S\$8.5 million in Q3 2017.

Revenue

Group revenue increased by S\$2.0 million or 3.6% from S\$55.6 million in Q3 2017 to S\$57.6 million in Q3 2018. This was mainly due to increase in revenue contribution from the outlet and mall management segment by S\$1.9 million from S\$27.0 million in Q3 2017 to S\$28.9 million in Q3 2018 attributable to 1 new food court opened in Q3 2018 at Sengkang General Hospital and 2 new food courts opened in 1H 2018 at Fusionopolis and Oasis Terrace. The increase was partially offset by (i) the closure of 2 unprofitable food courts at Star Vista and Marina Bay Link Mall and (ii) temporary closure in two phases of the food court at Marina Bay Sands from April to July 2018 for refurbishment and upgrading works. Increase in revenue contribution from the F&B retail business segment of S\$0.1 million from S\$28.5 million in Q3 2017 to S\$28.6 million in Q3 2018 was attributable to (i) 1 new food & beverage ("F&B") stall in the food court at Sengkang General Hospital and 1 F&B kiosk at Marina Bay Sands which commenced operations in Q3 2018 and (ii) 2 new F&B stalls in the 2 new food courts opened in 1H 2018 at Fusionopolis and Oasis Terrace, 2 F&B kiosks opened in 1H 2018 at Oasis Terrace and Cotai Sands, Macau and 2 Quick Service Restaurants ("QSR") opened in 1H 2018 at Millenia Walk and Fusionopolis. The increase was partially offset by (i) temporary closure of the food court at Marina Bay Sands for refurbishment and upgrading works from April to July 2018 (ii) closure of 2 quick service restaurant ("QSRs") at Harbourfront Centre and Changi Airport Terminal 2 and (iii) closure of 5 F&B stalls in Q3 2018. These 5 F&B stalls include 1 F&B stall located within the food court at Star Vista which was closed in Q3 2018 and 4 Western food stalls located at Square 2, Gek Poh Shopping Centre, Jurong East Mall and Yew Tee Point which are now leased to tenants instead.

Other Income

Other income comprises mainly Government grants and incentives, sponsorship income from suppliers and reimbursement of renovation fees charged to stall operators of our food courts, coffee shops and hawker centre. Other income remained relatively constant at S\$1.4 million for both Q3 2017 and Q3 2018.

Cost of Inventories Consumed

Cost of inventories decreased by S\$0.1 million or 1.4% from S\$9.1 million in Q3 2017 to S\$9.0 million in Q3 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 increased by S\$0.2 million or 2.3% from S\$9.7 million in Q3 2017 to S\$9.9 million in Q3 2018, mainly due to increase in headcounts of management team.

Depreciation of Investment Properties, Property, Plant and Equipment

Depreciation charges increased by S\$0.9 million or 42.7% from S\$2.2 million in Q3 2017 to S\$3.1 million in Q3 2018. This was mainly due to additional property, plant and equipment purchased for F&B Outlets and F&B stalls as well as existing F&B Outlets that were refurbished during the year.

Property Rentals and Related Expenses

Property rentals and related expenses increased by S\$3.7 million or 15.4% from S\$24.1 million in Q3 2017 to S\$27.8 million in Q3 2018 mainly due to (i) increase in rental expenses for six food courts and coffee shops sold to and lease back from Abundance Realty Pte Ltd, an associate of the Controlling Shareholder in late Q3 2017, as part of the restructuring exercise in conjunction with the listing of the Company and (ii) the increase in the number F&B Outlets in 2018. This includes higher rental costs incurred during the fit-out period for the 3 new food courts opened in 2018 which was charged in Q3 2018 amounting to S\$0.7 million as compared to 1 food court and 1 coffee shop in 2017.

Distribution and Selling Expenses

Distribution and selling expenses remained relatively constant at S\$0.6 million for both Q3 2017 and Q3 2018.

Administrative Expenses

Administrative expenses increased by S\$1.0 million or 63.5% from \$1.5 million in Q3 2017 to S\$2.5 million in Q3 2018 mainly due to IPO transaction costs of S\$1.3 million expensed off in Q3 2018.

Other Operating Expenses

Other operating expenses decreased by S\$1.1 million or 67.4% from S\$1.6 million in Q3 2017 to S\$0.5 million in Q3 2018 mainly due to provision made in Q3 2017 for impairment losses amounting to S\$1.0 million on property, plant and equipment in respect of loss-making outlets.

Finance Income

Finance income decreased by S\$0.3 million or 78.9% from S\$0.4 million in Q3 2017 to S\$0.1 million in Q3 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 Q3 2017 and Q3 2018.

Tax Expense

Tax expenses decreased by S\$0.4 million or 30.6% from S\$1.4 million in Q3 2017 to S\$1.0 million in Q3 2018 due to lower profits generated in Q3 2018 as compared to Q3 2017.

9M 2018 vs 9M 2017

The Group generated profit before taxation of S\$20.3 million in 9M 2018 as compared to S\$23.5 million in 9M 2017.

Revenue

Group revenue increased by S\$4.3 million or 2.6% from S\$162.5 million in 9M 2017 to S\$166.8 million in 9M 2018. This was mainly due to:-

- (a) Increase in revenue contribution from the outlet and mall management segment by S\$3.7 million from S\$79.0 million in 9M 2017 to S\$82.7 million in 9M 2018 is attributable to 3 new food courts opened in 9M 2018 at Fusionopolis, Oasis Terrace and Sengkang General Hospital and the contribution from 1 new food court, 1 coffee shop and 1 hawker centre which commenced operations in FY2017. The increase is partially offset by (i) the closure of 3 unprofitable food courts and coffee shop at Star Vista, Blk 204 Choa Chua Kang Avenue 1 and Marina Bay Link Mall and (ii) temporary closure in two phases of the food court 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\$0.6 million from S\$83.5 million in 9M 2017 to S\$84.1 million in 9M 2018 was attributable to 3 new food & beverage ("F&B") stalls in the food court at Fusionopolis, Oasis Terrace and Sengkang General Hospital, 3 F&B kiosks at Marina Bay Sands, Oasis Terrace and Cotai Sands, Macau and 2 QSRs at Millenia Walk and Fusionopolis which commenced operations in 9M 2018. The increase was also contributed from 2 new F&B kiosks, 2 QSRs, 1 full service restaurant and 3 self-operated F&B stalls which commenced business in FY2017. The increase was partially offset by (i) temporary closure of the food court at Marina Bay Sands for refurbishment and upgrading works (ii) closure of 2 quick service restaurant ("QSRs") at Harbourfront Centre and Changi Airport Terminal 2 and (iii) closure of 7 F&B stalls in Q3 2018. These 7 F&B stalls include 1 F&B stall located within the food court at Star Vista which was closed in Q3 2018 and 4 Western food stalls located at Square 2, Gek Poh Shopping Centre, Jurong East Mall and Yew Tee Point which are now leased to tenants instead, 1 F&B stall located at Blk 204 Choa Chua Kang Avenue 1 and other one in a third party food court at Ang Mo Kio Hub.

Other Income

Other income increased by S\$0.5 million or 14.5% from S\$3.4 million in 9M 2017 to S\$3.9 million in 9M 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\$0.9 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\$0.2 million or 0.8% from S\$26.7 million in 9M 2017 to S\$26.5 million in 9M 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\$0.5 million or 1.9% from S\$28.8 million in 9M 2017 to S\$28.3 million in 9M 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\$2.3 million or 33.3% from S\$6.8 million in 9M 2017 to S\$9.1 million in 9M 2018. This was mainly due to additional property, plant and equipment purchased for new F&B outlets and F&B stalls.

Property Rentals and Related Expenses

Property rentals and related expenses increased by S\$7.1 million or 9.9% from S\$71.6 million in 9M 2017 to S\$78.7 million in 9M 2018 mainly due to (i) increase in rental expenses for six food courts and coffee shops sold to and lease back from Abundance Realty Pte Ltd, an associate of the Controlling Shareholder in late Q3 2017, as part of the restructuring exercise and (ii) the increase in the number F&B Outlets in 2018 and 4Q 2017. This includes higher rental costs incurred during the fit-out period for the 3 new food courts opened in 2018 amounting to S\$1.0 million.

Distribution and Selling Expenses

Distribution and selling expenses remained constant at S\$1.7 million for both 9M 2017 and 9M 2018.

Administrative Expenses

Administrative expenses increased by S\$1.1 million or 29.3% from S\$3.6 million in 9M 2017 to S\$4.7 million in 9M 2018 mainly due to IPO transaction costs of S\$1.3 million expensed off in Q3 2018.

Other Operating Expenses

Other operating expenses decreased by S\$2.6 million or 60.8% from S\$4.3 million in 9M 2017 to S\$1.7 million in 9M 2018 mainly due to provision for impairment loss on assets and liabilities held for sale for the 6 coffee shops and food courts and 3 other freehold properties as part of the restructuring exercise in 2017 made in 1H 2017 and provision made in Q3 2017 for impairment losses on property, plant and equipment in respect of loss-making outlets.

Finance Income

Finance income decreased by S\$0.9 million or 83.8% from S\$1.1 million in 9M 2017 to S\$0.2 million in 9M 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 42.4% from S\$0.3 million in 9M 2017 to S\$0.2 million in 9M 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\$0.5 million or 13.5% from S\$3.9 million in 9M 2017 to S\$3.4 million in 9M 2018. The effective tax rates were 16.5% and 16.5% in 9M 2017 and 9M 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 September 2018.

Non-Current Assets

As at 30 September 2018, non-current assets increased by S\$9.6 million from S\$42.2 million to S\$51.8 million. The increase was mainly due to (i) the increase in investment properties by S\$3.4 million from S\$10.0 million as at 31 December 2017 to S\$13.4 million as at 30 September 2018, (ii) additions to property, plant and equipment by S\$2.3 million from S\$18.9 million as at 31 December 2017 to S\$21.0 million as at 30 September 2018 and (iii) the lease prepayment of the land premium for the integrated facility of S\$3.8 million paid in advance for the 30 years lease period in February 2018. The increase in investment properties was due to the progress payments made for the investment property at Tampines. The construction of this property has completed in Q3 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 computers used at our food courts and hawker centre in Q4 2017 and 9M 2018.

Current Assets

As at 30 September 2018, current assets increased by S\$38.7 million from S\$65.0 million to S\$103.7 million. The increase was mainly due to increase in time deposits placed with bank of S\$35 million and cash and cash equivalents by S\$2.8 million from S\$53.0 million as at 31 December 2017 to S\$55.8 as at 30 September 2018 and the increase in trade and other receivables by S\$1.0 million from S\$10.7 million as at 31 December 2017 to S\$11.7 million as at 30 September 2018. The increase in cash and cash equivalents and time deposits placed with bank are due to proceeds from issuance of new shares pursuant to IPO of \$45.5 million. The increase was partially offset by the interim dividends of S\$12.5 million paid in March 2018 and increase in amount due from Jun Yuan Holdings Pte Ltd of S\$0.6 million for the vendor shares of IPO cost.

Non-Current Liabilities

Non-current liabilities increased by S\$3.2 million from S\$10.6 million as at 31 December 2017 to S\$13.8 million as at 30 September 2018. The increase was mainly due to increase in loans and borrowings by S\$2.8 million from S\$1.6 million as at 31 December 2017 to S\$4.4 million as at 30 September 2018 due to the progress payments made to the developer for the investment property at Tampines.

Current Liabilities

Current liabilities decreased by S\$1.5 million from S\$53.5 million as at 31 December 2017 to S\$52.0 million as at 30 September 2018 mainly due to decrease in current tax liabilities of S\$1.8 million from S\$6.8 as at 31 December 2017 to S\$5 million as at 30 September 2018.

Statement of Cash Flows

Q3 2018 vs Q3 2017

The Group generated net cash flows from operating activities in Q3 2018 of S\$10.5 million, a result of operating profit before working capital changes of S\$8.6 million, adjusted for net working capital inflows of S\$4.5 million and income taxes paid of S\$2.6 million.

In Q3 2017, adjusted net working capital inflows of S\$1.6 million was mainly attributable to the cash inflows from increase in trade and other payables of S\$9.6 million, partly offset by cash outflows from trade and other receivables of S\$8.0 million. The increase in trade and other payables was mainly due to loan from Abundance Realty Pte Ltd of S\$5.7 million in Q3 2017 and increase in GST payables of S\$2.4 million resulted from the disposal of 6 food courts and coffee shops to Abundance Realty Pte Ltd and one commercial unit to Jun Yuan Holdings Pte Ltd as part of the restructuring exercise. The cash outflows from trade and other receivables was mainly due to the increase in amount due from Jun Yuan Holdings for the disposal of subsidiary, Abundance Development Pte Ltd, on 30 September 2017.

Net cash flows used in investing activities in Q3 2018 amount to S\$40.8 million, which was mainly attributable to the cash outflows from (i) purchase of property, plant and equipment of S\$3.4 million for the expansion and renovation of outlets, (ii) progress payments made to the developer for the investment property at Tampines of S\$2.3 million and (iii) time deposits of S\$35 million placed with bank.

Net cash flows from financing activities in Q3 2018 amount to S\$43.6 million, which was attributable to the cash inflows from (i) proceeds from loans and borrowings of S\$1.9 million and (ii) proceeds from issuance of new shares pursuant to IPO of S\$45.5 million, partly offset by (i) the distribution of profits to the then-existing owners of sole-proprietors and a partnership of S\$1.0 million, (ii) repayments of loans and borrowings of S\$0.1 million, (iii) payment of interest of S\$0.1 million and (iv) listing expenses paid of S\$2.6 million.

9M 2018 vs 9M 2017

The Group generated net cash flows from operating activities in 9M 2018 of S\$25.0 million, a result of operating profit before working capital changes of S\$29.5 million, adjusted for net working capital inflows of S\$0.5 million and income taxes paid of S\$5.0 million.

Net cash flows used in investing activities in 9M 2018 amount to S\$53.4 million, which was attributable to the cash inflows from (i) disposal of plant and equipment of S\$0.1 million, and (ii) interest received of S\$0.1 million on fixed deposits placed with banks, partially offset by (i) purchase of property, plant and equipment of S\$10.7 million for the expansion and renovation of outlets, (ii) land premium for the integrated facility of S\$3.5 million, (iii) progress payments made to the developer for the investment property at Tampines of S\$4.4 million and (iv) time deposit placed with bank of S\$35 million.

Net cash flows generating from financing activities in 9M 2018 amount to S\$31.1 million, which was attributable to the cash inflows from (i) gross proceeds from issuance of new shares pursuant to IPO of S\$45.5 million and (ii) proceeds from loans and borrowings of S\$3.2 million, partly offset by (i) distribution of profits to the then-existing owners of sole-proprietors and a partnership of S\$2.1 million, (ii) dividends paid to the equity holder of the Company of S\$12.5 million, (iii) repayments of loans and borrowings of S\$0.2 million, (iv) and payment of interest of S\$0.2 million and (v) listing expenses paid of S\$2.6 million.

As a result of the above, there was a net increase in our Group's cash and cash equivalents by S\$2.7 million in 9M 2018, from S\$53.0 million to S\$55.8 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. No forecast or prospect statement has been previously disclosed to shareholders.

(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 highly competitive and challenging. Increasing rental costs and labour costs as a result of labour shortage are key challenges faced in the F&B industry.

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

The Group secured 3 new food courts and coffee shops leases in Singapore, two of which are targeted to open in Q4 2018 and the other in Q1 2019. The Group also secured 1 new food court in Macau targeted to open in Q1 2019. In addition, the Group is expanding its "R&B Tea" and "Super Tea" in both Singapore and the overseas market and has further secured 6 new locations for the "R&B Tea" in Singapore targeted to open in Q4 2018 bringing the total number of outlets for the tea beverage brands to 11 by end of 2018. The Group will continue to look for and secure new premises to expand the number of F&B Outlets.

The construction of the Group's integrated facility is expected to commence in Q4 2018. The Group is

actively exploring partners for its business to be operated in the integrated facility.

Barring any unforeseen circumstances, the Group expects to continue growing its business and 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 12 December 2018.

(e) Books closure date

The Share Transfer Books and Register of Members of Koufu Group Limited (the "Company") will be closed on 30 November 2018, 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 2018 ("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 30 November 2018 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 30 November 2018, will be entitled to the Interim Dividend.

The Interim Dividend will be paid on 12 December 2018.

(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.

In connection with the IPO, the Group had obtained a general mandate from shareholders for IPTs disclosed in pages 173 to 180 of the Prospectus.

As disclosed on page 176 of the Prospectus, the Group had entered into the IPT transactions with the interested persons as detailed below:-

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 September 2018	9 months ended 30 September 2018	3 months ended 30 September 2018	9 months ended 30 September 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Abundance Realty Pte Ltd Food court and coffee shops' leases	-	-	852	2,553
Great Solutions Pte Ltd Dishwashing, cleaning, landscaping and vector control services	-	-	158	435
Brightlink Electrical Pte Ltd Provision of renovation works and other general electrical works	-	-	283	808

Save for the above, there are no other IPTs 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	-	30,000
Refurbishment and renovation of new and existing F&B Outlets	8,000	-	8,000
Acquisitions, joint ventures, strategic alliances or investments	5,000	-	5,000
Listing expenses	2,500	(2,500)	-
Total	45,500	(2,500)	43,000

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 third quarter ended 30 September 2018 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

9 November 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.