

Unaudited Financial Statements and Dividend Announcement
For the first quarter ended 31 March 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 first quarter (“1Q”) ended 31 March 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)
	1Q 2019	1Q 2018	
	S\$'000	S\$'000	+/(-) %
Revenue	57,777	55,080	4.9%
Other income	1,845	1,476	25.0%
Cost of inventories consumed	(8,799)	(8,664)	1.6%
Staff costs	(10,328)	(9,776)	5.6%
Depreciation of investment properties and property, plant and equipment ⁽¹⁾	(18,337)	(2,887)	N.M
Property rentals and related expenses ⁽¹⁾	(10,533)	(25,615)	(58.9)%
Distribution and selling expenses	(301)	(524)	(42.6)%
Administrative expenses	(1,221)	(1,068)	14.3%
Impairment loss on trade receivables	(216)	(210)	2.9%
Other operating expenses	(725)	(438)	65.5%
Results from operating activities	9,162	7,374	24.2%
Finance income	201	29	N.M
Finance costs ⁽¹⁾	(1,012)	(55)	N.M
Net finance costs	(811)	(26)	N.M
Share of profit of associates and partnership, net of tax	94	96	(2.1)%
Profit before tax	8,445	7,444	13.4%
Tax expense	(1,487)	(1,271)	17.0%
Profit for the period	6,958	6,173	12.7%
Owners of the Company	6,962	6,200	12.3%
Non-controlling interests	(4)	(27)	N.M
	6,958	6,173	12.7%

	Group		
	1Q 2019	1Q 2018	Increase/ (decrease)
	S\$'000	S\$'000	+/(-) %
Profit for the period	6,958	6,173	12.7%
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	(102)	(93)	9.7%
Total other comprehensive income for the period	<u>(102)</u>	<u>(93)</u>	9.7%
Total comprehensive income for the period	<u>6,856</u>	<u>6,080</u>	12.8%
Total comprehensive income for the period attributable to:			
Owners of the Company	6,860	6,107	12.3%
Non-controlling interests	(4)	(27)	N.M
	<u>6,856</u>	<u>6,080</u>	12.8%

Notes:

- (1) 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 11 for details)
- (2) 1Q denotes financial period from 1 January to 31 March
- (3) N.M denotes not meaningful

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

	Group		Increase/ (Decrease)
	1Q 2019	1Q 2018	
	S\$'000	S\$'000	+ / (-) %
Employee benefits expenses	10,328	9,776	5.6%
Gain on disposal of property, plant & equipment	(3)	-	N.M
Government grants	(392)	(551)	(28.9)%
Impairment loss on trade receivables	216	210	2.9%
Operating lease expenses	1,105	14,634	(92.4)%
Write off of property, plant & equipment	-	13	N.M
Impairment loss on property, plant & equipment	292	-	N.M
Interest expenses on loans and borrowings	103	54	90.7%
Interest income	(201)	(29)	N.M
Foreign exchange loss (net)	-*	1	N.M
Amortisation of intangible assets	19	54	(64.8)%
Interest expenses on lease liabilities	872	-	N.M
Under provision for tax	35	55	(36.4)%

* Less than \$1,000

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	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
ASSETS	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant & equipment ⁽¹⁾	194,430	21,383	-	-
Lease prepayment ⁽¹⁾	-	3,658	-	-
Intangible assets	120	143	1	1
Investment properties ⁽¹⁾	14,990	13,765	-	-
Subsidiaries	-	-	1,000	1,000
Associates and partnership	356	262	-	-
Other investments	1,600	1,600	-	-
Deferred tax assets ⁽¹⁾	501	-	-	-
Trade and other receivables	10,459	11,329	-	-
Total non-current assets	222,456	52,140	1,001	1,001
Current assets				
Inventories	1,348	1,288	-	-
Lease prepayment ⁽¹⁾	-	130	-	-
Trade and other receivables	10,072	10,158	42,558	41,374
Time deposits	32,177	35,000	-	-
Cash and cash equivalents	66,557	60,979	11,679	12,040
Total current assets	110,154	107,555	54,237	53,414
Total assets	332,610	159,695	55,238	54,415
LIABILITIES				
Current liabilities				
Trade and other payables	41,773	46,021	1,481	1,115
Lease liabilities ⁽¹⁾	57,977	-	-	-
Loans and borrowings	580	411	-	-
Current tax liabilities	6,682	6,009	394	180
Provision for reinstatement cost	1,618	1,329	-	-
Total current liabilities	108,630	53,770	1,875	1,295
Non-current liabilities				
Trade and other payables	5,703	6,763	-	-
Lease liabilities ⁽¹⁾	117,084	-	-	-
Loans and borrowings	4,054	4,364	-	-
Deferred tax liabilities	16	14	-	-
Provision for reinstatement cost	3,007	3,256	-	-
Total non-current liabilities	129,864	14,397	-	-
Total liabilities	238,494	68,167	1,875	1,295
EQUITY				
Share capital	44,961	44,961	44,961	44,961
Reserves	(389)	(287)	-	-
Retained earnings	49,437	46,737	8,402	8,159
Equity attributable to owners of the Company	94,009	91,411	53,363	53,120
Non-controlling interests	107	117	-	-
Total equity	94,116	91,528	53,363	53,120
Total equity and liabilities	332,610	159,695	55,238	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 11 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 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
580	-	411	-

Amount repayable after one year

As at 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,054	-	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	
	1Q 2019	1Q 2018
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the period	6,958	6,173
Adjustments for:		
Amortisation of intangible assets	19	54
Depreciation of property, plant and equipment ⁽¹⁾	17,068	2,749
Depreciation of investment properties ⁽¹⁾	1,269	138
Gain on disposal of property, plant and equipment	(3)	-
Impairment loss on property, plant and equipment	292	-
Impairment loss on trade receivables	216	210
Finance income	(201)	(29)
Finance costs ⁽¹⁾	1,012	55
Share of profit of associates and partnership	(94)	(96)
Write off of property, plant and equipment	-	13
Tax expense	1,487	1,271
	<hr/>	<hr/>
	28,023	10,538
Changes in working capital		
Inventories	(60)	(5)
Trade and other receivables	762	(1,940)
Trade and other payables	(2,264)	2,162
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Cash generated from operations	26,461	10,755
Tax paid	(679)	(582)
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Net cash generated from operating activities	25,782	10,173
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Cash flows from investing activities		
Interest received	201	29
Proceeds from disposal of property, plant and equipment	3	-
Purchases of property, plant and equipment	(5,295)	(8,546)
Proceeds from time deposits placed with bank	2,823	-
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Net cash used in investing activities	(2,268)	(8,517)
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(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	
	1Q 2019	1Q 2018
	S\$'000	S\$'000
Cash flows from financing activities		
Payment of lease liabilities ⁽¹⁾	(16,589)	-
Distribution of profits to the then-existing owners of sole-proprietors and partnership	-	(695)
Dividends paid to equity holders of the Company	-	(12,500)
Repayments of loans from fellow subsidiary of immediate and ultimate holding company	(193)	(190)
Repayments of loans and borrowings	(141)	(46)
Interest paid ⁽¹⁾	(976)	(53)
Net cash generated used in financing activities	(17,899)	(13,484)
Net increase/(decrease) in cash and cash equivalents	5,615	(11,828)
Cash and cash equivalents at beginning of financial period	60,979	53,043
Effect of exchange rate fluctuations on cash held	(37)	(212)
Cash and cash equivalents at end of financial period	66,557	41,003

(1) The significant increases are due to the adoption of SFRS(I) 16 Leases which is effective from 1 January 2019 (refer to paragraph 5 on page 11 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	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
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

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 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
At 1 January 2018	100	(2)	98
Profit and total comprehensive income for the period	-	-	-
At 31 March 2018	100	(2)	98

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.

There were no changes in the share capital of the Company in Q1 2019.

There were no convertible instruments as at 31 March 2019 and 31 December 2018.

The Company has no treasury shares as at 31 March 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.

The total number of issued ordinary shares as at 31 March 2019 and 31 December 2018 were 555,163,000. 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 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.

1 January 2019	As previously reported S\$'000	Adjustments S\$'000	As restated S\$'000
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

1 January 2019	As previously reported S\$'000	Adjustments S\$'000	As restated S\$'000
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	
	1Q 2019	1Q 2018
Basic earnings per share (cents)	1.25	1.28
Weighted average number of shares	555,163,000	483,000,000
Fully diluted earnings per share (cents)	1.25	1.28
Weighted average number of shares	555,163,000	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	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Net asset value per share (cents)	16.93	16.47	9.61	9.57
Number of shares issued at end of the financial period	555,163,000	555,163,000	555,163,000	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

Q1 2019 vs Q1 2018

The Group generated profit before taxation of S\$8.4 million in Q1 2019 as compared to S\$7.4 million in Q1 2018.

Revenue

Group revenue increased by S\$2.7 million or 4.9% from S\$55.1 million in Q1 2018 to S\$57.8 million in Q1 2019.

- (a) Revenue contribution from the outlet and mall management segment increased by S\$2.5 million from S\$27.2 million in Q1 2018 to S\$29.7 million in Q1 2019. This was mainly attributable to (i) 2 new food courts at The Woodgrove and Buangkok Square opened in Q1 2019 (ii) 3 new food courts and 1 coffee shop opened in FY 2018 and (iii) overall revenue growth from most of the food courts and coffee shops. The increase was partially offset by the closure of 3 food courts and 1 coffee shop in FY 2018.
- (b) Revenue from the food & beverage ("F&B") retail business segment increased by S\$0.2 million from S\$27.9 million in Q1 2018 to S\$28.1 million in Q1 2019. This was mainly attributable to (i) 2 new food and beverage ("F&B") stalls in the food courts at The Woodgrove and Buangkok Square and 6 new F&B kiosks at 100 AM mall, Tampines MRT, Parkway Parade, Yew Tee Point, Buangkok Square and Macau University which commenced operations in Q1 2019 (ii) 4 F&B stalls, 6 F&B kiosks and 1 quick-service restaurant ("QSR") which commenced operations in FY 2018 and (iii) overall revenue growth from most of the food courts and coffee shops. The increase was partially offset by the closure of 3 QSRs and 12 F&B stalls in FY 2018.

Other Income

Other income increased by S\$0.3 million or 25.0% from S\$1.5 million in Q1 2018 to S\$1.8 million in Q1 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\$0.1 million or 1.6% from S\$8.7 million in Q1 2018 to S\$8.8 million in Q1 2019 generally in line with the increase in revenue from F&B retail business.

Staff Costs

Staff costs increased by S\$0.5 million or 5.6% from S\$9.8 million in Q1 2018 to S\$10.3 million in Q1 2019 was mainly due to increase in headcount of management team and new F&B outlets subsequent to Q1 2018.

Depreciation of Investment Properties and Property, Plant and Equipment

Depreciation charges increased by S\$15.4 million from S\$2.9 million in Q1 2018 to S\$18.3 million in Q1 2019. This was mainly due to depreciation charge in Q1 2019 amounting to S\$15.6 million 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\$15.1 million or 58.9% from S\$25.6 million in Q1 2018 to S\$10.5 million in Q1 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 marginally by S\$0.2 million or 42.6% from S\$0.5 million in Q1 2018 to S\$0.3 million in Q1 2019 was mainly 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 14.3% from S\$1.1 million in Q1 2018 to S\$1.2 million in Q1 2019 was mainly due to listing expenses and professional fees paid for internal audit and enterprise risk management services in Q1 2019.

Impairment Loss on Trade Receivables

Impairment loss on trade receivables remained relatively constant at S\$0.2 million for both Q1 2018 and Q1 2019.

Other Operating Expenses

Other operating expenses increased by S\$0.3 million or 65.5% from S\$0.4 million in Q1 2018 to S\$0.7 million in Q1 2019 was mainly due to impairment loss on property, plant and equipment of S\$0.3 million recognised for cash generating units with recurring losses.

Finance Income

Finance income increased by S\$0.2 million from S\$0.03 million in Q1 2018 to S\$0.2 million in Q1 2019 was mainly due to interest earned on time deposits placed with bank.

Finance Costs

Finance costs increased by S\$0.9 million from S\$0.06 million in Q1 2018 to S\$1.0 million in Q1 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\$0.2 million or 17.0% from S\$1.3 million in Q1 2018 to S\$1.5 million in Q1 2019 due to (i) higher profits generated in Q1 2019 as compared to Q1 2018 and (ii) deferred tax expenses of S\$0.1 million recognised in Q1 2019. The effective tax rates were 17.6% and 17.1% for Q1 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 31 March 2019.

Non-Current Assets

As at 31 March 2019, non-current assets increased by S\$170.4 million from S\$52.1 million to S\$222.5 million. The increase was due to (i) increase in investment properties by S\$1.2 million from S\$13.8 million as at 31 December 2018 to S\$15.0 million as at 31 March 2019, a result of the recognition of ROU assets (ii) increase in property, plant & equipment by S\$173.0 million from S\$21.4 million as at 31 December 2018 to S\$194.4 million as at 31 March 2019, for the additions to property, plant and equipment of S\$2.8 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 FY 2019, and the recognition of ROU assets of S\$170.2 million, with a corresponding decrease in lease prepayment of the land premium for the integrated facility of S\$3.7 million as at 31 March 2019 and (iii) deferred tax assets of S\$0.5 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\$0.8 million relating to refundable deposits placed with landlords.

Current Assets

As at 31 March 2019, current assets increased by S\$2.6 million from S\$107.6 million to S\$110.2 million. The increase was mainly due to increase in cash and cash equivalents by S\$5.6 million from S\$61.0 million as at 31 December 2018 to S\$66.6 million as at 31 March 2019. This is partially offset by decrease in (i) time deposits placed with bank by S\$2.8 million from S\$35.0 million as at 31 December 2018 to S\$32.2 million as at 31 March 2019 (ii) trade and other receivables by S\$0.1 million from S\$10.2 million as at 31 December 2018 to S\$10.1 million as at 31 March 2019 and (iii) lease prepayment by S\$0.1 million from S\$0.1 million as at 31 December 2018 to NIL as at 31 March 2019.

Non-Current Liabilities

Non-current liabilities increased by S\$115.5 million from S\$14.4 million as at 31 December 2018 to S\$129.9 million as at 31 March 2019. The increase was mainly due to the recognition of lease liabilities of S\$117.1 million with the adoption of SFRS(I)16 as at 31 March 2019. The increase was partially offset by decrease in (i) provision for reinstatement costs by S\$0.3 million from S\$3.3 million as at 31 December 2018 to S\$3.0 million as at 31 March 2019 (ii) decrease in trade and other payables by S\$1.1 million from S\$6.8 million as at 31 December 2018 to S\$5.7 million as at 31 March 2019 which mainly relates to decrease in accrued lease rental which were offset against retained earnings in accordance with the SFRS(I)16 and (iii) loans and borrowings by S\$0.3 million from S\$4.4 million as at 31 December 2018 to S\$4.1 million as at 31 March 2019.

Current Liabilities

Current liabilities increased by S\$54.8 million from S\$53.8 million as at 31 December 2018 to S\$108.6 million as at 31 March 2019.

The increase was mainly due to (i) recognition of lease liabilities of S\$58.0 million with the adoption of SFRS(I)16 as at 31 March 2019 (ii) increase in provision for reinstatement cost of S\$0.3 million from S\$1.3 million as at 31 December 2018 to S\$1.6 million as at 31 March 2019 (iii) increase in current tax liabilities of S\$0.7 million from S\$6.0 million as at 31 December 2018 to S\$6.7 million as at 31 March 2019 and (iv) increase in loan and borrowings of S\$0.2 million from S\$0.4 million as at 31 December 2018 to S\$0.6 million as at 31 March 2019. The increase was partially offset by the decrease in trade and other payables of S\$4.2 million from S\$46.0 million as at 31 December 2018 to S\$41.8 million as at 31 March 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

Q1 2019 vs Q1 2018

The Group generated net cash flows from operating activities in Q1 2019 of S\$25.8 million, a result of operating profit before working capital changes of S\$28.0 million, adjusted for net working capital outflows of S\$1.6 million and income taxes paid of S\$0.7 million. Net cash generated from operating activities before working capital changes of S\$28.0 million in Q1 2019 increased, as compared to that of S\$10.5 million in Q1 2018, due to the non-cash adjustment for depreciation of property, plant and equipment of S\$14.5 million and depreciation of investment properties of S\$1.1 million arising from the adoption of SFRS(I)16.

Net working capital outflows of S\$1.6 million in Q1 2019 was mainly attributable to the cash outflows from trade and other payables of S\$2.3 million as a result of payment of accrued operating expenses, partly offset by cash inflows from trade and other receivables of S\$0.8 million.

Net cash flows used in investing activities in Q1 2019 amount to S\$2.3 million, was mainly attributable to the cash outflows for purchase of property, plant and equipment of S\$5.3 million for the expansion and renovation of outlets and integrated facility, partly offset by cash inflows from the withdrawal of time deposits placed with the bank of S\$2.8 million and interest received from the time deposits placed with the bank of S\$0.2 million.

Net cash flows used in financing activities in Q1 2019 amount to S\$17.9 million, was attributable to the cash outflows from (i) the payment of interest and lease liabilities of S\$1.0 million and S\$16.6 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.

(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 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. However, the Group is expected to remain competitive as it continues its journey on improving productivity and will pilot its first traditional coffee making machine in one of its outlets in the upcoming months.

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.

In addition to the 2 new food courts opened in Q1 2019, the Group has secured three new food courts, one of which is in Macau, and 1 coffee shop, all targeted to open progressively from Q2 to Q4 2019. The Group is also in the final stage of negotiating another lease for a food court in Macau, targeted to open in 2H 2019.

The expansion of the tea beverage brands in Singapore has seen the Group secure 7 new locations to-date for the *R&B Tea* outlets in Singapore. All of which were targeted to open progressively from Q2 to Q4 2019, thereby bringing the total number of outlets for the tea beverage brands to at least 20 in FY 2019. The Group will continue to look for and secure new premises to expand the number of F&B Outlets. Overseas, the Group has opened its second tea beverage kiosk at Macau University in Q1 2019. The Group is actively exploring partners to operate its *Elemen* and *R&B Tea* brands in Malaysia, Indonesia, Philippines, and Australia.

The construction of the Group's integrated facility has commenced in Q4 2018 and is expected to be completed 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

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

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

Not applicable.

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

None.

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Books closure date

Not applicable.

(12) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period.

(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 31 March 2019	3 months ended 31 March 2019
	S\$'000	S\$'000
Great Solutions Pte Ltd		
Dishwashing, cleaning, landscaping and vector control services ⁽¹⁾	-	149

⁽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	(2,174)	27,826
Refurbishment and renovation of new and existing F&B Outlets	8,000	(2,525)	5,475
Acquisitions, joint ventures, strategic alliances or investments	5,000	-	5,000
Listing expenses	2,500	(2,500)	-
Total	45,500	(7,199)	38,301

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 first quarter ended 31 March 2019 of the Group 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

6 May 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.