# LAFE CORPORATION LIMITED

**Un-audited Q2 2018 Financial Statement And Dividend Announcement**
**(All in US Dollars)**

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

**1(a)(i) A statement of profit or loss and other comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Quarter ended 30 June, | | | Half year ended 30 June, | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | Increase/ (decrease) | **2018** | **2017** | Increase/ (decrease) |
| | US$'000 | US$'000 | % | US$'000 | US$'000 | % |
| **Revenue** | **3,811** | **2,948** | **29** | **7,391** | **5,928** | **25** |
| Cost of sales | (2,796) | (2,123) | 32 | (5,550) | (4,311) | 29 |
| **Gross profit** | **1,015** | **825** | **23** | **1,841** | **1,617** | **14** |
| Other net (loss)/gain | (1,514) | 1,147 | n/m | (38) | 3,204 | n/m |
| Administrative costs | (2,186) | (2,217) | (1) | (4,546) | (4,359) | 4 |
| Finance costs | (44) | (37) | 19 | (68) | (103) | (34) |
| **(Loss)/profit before taxation** | **(2,729)** | **(282)** | **868** | **(2,811)** | **359** | **(n/m)** |
| Taxation | (5) | (5) | - | (11) | (16) | (31) |
| **Net (loss)/profit for the period** | **(2,734)** | **(287)** | **853** | **(2,822)** | **343** | **n/m** |
| **Other comprehensive income** | | | | | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | | | | |
| Fair value changes on available-for-sale investments | (8) | (2) | 300 | (10) | (3) | 233 |
| Currency translation differences arising on consolidation | (2) | (232) | (99) | (207) | (323) | (36) |
| Revaluation loss on property, plant and equipment | - | (348) | n/m | - | (348) | n/m |
| **Other comprehensive loss for the period** | **(10)** | **(582)** | **(98)** | **(217)** | **(674)** | **(68)** |
| **Total comprehensive loss for the period** | **(2,744)** | **(869)** | **216** | **(3,039)** | **(331)** | **818** |

**1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the statement of profit or loss and other comprehensive income or in the notes to the statement of profit or loss and other comprehensive income for the current financial period reported on and the corresponding period of the immediately preceding financial year:**

| | Quarter ended 30 June, | | | Half year ended 30 June, | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | Increase/ (decrease) | **2018** | **2017** | Increase/ (decrease) |
| | US$'000 | US$'000 | % | US$'000 | US$'000 | % |
| Depreciation of property, plant and equipment | (33) | (32) | 3 | (64) | (65) | (2) |
| Gain on disposal of property, plant and equipment | - | 66 | n/m | - | 66 | n/m |
| Loss on re-measurement of asset reclassified to held for sale | - | (128) | n/m | - | (128) | n/m |
| Net foreign currency exchange (loss)/gain | (1,870) | 856 | n/m | (811) | 2,572 | n/m |
| Reversal of impairment on receivables | 7 | 5 | 40 | 23 | 5 | 360 |
| Interest income | 344 | 332 | 4 | 691 | 648 | 7 |
| Interest on bank and other borrowings | - | (16) | n/m | - | (31) | n/m |
| Discount on provision unwound | (42) | (19) | 121 | (61) | (66) | (8) |

n/m – not meaningful

**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 | |
|---|---|---|---|---|
| | As at 30/06/2018 | As at 31/12/2017 | As at 30/06/2018 | As at 31/12/2017 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 342 | 369 | - | - |
| Trademark | 5,158 | 5,179 | - | - |
| Investments in subsidiaries | - | - | - | - |
| Available-for-sale financial assets | 26 | 36 | 18 | 26 |
| Non-trade receivable from a related party | 43,439 | 44,441 | - | - |
| Other non-current assets | 4,147 | 271 | - | - |
| | **53,112** | **50,296** | **18** | **26** |
| **Current assets** | | | | |
| Trade and other receivables | 2,855 | 2,640 | - | - |
| Other current assets | 562 | 302 | 10 | 23 |
| Non-trade receivables from subsidiaries | - | - | 51,500 | 54,222 |
| Cash and cash equivalents | 1,964 | 9,621 | 2 | 2 |
| | **5,381** | **12,563** | **51,512** | **54,247** |
| **Current liabilities** | | | | |
| Trade and other payables | 1,871 | 2,045 | 183 | 300 |
| Provisions | 1,934 | 2,071 | 1,934 | 2,071 |
| Non-trade payables to related parties | 10 | 10 | - | - |
| Tax payable | 35 | 24 | - | - |
| | **3,850** | **4,150** | **2,117** | **2,371** |
| **Net current assets** | **5,285** | **8,413** | **49,395** | **51,876** |
| **Total assets less current liabilities** | **54,643** | **58,709** | **49,413** | **51,902** |
| **Non-current liabilities** | | | | |
| Provisions | 2,706 | 3,731 | 2,413 | 3,436 |
| Deferred tax liabilities | 767 | 769 | - | - |
| | **3,473** | **4,500** | **2,413** | **3,436** |
| **NET ASSETS** | **51,170** | **54,209** | **47,000** | **48,466** |

**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. -** *continued*

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31/06/2018** | **As at 31/12/2017** | **As at 30/06/2018** | **As at 31/12/2017** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | 50,667 | 50,667 | 50,667 | 50,667 |
| Reserves | 503 | 3,542 | (3,667) | (2,201) |
| | **51,170** | **54,209** | **47,000** | **48,466** |

**1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-**

**Amount repayable in one year or less, or on demand**

| As at 30 June 2018 | |
|---|---|
| Secured<br>US$'000 | Unsecured<br>US$'000 |
| NIL | NIL |

| As at 31 December 2017 | |
|---|---|
| Secured<br>US$'000 | Unsecured<br>US$'000 |
| NIL | NIL |

**Amount repayable after one year**

| As at 30 June 2018 | |
|---|---|
| Secured<br>US$'000 | Unsecured<br>US$'000 |
| NIL | NIL |

| As at 31 December 2017 | |
|---|---|
| Secured<br>US$'000 | Unsecured<br>US$'000 |
| NIL | NIL |

**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.**

| | Quarter ended 30 June, | | Half year ended 30 June, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **(Loss) / profit before taxation** | **(2,729)** | **(282)** | **(2,811)** | **359** |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 33 | 32 | 64 | 65 |
| Provision for staff benefits | - | - | (1) | |
| Reversal of impairment on receivables | - | (5) | (16) | (5) |
| Loss on re-measurement of asset reclassified to held for sale | - | 128 | - | 128 |
| Gain on disposal of property, plant and equipment | - | (65) | - | (65) |
| Discount on provision unwound | 42 | 19 | 61 | 66 |
| Interest expenses | - | 16 | - | 31 |
| Interest income | (344) | (332) | (691) | (648) |
| Unrealised currency translation gain | (184) | (499) | (90) | (1,665) |
| **Operating cash flow before working capital changes** | **(3,182)** | **(988)** | **(3,484)** | **(1,734)** |
| **Changes in working capital** | | | | |
| Trade and other receivables and other current assets | (2,316) | 97 | (4,334) | (110) |
| Trade and other payables | (187) | 47 | (174) | 59 |
| Provisions | (584) | (475) | (1,132) | (961) |
| Currency translation adjustments | 1,837 | (308) | 820 | (846) |
| **Cash (used in)/generated from operations** | **(4,432)** | **(1,627)** | **(8,304)** | **(3,592)** |
| Taxation paid | - | (5) | - | (5) |
| Interest paid | - | (16) | - | (31) |
| Interest received | 348 | 325 | 691 | 644 |
| **Net cash used in generated from operating activities** | **(4,084)** | **(1,323)** | **(7,613)** | **(2,984)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of property, plant and equipment | (37) | (308) | (41) | (312) |
| Proceeds from disposal of property, plant and equipment | - | 84 | - | 84 |
| **Net cash used in investing activities** | **(37)** | **(224)** | **(41)** | **(228)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayment of bank loans | - | (45) | - | (92) |
| **Net cash used in financing activities** | **-** | **(45)** | **-** | **(92)** |

**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. –** *continued*

| | Quarter ended 30 June, | | Half year ended 30 June, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(4,121)** | **(1,592)** | **(7,654)** | **(3,304)** |
| Cash and cash equivalents at beginning of period | 6,085 | 11,446 | 9,621 | 12,809 |
| Effects of exchange rate changes on cash and cash equivalents | - | 58 | (3) | 407 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **1,964** | **9,912** | **1,964** | **9,912** |

**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.**

**GROUP**

| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 | Revaluation reserve US$'000 | Fair value reserve US$'000 | Exchange reserve US$'000 | Accumulated losses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 50,667 | 27,171 | 24 | 1,910 | (3) | 605 | (24,990) | 55,384 |
| Total comprehensive (loss) / income | - | - | - | (348) | (3) | (323) | 343 | (331) |
| **Balance at 30 June 2017** | **50,667** | **27,171** | **24** | **1,562** | **(6)** | **282** | **(24,647)** | **55,053** |
| Balance at 1 January 2018 | 50,667 | 27,171 | 24 | - | 22 | 216 | (23,891) | 54,209 |
| Total comprehensive loss | - | - | - | - | (10) | (207) | (2,822) | (3,039) |
| **Balance at 30 June 2018** | **50,667** | **27,171** | **24** | **-** | **12** | **9** | **(26,713)** | **51,170** |

**COMPANY**

| | Share capital US$'000 | Share premium US$'000 | Fair value reserve US$'000 | Accumulated losses US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2017 | 50,667 | 27,171 | (2) | (31,918) | 45,918 |
| Total comprehensive (loss) / income | - | - | (3) | 1,738 | 1,735 |
| **Balance at 30 June 2017** | **50,667** | **27,171** | **(5)** | **(30,180)** | **47,653** |
| Balance at 1 January 2018 | 50,667 | 27,171 | 16 | (29,388) | 48,466 |
| Total comprehensive loss | - | - | (6) | (1,460) | (1,466) |
| **Balance at 30 June 2018** | **50,667** | **27,171** | **10** | **(30,848)** | **47,000** |

**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 share 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 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.**

Not applicable.

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

The total number of issued shares excluding treasury shares as at both 30 June 2018 and 31 December 2017 was 25,333,333.

The Company did not have any treasury shares as at 30 June 2018 and 31 December 2017.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation, and/or use of treasury shares at the 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 nor reviewed by the auditors.

**3 Where the figure have been audited or reviewed, the auditor's report (including any qualifications or emphasis of 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.**

The Group's financial statements for the financial period ending 30 June 2018 is prepared in accordance with the International Financial Reporting Standards ("IFRSs"). The Group has performed a detailed analysis of the transition options and other requirements of IFRSs and has determined that there are no changes to the Group's current accounting policies under the IFRSs or material adjustments on the initial transition to the new framework.

Other than the adoption of the new IFRSs, amendments and interpretations of IFRSs which took effect from the current financial period, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements.

**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.**

No change.

**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:-**

| | Half year ended 30 June, | |
|---|---|---|
| | **2018** | **2017** |
| (Loss)/Earnings per ordinary share for the period based on net profit attributable to shareholders: - | | |
| (i) Based on the weighted average number of ordinary shares in issue | (US 11.14 cents) | US 1.35 cents |
| (ii) On a fully diluted basis | (US 11.14 cents) | US 1.35 cents |

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year:-**

| | Group | | Company | |
|---|---|---|---|---|
| | **30/06/2018** | **31/12/2017** | **30/06/2018** | **31/12/2017** |
| Net asset value per ordinary share | US 202.0 cents | US 214.0 cents | US 185.5 cents | US 191.3 cents |

**8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

**a. 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; and**

**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 Profit or Loss and Other Comprehensive Income

The Group's revenue increased by US$0.8 million from US$3.0 million for Q2 2017 to US$3.8 million for Q2 2018. The increase was mainly attributable to the increase in the revenue generated from the Vigers Group's Operations.

Cost of sales increased by US$0.7 million from US$2.1 million for Q2 2017 to US$2.8 million for Q2 2018. The increase was mainly attributable to the higher contracted manpower costs in the Vigers Operations.

The Group recorded a gross profit of US$1.0 million for Q2 2018 as compared to a gross profit of US$0.8 million for Q2 2017, an increase of US$0.2 million as explained in the preceding paragraphs.

The Group had other net loss of US$1.5 million for Q2 2018 as compared to a net gain of US$1.1 million for Q2 2017. In Q2 2018, the other net loss comprised mainly the net foreign currency exchange loss of US$1.9 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.4 million. In Q2 2017, the other net gain comprised mainly the net foreign currency exchange gain of US$0.9 million arising from translating the monetary items denominated in foreign currencies, interest income of US$0.3 million and loss of US$0.1 million arising from reclassification of land and building to asset held for sale.

Administrative costs of US$2.19 million for Q2 2018 were comparable to the US$2.22 million for Q2 2017.

Finance costs increased slightly by US$7 thousand from US$37 thousand for Q2 2017 to US$44 thousand for Q2 2018. The finance costs for both quarters comprised mainly the notional finance charge recognised in compliance with the IFRS for the provision of net rental expenses pursuant to a guaranteed rental agreement entered into with former subsidiary, Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD").

As a result of the above, the Group's net loss for Q2 2018 was US$2.7 million, as compared to US$0.3 million for Q2 2017, an increase of US$2.4 million, as explained in the preceding paragraphs.

Other comprehensive loss decreased by US$0.57 million from US$0.58 million for Q2 2017 to US$0.01 million for Q2 2018. The decrease was mainly attributable to the decrease in currency translation difference arising on consolidation of foreign subsidiaries of US$0.23 million and decrease in revaluation loss on land and building of US$0.35 million.

As a result of the above, the Group's total comprehensive loss for Q2 2018 was US$2.7 million as compared to US$0.9 million for Q2 2017, an increase of US$1.9 million as explained in the preceding paragraphs.

Statement of Financial Position

Property, plant and equipment decreased by US$0.03 million from US$0.37 million as at 31 December 2017 to US$0.34 million as at 30 June 2018. The decrease was mainly due to the net

effect of acquisition of office equipment of US$0.04 million and depreciation of US$0.06 million charged to the profit and loss account during the current financial period.

Non-trade receivable from a related party decreased by US$1.0 million from US$44.4 million as at 31 December 2017 to US$43.4 million as at 30 June 2018. The decrease was attributable to the translation adjustment arising from translating the receivable denominated in foreign currency. The outstanding balance comprises a fixed long-term term loan extended to LEHD. It bears interest at 3% per annum and is repayable by 27 September 2020. It is secured by a corporate guarantee given by The Ho Family Trust Limited, a related party, and a second-ranking pledge of the entire shares in LEHD.

Other non-current assets increased by US$3.8 million from US$0.3 million as at 31 December 2017 to US$4.1 million as at 30 June 2018. The increase was mainly attributable to the partial purchase consideration, stamp duty and other transaction costs in total of US$3.7 million paid for the proposed acquisition of all the strata lots and the common area of Fairhaven at Sophia Road in District 9 as more fully disclosed in the Company's Announcement dated 28 March 2018.

Provisions under "Current liabilities" and "Non-current liabilities" decreased in total by US$1.2 million from US$5.8 million as at 31 December 2017 to US$4.6 million as at 30 June 2018. The decrease was mainly attributable to the payments made during the current financial period, the translation adjustment arising from translating the provisions denominated in foreign currency and the discount unwound adjustment charged to profit or loss during the current financial period.

The movement in cash and cash equivalents from US$9.6 million as at 31 December 2017 to US$2.0 million as at 30 June 2018, a decrease of US$7.6 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q2 2018, the Group's net cash used in operating activities was US$4.1 million as compared to net cash used in operating activities of US$1.3 million in Q2 2017. The cash movement in Q2 2018 was mainly attributable to the payments made for rental guarantee of US$0.6 million, rental deposits of US$0.4 million for a new office in Hong Kong and stamp duty and other transaction costs of US$1.7 million for the proposed acquisition of the property at Sophia Road .

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

Not applicable.

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group will continue to look for suitable opportunities for future development and investment.

The Vigers Group, which provides property agency, appraisal and consultancy services, continues to make a positive contribution to the Group's operating results. In face of the severe competition in Hong Kong, the Vigers Group has been putting great efforts into developing its business in the PRC and Macau with a view to expanding its professional valuation services.

**11 Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

**(c) Date Payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 If no dividend has been declared / recommended, a statement to that effect**

No dividend declared / recommended.

## PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
## (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**15 A breakdown of sales:-**

Not applicable.

**16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year:-**

Not applicable.

**17 Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate**

The Group has not obtained a general mandate from the shareholders for the interested person transactions as the value of the transactions falls below the required 5% of the Group's latest audited net tangible assets. The aggregate value of all interested person transactions during Q2 2017, which fall under the listing manual, were as follows:

| **Name of Interested Person** | **Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920)** | **Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)** |
|---|---|---|
| | US$'000 | |
| Associates of Mr. Christopher Ho Wing-On | 2,848 | - |

## 18. Negative assurance on interim financial statements

The directors have confirmed, in a written statement, that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading in any material effect.

## 19 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.