

LAFE CORPORATION LIMITED

Un-audited Q1 2019 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 31 March,		
	2019 US\$'000	2018 US\$'000	Increase/ (decrease) %
Revenue	3,784	3,580	6
Cost of sales	(2,802)	(2,754)	2
Gross profit	982	826	19
Other net gain	810	1,476	(45)
Administrative costs	(2,450)	(2,360)	4
Finance costs	(86)	(24)	258
Loss before taxation	(744)	(82)	807
Taxation	(3)	(6)	(50)
Loss for the period	(747)	(88)	749
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Fair value changes on available-for-sale financial asset	-	(2)	n/m
Currency translation differences arising on consolidation	(154)	(205)	(25)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income			
- Fair value gain – equity instruments	12	-	n/m
Other comprehensive loss for the period	(142)	(207)	(31)
Total comprehensive loss for the period	(889)	(295)	201

- 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 31 March,		
	2019	2018	Increase/ (decrease)
	US\$'000	US\$'000	%
Depreciation of property, plant and equipment	(44)	(31)	42
Reversal of impairment on receivables	-	16	n/m
Net foreign currency exchange gain	469	1,059	(56)
Interest income	322	347	(7)
Interest on other borrowings	42	-	n/m
Discount on provision unwound	(41)	(19)	(116)

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 31/03/2019	As at 31/12/2018	As at 31/03/2019	As at 31/12/2018
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	397	364	-	-
Trademark	5,157	5,169	-	-
Investments in subsidiaries	-	-	-	-
Financial assets at fair value through other comprehensive income	27	15	19	11
Non-trade receivable from a related party	43,831	43,509	-	-
Other non-current assets	409	386	-	-
	49,821	49,443	19	11
Current assets				
Trade and other receivables	4,363	4,503	-	-
Other current assets	512	451	23	24
Non-trade receivables from subsidiaries	-	-	51,022	49,856
Cash and cash equivalents	867	1,008	2	3
	5,742	5,962	51,047	49,883
Current liabilities				
Trade and other payables	2,725	2,601	410	308
Provisions	1,789	1,679	1,789	1,679
Loans from holding company	6,437	5,096	6,437	5,096
Tax payable	24	21	-	-
	10,975	9,397	8,636	7,083
Net current (liabilities) / assets	(5,233)	(3,435)	42,411	42,800
Total assets less current liabilities	44,588	46,008	42,430	42,811
Non-current liabilities				
Other payables	108	108	-	-
Provisions	1,267	1,796	920	1,445
Deferred tax liabilities	799	801	-	-
	2,174	2,705	920	1,445
NET ASSETS	42,414	43,303	41,510	41,366

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 31/03/2019	As at 31/12/2018	As at 31/03/2019	As at 31/12/2018
	US\$'000	US\$'000	US\$'000	US\$'000
CAPITAL AND RESERVES				
Share capital	50,667	50,667	50,667	50,667
Reserves	(8,253)	(7,364)	(9,157)	(9,301)
	42,414	43,303	41,510	41,366

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 31 March 2019	
Secured US\$'000	Unsecured US\$'000
NIL	6,437

As at 31 December 2018	
Secured US\$'000	Unsecured US\$'000
NIL	5,096

Amount repayable after one year

As at 31 March 2019	
Secured US\$'000	Unsecured US\$'000
NIL	NIL

As at 31 December 2018	
Secured US\$'000	Unsecured 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 31 March,	
	2019	2018
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(744)	(82)
Adjustments for :		
Depreciation of property, plant and equipment	44	31
Provision for staff benefits	-	(1)
Reversal of impairment on receivables	-	(16)
Discount on provision unwound	41	19
Interest expenses	42	-
Interest income	(322)	(347)
Unrealised foreign exchange loss/(gain)	27	94
Operating cash flow before working capital changes	(912)	(302)
Changes in working capital		
Trade and other receivables and other current assets	56	(2,018)
Trade and other payables	82	13
Provisions	(476)	(548)
Currency translation adjustments	(464)	(1,017)
Cash used in operations	(1,714)	(3,872)
Taxation paid	(1)	-
Interest received	322	343
Net cash used in operating activities	(1,393)	(3,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(87)	(4)
Net cash used in investing activities	(87)	(4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from holding company	1,341	-
Net cash generated from financing activities	1,341	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(139)	(3,533)
Cash and cash equivalents at beginning of period	1,008	9,621
Effects of exchange rate changes on cash and cash equivalents	(2)	(3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	867	6,085

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

	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000	<u>Capital reserve</u> US\$'000	<u>Fair value reserve</u> US\$'000	<u>Exchange reserve</u> US\$'000	<u>Accumulated losses</u> US\$'000	<u>Total</u> US\$'000
Balance at 1 January 2018	50,667	27,171	24	22	216	(23,891)	54,209
Effect of adoption of new accounting standards	-	-	-	(2,295)	-	2,295	-
Balance at 1 January 2018, restated	50,667	27,171	24	(2,273)	216	(21,596)	54,209
Total comprehensive loss	-	-	-	(2)	(205)	(88)	(295)
Balance at 31 March 2018	50,667	27,171	24	(2,275)	11	(21,684)	53,914
Balance at 1 January 2019	50,667	27,171	24	(2,294)	180	(32,445)	43,303
Total comprehensive (loss) / income	-	-	-	12	(154)	(747)	(889)
Balance at 31 March 2019	50,667	27,171	24	(2,282)	26	(33,192)	42,414

COMPANY

	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000	<u>Fair value reserve</u> US\$'000	<u>Accumulated losses</u> US\$'000	<u>Total</u> US\$'000
Balance at 1 January 2018	50,667	27,171	16	(29,388)	48,466
Total comprehensive (loss) / income	-	-	(2)	748	746
Balance at 31 March 2018	50,667	27,171	14	(28,640)	49,212
Balance at 1 January 2019	50,667	27,171	1	(36,473)	41,366
Total comprehensive income	-	-	8	136	144
Balance at 31 March 2019	50,667	27,171	9	(36,337)	41,510

- 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 31 March 2019 and 31 December 2018 was 25,333,333.

The Company did not have any treasury shares as at 31 March 2019 and 31 December 2018.

- 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 31 March 2019 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.

- 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.**

Refer to paragraph 4 above.

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:-

	3 months ended 31 March,	
	2019	2018
Loss 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 2.95 cents)	(US 0.35 cents)
(ii) On a fully diluted basis	(US 2.95 cents)	(US 0.35 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	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Net asset value per ordinary share	US 167.4 cents	US 170.9 cents	US 163.9 cents	US 163.2 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\$0.20 million from US\$3.58 million for Q1 2018 to US\$3.78 million for Q1 2019. The increase was mainly attributable to the increase in revenue generated from the Vigers operations.

Cost of sales increased by US\$0.05 million from US\$2.75 million for Q1 2018 to US\$2.80 million for Q1 2019. The increase was mainly attributable to the higher contracted manpower costs in the Vigers operations.

The Group recorded a gross profit of US\$0.98 million for Q1 2019 as compared to US\$0.83 for Q1 2018, an increase of US\$0.15 million as explained in the preceding paragraphs.

The Group had other net gain of US\$0.81 million for Q1 2019 as compared to US\$1.48 million for Q1 2018. In Q1 2019, the other net gain comprised mainly the net foreign currency exchange gain of US\$0.47 million arising from translating the monetary items denominated in foreign currencies and interest income of US\$0.32 million. In Q1 2018, the other net gain comprised mainly the net foreign currency exchange gain of US\$1.06 million arising from translating the monetary items denominated in foreign currencies and interest income of US\$0.35 million.

Administrative costs increased by US\$0.09 million from US\$2.36 million for Q1 2018 to US\$2.45 million for Q1 2019. The increase was mainly attributable to the increase in staff costs of the Group.

Finance costs increased by US\$0.07 million from US\$0.02 million for Q1 2018 to US\$0.09 million for Q1 2019. The increase was mainly attributable to the increase in interest expense of US\$0.04 million payable to the holding company and the increase in the notional finance charge of US\$0.02 million recognised in compliance with the IFRS for the provision of net rental expenses pursuant to a guaranteed rental agreement entered into with Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD"), a former subsidiary company.

As a result of the above, the Group's net loss for Q1 2019 was US\$0.75 million, as compared to the net loss of US\$0.09 million for Q1 2018, an increase of US\$0.66 million.

Other comprehensive loss of US\$0.14 million represented mainly by the currency translation loss arising on consolidation of foreign subsidiaries was recognised in Q1 2019, as compared to US\$0.21 million for Q1 2018.

As a result of the above, the Group's total comprehensive loss for Q1 2019 was US\$0.89 million as compared to US\$0.30 million for Q1 2018, an increase of US\$0.59 million.

Statement of Financial Position

Property, plant and equipment increased by US\$0.04 million from US\$0.36 million as at 31 December 2018 to US\$0.40 million as at 31 March 2019. The increase was mainly due to the net effect of an acquisition of a motor vehicle of US\$0.08 million and a depreciation charge of US\$0.04 million incurred during the current financial period.

Non-trade receivable from a related party increased by US\$0.32 million from US\$43.51 million as at 31 December 2018 to US\$43.83 million as at 31 March 2019. The increase 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.

Trade and other receivables decreased by US\$0.14 million from US\$4.50 million as at 31 December 2018 to US\$4.36 million as at 31 March 2019. The decrease was mainly due to the decrease in outstanding receivables in the Vigers operations.

Other current assets under “Current assets” and “Non-current assets” increased by US\$0.08 million from US\$0.84 million as at 31 December 2018 to US\$0.92 million as at 31 March 2019. The increase was mainly attributable to the increase in trading deposit of Vigers.

Provisions under “Current liabilities” and “Non-current liabilities” decreased in total by US\$0.42 million from US\$3.48 million as at 31 December 2018 to US\$3.06 million as at 31 March 2019. 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 unwind adjustment charged to profit or loss during the current financial period.

Loan from holding company of US\$6.44 million represented the aggregate amount of advances extended to the Company by the Company’s holding company, Sino Capital Resources Limited (“SCRL”), during the current financial year. The loan is unsecured, repayable on demand and bears interest at 3% per annum except for working capital loans of US\$3.45 million which is repayable on 31 December 2019. SCRL has confirmed that it will not call for repayment of the outstanding loan unless the Group has alternative sources of funds for repayment or have generated sufficient funds to continue the Group’s operations after repayment of the loan.

The movement in cash and cash equivalents from US\$1.01 million as at 31 December 2018 to US\$0.87 million as at 31 March 2019, a decrease of US\$0.14 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q1 2019, the Group’s net cash used in operating activities was US\$1.39 million as compared to net cash used in operating activities of US\$3.53 million in Q1 2018. The cash movement in Q1 2019 was mainly attributable to the payments made for rental guarantee. The net cash generated from financing activities in Q1 2019 of US\$1.34 million was attributable to the loan from holding company.

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 in expanding its business in the PRC and Macau with a view to increasing its revenue and hence profitability.

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 Q1 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:-		
Conducted with shareholders' approval	798	-
Conducted under review	582	-
Total	1,380	-

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.