LAFE CORPORATION LIMITED

Un-audited Q3 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 Sept,			9 months ended 30 Sept,		
	2018	**2017**	Increase/ (decrease)	**2018**	**2017**	Increase/ (decrease)
	US$'000	US$'000	%	US$'000	US$'000	%
Revenue	**3,623**	**3,592**	**1**	**11,014**	**9,520**	**16**
Cost of sales	(2,959)	(2,495)	19	(8,509)	(6,806)	25
Gross profit	**664**	**1,097**	**(39)**	**2,505**	**2,714**	**(8)**
Other net gain	235	1,172	(80)	197	4,376	(95)
Administrative costs	(2,518)	(2,237)	13	(7,064)	(6,596)	7
Finance costs	(55)	(17)	224	(123)	(120)	3
(Loss) / profit before taxation	**(1,674)**	**15**	n/m	**(4,485)**	**374**	n/m
Taxation	(6)	(6)	-	(17)	(22)	(23)
Net (loss) / profit for the period	**(1,680)**	**9**	n/m	**(4,502)**	**352**	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	-	11	n/m	(10)	8	n/m
Currency translation differences arising on consolidation	202	(48)	n/m	(5)	(371)	(99)
Revaluation loss on property, plant and equipment	-	-	-	-	(348)	n/m
Other comprehensive income / (loss) for the period	**202**	**(37)**	n/m	**(15)**	**(711)**	**(98)**
Total comprehensive loss for the period	**(1,478)**	**(28)**	**5,179**	**(4,517)**	**(359)**	**1,158**

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 Sept,			9 months ended 30 Sept,		
	2018	**2017**	Increase/ (decrease)	**2018**	**2017**	Increase/ (decrease)
	US$'000	US$'000	%	US$'000	US$'000	%
Depreciation of property, plant and equipment	(37)	(32)	16	(101)	(97)	4
Gain on disposal of property, plant and equipment	1	7	(86)	1	73	(97)
Loss on re-measurement of asset re-classified to held for sale	-	(1)	n/m	-	(129)	n/m
Net foreign currency exchange (loss) / gain	(189)	792	n/m	(1,000)	3,364	n/m
(Allowance for) / reversal of impairment on receivables	(8)	-	n/m	16	5	220
Interest income	329	340	(3)	1,020	988	3
Interest on bank and other borrowings	(123)	(12)	925	(123)	(43)	186
Discount on provision unwound	(30)	(4)	650	(91)	(70)	30

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 30/09/2018	As at 31/12/2017	As at 30/09/2018	As at 31/12/2017
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Property, plant and equipment	400	369	-	-
Trademark	5,179	5,179	-	-
Investments in subsidiaries	-	-	-	-
Available-for-sale financial assets	25	36	18	26
Non-trade receivable from a related party	43,439	44,441	-	-
Other non-current assets	7,165	271	-	-
	56,208	**50,296**	**18**	**26**
Current assets				
Trade and other receivables	3,375	2,640	-	-
Other current assets	641	302	17	23
Non-trade receivables from subsidiaries	-	-	55,265	54,222
Cash and cash equivalents	1,014	9,621	2	2
	5,030	**12,563**	**55,284**	**54,247**
Current liabilities				
Trade and other payables	2,201	2,045	264	300
Provisions	1,888	2,071	1,888	2,071
Non-trade payables to related parties	-	10	-	-
Loan from a shareholder	4,433	-	4,433	-
Tax payable	41	24	-	-
	8,563	**4,150**	**6,585**	**2,371**
Net current (liabilities) / assets	**(3,533)**	**8,413**	**48,699**	**51,876**
Total assets less current liabilities	**52,675**	**58,709**	**48,717**	**51,902**
Non-current liabilities				
Provisions	2,214	3,731	1,935	3,436
Deferred tax liabilities	769	769	-	-
	2,983	**4,500**	**1,935**	**3,436**
NET ASSETS	**49,692**	**54,209**	**46,782**	**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 30/09/2018	**As at 31/12/2017**	**As at 30/09/2018**	**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	(975)	3,542	(3,885)	(2,201)
	49,692	**54,209**	**46,782**	**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 September 2018	
Secured	Unsecured
US$'000	US$'000
NIL	4,433

As at 31 December 2017	
Secured	Unsecured
US$'000	US$'000
NIL	NIL

Amount repayable after one year

As at 30 September 2018	
Secured	Unsecured
US$'000	US$'000
NIL	NIL

As at 31 December 2017	
Secured	Unsecured
US$'000	US$'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 Sept,		9 months ended 30 Sept,	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	**(1,674)**	**15**	**(4,485)**	**374**
Adjustments for :				
Depreciation of property, plant and equipment	37	32	101	97
Allowance for / (reversal of) impairment on receivables	8	-	(8)	(5)
Provision for staff welfare	(14)		(15)	-
Loss on re-measurement of asset reclassified to held for sale	-	1	-	129
Gain on disposal of property, plant and equipment	(1)	(7)	(1)	(73)
Discount on provision unwound	30	4	91	70
Interest expenses	123	12	123	43
Interest income	(329)	(340)	(1,020)	(988)
Unrealised currency translation gain	(41)	(586)	(131)	(2,251)
Operating cash flow before working capital changes	**(1,861)**	**(869)**	**(5,345)**	**(2,604)**
Changes in working capital				
Trade and other receivables and other current assets	(3,749)	(716)	(8,083)	(826)
Trade and other payables	320	284	146	343
Provisions	(555)	(469)	(1,687)	(1,430)
Currency translation adjustments	185	(254)	1,005	(1,099)
Cash used in operations	**(5,660)**	**(2,024)**	**(13,964)**	**(5,616)**
Taxation paid	-	-	-	(5)
Interest paid	-	(12)	-	(43)
Interest received	329	342	1,020	986
Net cash used in operating activities	**(5,331)**	**(1,694)**	**(12,944)**	**(4,678)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(48)	(93)	(89)	(405)
Proceeds from disposal of property, plant and equipment	-	4,982	-	5,066
Net cash (used in) / generated from investing activities	**(48)**	**4,889**	**(89)**	**4,661**

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 Sept,		9 months ended 30 Sept,	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan from a shareholder	4,433	-	4,433	-
Repayment of bank loans	-	(1,920)	-	(2,012)
Net cash generated from / (used in) financing activities	**4,433**	**(1,920)**	**4,433**	**(2,012)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(946)**	**1,275**	**(8,600)**	**(2,029)**
Cash and cash equivalents at beginning of period	1,964	9,912	9,621	12,809
Effects of exchange rate changes on cash and cash equivalents	(4)	144	(7)	551
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,014**	**11,331**	**1,014**	**11,331**

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	Share premium	Capital reserve	Revaluation reserve	Fair value reserve	Exchange reserve	Accumulated profits/(losses)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	50,667	27,171	24	1,910	(3)	605	(24,990)	55,384
Total comprehensive (loss) / income	-	-	-	(348)	8	(371)	352	(359)
Release of revaluation reserve on disposal of land and building	-	-	-	(1,562)	-	-	1,562	-
Balance at 30 September 2017	**50,667**	**27,171**	**24**	**-**	**5**	**234**	**(23,076)**	**55,025**
Balance at 1 January 2018	50,667	27,171	24	-	22	216	(23,891)	54,209
Total comprehensive loss	-	-	-	-	(10)	(5)	(4,502)	(4,517)
Balance at 30 September 2018	**50,667**	**27,171**	**24**	**-**	**12**	**211**	**(28,393)**	**49,692**

COMPANY

	Share capital	Share premium	Fair value reserve	Accumulated profits/(losses)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	50,667	27,171	(2)	(31,918)	45,918
Total comprehensive income	-	-	15	2,232	2,247
Balance at 30 September 2017	**50,667**	**27,171**	**13**	**(29,686)**	**48,165**
Balance at 1 January 2018	50,667	27,171	16	(29,388)	48,466
Total comprehensive loss	-	-	(8)	(1,676)	(1,684)
Balance at 30 September 2018	**50,667**	**27,171**	**8**	**(31,064)**	**46,782**

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 September 2018 and 31 December 2017 was 25,333,333.

The Company did not have any treasury shares as at 30 September 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 figures 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 have been 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 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:-

	9 months ended 30 Sept,	
	2018	**2017**
(Loss) / earnings per ordinary share for the period based on net (loss) / profit attributable to shareholders: -		
(i) Based on the weighted average number of ordinary shares in issue	(US 17.77) cents	US 1.39 cents
(ii) On a fully diluted basis	(US 17.77) cents	US 1.39 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	
	30/09/2018	**31/12/2017**	**30/09/2018**	**31/12/2017**
Net asset value per ordinary share	US 196.2 cents	US 214.0 cents	US 184.7 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$0.03 million from US$3.59 million for Q3 2017 to US$3.62 million for Q3 2018. The increase was mainly attributable to the increase in revenue generated from Vigers.

Cost of sales increased by US$0.46 million from US$2.50 million for Q3 2017 to US$2.96 million for Q3 2018. The increase was mainly attributable to the additional manpower costs required for certain new projects secured by Vigers during the current financial period.

The Group recorded a gross profit of US$0.66 million for Q3 2018 as compared to US$1.10 million for Q3 2017, a decrease of US$0.44 million as explained in the preceding paragraphs.

The Group had other net gain of US$0.24 million for Q3 2018 as compared to also a net gain of US$1.17 million for Q3 2017. In Q3 2018, the other net gain comprised mainly the net foreign currency exchange loss of US$0.19 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.33 million. In Q3 2017, the other net gain comprised mainly the net foreign currency exchange gain of US$0.79 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.34 million.

Administrative costs increased by US$0.28 million from US$2.24 million for Q3 2017 to US$2.52 million for Q3 2018. The increase was mainly attributable to the payment of US$0.30 million for an out-of-court settlement in respect of a legal proceedings involving the Company and its former subsidiary, Lafe Technology (Hong Kong) Limited, as more fully disclosed in the Company's announcement dated 21 September 2018.

Finance costs increased slightly by US$0.04 million from US$0.02 million for Q3 2017 to US$0.06 million for Q3 2018. The increase was mainly attributable to the increase in notional finance charge of US$0.03 million recognised in compliance with the IFRS for the provision of net rental expenses pursuant to a guaranteed rental agreement entered into with its former subsidiary, Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD").

As a result of the above, the Group's net loss for Q3 2018 was US$1.68 million as compared to net profit of US$0.01 million for Q3 2017, an increase in net loss of US$1.69 million, as explained in the preceding paragraphs.

Other comprehensive income of US$0.20 million in Q3 2018 comprised mainly the currency translation differences arising on consolidation of foreign subsidiaries, as compared to a loss of US$0.04 million in Q3 2017.

As a result of the above, the Group's total comprehensive loss for Q3 2018 was US$1.48 million as compared to total comprehensive loss of US$0.03 million for Q3 2017, an increase of US$1.45 million as explained in the preceding paragraphs.

Statement of Financial Position

Property, plant and equipment ("PPE") increased by US$0.03 million from US$0.37 million as at 31 December 2017 to US$0.40 million as at 30 September 2018. The increase was mainly due to the net effect of acquisition of office equipment of US$0.09 million, depreciation of US$0.10 million charged to the profit and loss account during the current financial period; and translation adjustment arising from translating the PPE denominated in foreign currency of US$0.04 million.

Non-trade receivable from a related party decreased by US$1.00 million from US$44.44 million as at 31 December 2017 to US$43.44 million as at 30 September 2018. The decrease was attributable to the translation adjustment arising from translating the receivable denominated in foreign currency. The receivable balance represents 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$6.90 million from US$0.27 million as at 31 December 2017 to US$7.17 million as at 30 September 2018. The increase comprised mainly a cash collateral of US$0.83 million for a performance bond issued by an insurance company and certain non-recoverable installments, stamp duty and other costs in total of US$5.94 million paid in relation the proposed acquisition of Fairhaven at Sophia Road in District 9 as more fully disclosed in the Company's Announcement dated 28 March 2018. On 9 October 2018, the Company decided not to complete the proposed acquisition after considering the various factors as more fully explained in the Company's announcements dated 9 October 2018 and 16 October 2018. In consequence of the non-completion, the aforesaid non-recoverable balance of US$5.94 million will be written off to profit or loss in the next reporting period ending 31 December 2018.

Trade and other receivables increased by US$0.74 million from US$2.64 million as at 31 December 2017 to US$3.38 million as at 30 September 2018. The increase was mainly due to the increase in outstanding receivables generated from Vigers.

Other current assets increased by US$0.34 million from US$0.30 million as at 31 December 2017 to US$0.64 million as at 30 September 2018. The increase was mainly attributable to the reclassification of certain rental deposits in total amount of US$0.21 million, which are refundable within a year, from non-current assets to current assets.

Provisions under "Current liabilities" and "Non-current liabilities" decreased in total by US$1.70 million from US$5.80 million as at 31 December 2017 to US$4.10 million as at 30 September 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.

Loan from a shareholder represented the aggregate amount of short-term loans advanced from the Company's majority shareholder, Sino Capital Resources Limited ("SCRL"), during the current financial period. The loan is unsecured, repayable on demand and bears interest at 3% per annum.

The movement in cash and cash equivalents from US$9.6 million as at 31 December 2017 to US$1.0 million as at 30 September 2018, a decrease of US$8.6 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q3 2018, the Group's net cash used in operating activities was US$5.7 million as compared to net cash used in operating activities of US$2.0 million in Q3 2017. The cash movement in Q3 2018 was mainly attributable to the payments made for rental guarantee of US$0.6 million and stamp duty and other costs of US$3.1 million in relation to the proposed acquisition of 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.

As more fully disclosed in the Company's announcements dated 9 October 2018 and 16 October 2018, the Company has decided not to complete the proposed acquisition of Fairhaven at Sophia Road. The Group is expected to recognise a loss of approximately US$6.23 million (or approximately S$8.50 million) arising from the non-completion in the next reporting period ending 31 December 2018.

The Group will continue to look for other 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 Q3 2016, 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	4,335	-

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.