

LAFE CORPORATION LIMITED

Un-audited Q3 2014 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 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,		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	3,713	3,319	12	10,360	9,975	4
Cost of sales	(2,675)	(2,387)	12	(8,385)	(7,122)	18
Gross profit	1,038	932	11	1,975	2,853	(31)
Other net (loss) / gain	(2,570)	108	n/m	(4,785)	(2,078)	130
Administrative costs	(2,922)	(3,124)	(6)	(8,468)	(9,602)	(12)
Finance costs	(220)	(340)	(35)	(780)	(1,318)	(41)
Loss before taxation	(4,674)	(2,424)	93	(12,058)	(10,145)	19
Taxation	6	(8)	n/m	(6)	(34)	(82)
Net loss for the period	(4,668)	(2,432)	92	(12,064)	(10,179)	19
Statement of Comprehensive Income						
Net loss for the period	(4,668)	(2,432)	92	(12,064)	(10,179)	19
Other comprehensive (loss) / income:						
Currency translation difference on consolidation of foreign subsidiaries	(858)	650	n/m	(273)	(592)	(54)
Total comprehensive loss for the period	(5,526)	(1,782)	210	(12,337)	(10,771)	15

- 1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the statement of comprehensive income or in the notes to the statement of 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,		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation of property, plant and equipment	(99)	(73)	36	(280)	(191)	47
Loss on disposal of investment property	(975)	(327)	198	(1,675)	(146)	1,047
Foreign exchange (loss) / gain, net	(1,369)	374	n/m	(972)	(1,871)	(48)
Interest on borrowings	(219)	(335)	(35)	(672)	(1,185)	(43)

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 30/09/2014	As at 31/12/2013	As at 30/09/2014	As at 31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Land and building	4,465	4,500	-	-
Plant and equipment	747	780	-	-
Investment in associate	-	66	-	-
Investments in subsidiaries	-	-	64,872	64,872
Trademark	10,306	10,317	-	-
Goodwill	520	520	-	-
	16,038	16,183	64,872	64,872
Current assets				
Investment property	134,854	146,983	-	-
Trade and other receivables	36,996	46,758	12	12
Other current assets	941	665	17	23
Non-trade receivables from subsidiaries	-	-	73,210	73,662
Cash and cash equivalents	1,314	1,981	6	50
	174,105	196,387	73,245	73,747
Current liabilities				
Trade payables	2,599	2,539	-	-
Other payables	1,416	1,913	176	321
Non-trade payable to a related company	2,228	-	-	-
Short-term bank loans	27,195	38,861	-	-
Current income tax liability	985	983	-	-
	34,423	44,296	176	321
Net current assets	139,682	152,091	73,069	73,426
Total assets less current liabilities	155,720	168,274	137,941	138,298
Non-current liabilities				
Long-term bank loans	2,479	2,648	-	-
Provision for staff benefits	287	287	-	-
Deferred tax liabilities	10,140	10,188	-	-
	12,906	13,123	-	-
NET ASSETS	142,814	155,151	137,941	138,298

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 30/09/2014	As at 31/12/2013	As at 30/09/2014	As at 31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
CAPITAL AND RESERVES				
Share capital	46,667	46,667	46,667	46,667
Reserves	96,147	108,484	91,274	91,631
	142,814	155,151	137,941	138,298

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 2014	
Secured US\$'000	Unsecured US\$'000
27,195	2,228

As at 31 December 2013	
Secured US\$'000	Unsecured US\$'000
38,861	NIL

Amount repayable after one year

As at 30 September 2014	
Secured US\$'000	Unsecured US\$'000
2,479	NIL

As at 31 December 2013	
Secured US\$'000	Unsecured US\$'000
2,648	NIL

Details of any collateral

The Group's secured borrowings are bank loans secured by the investment property and land and buildings of the Group.

- 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,	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	(4,674)	(2,424)	(12,058)	(10,145)
Adjustments for :				
Depreciation of property, plant and equipment	99	73	280	191
Allowance for impairment on receivables	-	99	-	99
Loss on disposal of plant and equipment	2	-	2	-
Loss on disposal of investment property	975	327	1,675	146
Operating cash flow before working capital changes	(3,598)	(1,925)	(10,101)	(9,709)
Changes in working capital				
Trade and other receivables and other current assets	3,857	3,656	12,658	10,054
Trade and other payables	(35)	(414)	(371)	(310)
Amount due to a related company	232	(3,018)	2,228	103
Cash generated from / (used in) operations	456	(1,701)	4,414	138
Taxation received / (paid)	11	(11)	2	(11)
Net cash generated from / (used in) operating activities	467	(1,712)	4,416	127
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of plant and equipment	(16)	(251)	(248)	(384)
Proceeds from disposal of plant and equipment	10	-	10	-
Proceeds from disposal of investment property	342	6,407	6,606	9,816
Net cash generated from investing activities	336	6,156	6,368	9,432
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in bank loans	(2,271)	(2,990)	(11,616)	(9,848)
Net cash used in financing activities	(2,271)	(2,990)	(11,616)	(9,848)
Net effect of exchange rate changes on consolidation	995	(175)	165	2,623
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(473)	1,279	(667)	2,334
Cash and cash equivalents at beginning of period	1,787	2,823	1,981	1,768
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,314	4,102	1,314	4,102

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 capitalization 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>Revaluation reserve</u> US\$'000	<u>Exchange reserve</u> US\$'000	<u>Accumulated profits</u> US\$'000	<u>Total</u> US\$'000
Balance at 1 January 2013	46,667	27,209	24	-	9,279	90,049	173,228
Total comprehensive loss	-	-	-	-	(592)	(10,179)	(10,771)
Balance at 30 September 2013	46,667	27,209	24	-	8,687	79,870	162,457
Balance at 1 January 2014	46,667	27,209	24	535	7,418	73,298	155,151
Total comprehensive loss	-	-	-	-	(273)	(12,064)	(12,337)
Balance at 30 September 2014	46,667	27,209	24	535	7,145	61,234	142,814

COMPANY

	<u>Share capital</u> US\$'000	<u>Share premium</u> US\$'000	<u>Accumulated profits</u> US\$'000	<u>Total</u> US\$'000
Balance at 1 January 2013	46,667	27,209	65,170	139,046
Total comprehensive loss	-	-	(573)	(573)
Balance at 30 September 2013	46,667	27,209	64,597	138,473
Balance at 1 January 2014	46,667	27,209	64,422	138,298
Total comprehensive loss	-	-	(357)	(357)
Balance at 30 September 2014	46,667	27,209	64,065	137,941

- 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 2014 and 31 December 2013 was 1,166,666,667.

The Company did not have any treasury shares as at 30 September 2014 and 31 December 2013.

- 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 auditors' 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 same accounting policies and methods of computation have been applied in the financial statements for the current financial period as in the Company's audited financial statements for the year ended 31 December 2013.

- 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,	
	2014	2013
Loss per ordinary share for the period based on net loss attributable to shareholders: -		
(i) Based on the weighted average number of ordinary shares in issue	(US 1.03 cents)	(US 0.87 cents)
(ii) On a fully diluted basis	(US 1.03 cents)	(US 0.87 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	
	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Net asset value per ordinary share	US 12.2 cents	US 13.3 cents	US 11.8 cents	US 11.9 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 Comprehensive Income

The Group's revenue increased by US\$0.4 million from US\$3.3 million for Q3 2013 to US\$3.7 million for Q3 2014. The increase was mainly attributable to an increase in rental income and the service income generated from the new venture business as described below.

Cost of sales increased by US\$0.3 million from US\$2.4 million for Q3 2013 to US\$2.7 million for Q3 2014. Certain payroll and depreciation expenses in aggregate amounting to US\$0.5 million for Q3 2014, in relation to the Group's new venture business of providing close protection services, have been reclassified from administrative expenses to cost of sales. The reclassification was made consequent upon the decision of management to formally branch its business into such business segment in parallel with the long-established security services provided by the Vigers Group. This business commands a very high caliber of frontline employees and will require some time to nurture before its fruition. The corresponding revenue generated for Q3 2014 was US\$0.2 million, resulting in gross loss of US\$0.3 million.

The Group recorded a gross profit of US\$1.0 million for Q3 2014 as compared to US\$0.9 million for Q3 2013, an increase of US\$0.1 million as explained in the preceding paragraphs.

The Group had other net loss of US\$2.6 million for Q3 2014 as compared to a net gain of US\$0.1 million for Q3 2013. In Q3 2014, the other net loss comprised mainly the realized loss of US\$1.0 million on partial disposals of the investment property, net foreign exchange loss of US\$1.4 million arising from translating the monetary items denominated in foreign currencies, fair value loss of US\$0.4 million on receivables and interest income of US\$0.2 million.

Administrative costs decreased by US\$0.2 million from US\$3.1 million for Q3 2013 to US\$2.9 million for Q3 2014. The decrease was mainly attributable to the reclassification of certain expenses in relation to the Group's new venture business to cost of sales as described above.

Finance costs decreased by US\$0.1 million from US\$0.3 million for Q3 2013 to US\$0.2 million for Q3 2014. The decrease was mainly attributable to the decrease in the loan interest for the investment property and the interest on borrowings from a related company.

The Group's net loss for Q3 2014 was US\$4.7 million as compared to a loss of US\$2.4 million for Q3 2013, an increase of US\$2.3 million, as explained in the preceding paragraphs.

The currency translation as a result of differences on consolidation of foreign subsidiaries was a deficit of US\$0.9 million in Q3 2014 as compared to a surplus of US\$0.6 million in Q3 2013, a negative movement of US\$1.5 million due to unfavourable movement in exchange rates used in the conversion.

The Group's total comprehensive loss for Q3 2014 was US\$5.5 million as compared to a loss of US\$1.8 million for Q3 2013, an increase of US\$3.7 million, as explained in the preceding paragraphs.

Statement of Financial Position

Investment in associate decreased from US\$0.1 million as at 31 December 2013 to nil as at 30 September 2014. The decrease was attributable to the disposal of the associate by the Group during the current financial period.

Investment property decreased by US\$12.1 million from US\$147.0 million as at 31 December 2013 to US\$134.9 million as at 30 September 2014. The decrease was attributable to the partial disposals of the investment property during the current financial period and the translation adjustment of US\$0.8 million arising from translating the investment property denominated in foreign currency.

Trade and other receivables decreased by US\$9.8 million from US\$46.8 million as at 31 December 2013 to US\$37.0 million as at 30 September 2014. The decrease was mainly due to the partial settlement of receivables during the current financial period. The trade and other receivables as at 30 September 2014 comprised the present value of those receivables calculated by discounting the future cash receipts by the imputed interest rate of 2.5% per annum which remains unchanged from 2013. US\$25.0 million of the trade and other receivables relates to the receivables due on the Panyu land sale. Of this US\$23.7 million relates to the remaining amount due on the additional compensation as announced on 9 March 2012. This amount has been rescheduled to be received in installments up to 30 September 2015 as per the announcement made on 11 November 2014.

Other current assets increased by US\$0.2 million from US\$0.7 million as at 31 December 2013 to US\$0.9 million as at 30 September 2014. The increase was mainly attributable to the increase in deposits held in relation to the partial disposals of the investment property.

Trade and other payables decreased by US\$0.5 million from US\$4.5 million as at 31 December 2013 to US\$4.0 million as at 30 September 2014. The decrease was mainly due to the decrease in administration costs payable.

Non-trade payable to a related company increased from nil as at 31 December 2013 to US\$2.2 million as at 30 September 2014. The short-term borrowing is obtained from an interested party for general working capital purposes and is unsecured, bearing interest at 5.25% per annum and repayable on demand.

Bank loans under "Current liabilities" and "Non-current liabilities" decreased in total by US\$11.8 million from US\$41.5 million as at 31 December 2013 to US\$29.7 million as at 30 September 2014. The decrease was mainly due to the partial repayments during the current financial period. The bank loans on the investment property amounting to US\$27.0 million have been refinanced in June 2014, which are repayable by installments up to 8 December 2014.

Deferred tax liabilities decreased by US\$0.1 million from US\$10.2 million as at 31 December 2013 to US\$10.1 million as at 30 September 2014 due to movements in the currency exchange rates used on the consolidation of foreign subsidiaries.

The movement in cash and cash equivalents from US\$2.0 million as at 31 December 2013 to US\$1.3 million as at 30 September 2014, a decrease of US\$0.7 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q3 2014, the Group's net cash generated from operating activities was US\$0.5 million as compared to US\$1.7 million used in Q3 2013. The cash movement in Q3 2014 was mainly attributable to the partial settlement of trade receivables as mentioned in the statement of financial position above and the borrowings from a related company. The net cash of US\$0.3 million generated from investing activities was mainly attributable to the partial disposals of the investment property during the current financial period. The net cash used in financing activities in Q3 2014 of US\$2.3 million was mainly attributable to the partial bank loan repayments.

- 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.**

Significant resources and efforts have been allocated to market and promote the Residences at Emerald Hill in both the local and overseas premium markets. The potential sales going forward would be subject to the Government policy on the domestic property market.

The Group will continue to look for feasible acquisition opportunities for future property 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. The property market in Hong Kong has remained quiet consequent upon the introduction of the Double Stamp Duty and Special Stamp Duty policies by the local government in 2013. The Occupy Central, a contemporary civil disobedience movement initiated by the university students since September this year, is expected to have a certain negative impact on the domestic economy should it be sustained for a prolonged period of time. While it is premature for the management to estimate the financial impact on the current financial year's results, the Vigers Group has been actively cultivating its business in the PRC and Macau with a view to expanding its service income outside Hong Kong. The Group has also branched into a new venture business of providing close protection service. The Board considers that the market demand for such service is huge and the potential for development is promising given the Group's long-establishment in the security service sector.

- 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 fall below the required 5% of the Group's latest audited net tangible assets. The aggregate value of all interested person transactions during Q3 2014, which fall under the listing manual are 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	4,891	-

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.