LAFE CORPORATION LIMITED

Un-audited Q1 2017 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,		
	2017	**2016**	Increase/ (decrease)
	US$'000	US$'000	%
Revenue	**2,980**	**2,930**	**2**
Cost of sales	(2,188)	(1,977)	11
Gross profit	**792**	**953**	**(17)**
Other net gain	2,057	3,257	(37)
Administrative costs	(2,142)	(2,039)	5
Finance costs	(66)	(210)	(69)
Profit before taxation	**641**	**1,961**	**(67)**
Taxation	(11)	(8)	38
Net profit for the period	**630**	**1,953**	**(68)**
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value changes on available-for-sale financial asset	(1)	-	n/m
Currency translation differences arising on consolidation	(91)	(6)	1,417
Other comprehensive loss for the period	**(92)**	**(6)**	**1,433**
Total comprehensive income for the period	**538**	**1,947**	**(72)**

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,		
	2017	**2016**	Increase/ (decrease)
	US$'000	US$'000	%
Depreciation of property, plant and equipment	(33)	(62)	(47)
Reversal of impairment on receivables	-	2	n/m
Net foreign currency exchange gain	1,716	2,922	(41)
Interest income	316	314	1
Interest on bank and other borrowings	(15)	(113)	(87)
Discount on provision unwound	(47)	(94)	(50)

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 31/03/2017	As at 31/12/2016	As at 31/03/2017	As at 31/12/2016
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Property, plant and equipment	5,451	5,306	-	-
Trademark	5,209	5,220	-	-
Goodwill	-	-	-	-
Investments in subsidiaries	-	-	-	-
Available-for-sale financial assets	10	11	7	8
Non-trade receivable from a related party	42,517	41,142	-	-
Other non-current assets	240	246	-	-
	53,427	**51,925**	**7**	**8**
Current assets				
Trade and other receivables	2,114	1,991	-	-
Other current assets	357	270	24	23
Non-trade receivables from subsidiaries	-	-	53,958	52,803
Cash and cash equivalents	11,446	12,809	3	3
	13,917	**15,070**	**53,985**	**52,829**
Current liabilities				
Trade and other payables	1,904	1,892	315	224
Short-term bank loans	187	181	-	-
Provisions	1,827	1,762	1,827	1,762
Non-trade payables to related parties	10	10	-	-
Tax payable	27	16	-	-
	3,955	**3,861**	**2,142**	**1,986**
Net current assets	**9,962**	**11,209**	**51,843**	**50,843**
Total assets less current liabilities	**63,389**	**63,134**	**51,850**	**50,851**
Non-current liabilities				
Long-term bank loans	1,792	1,779	-	-
Provisions	4,901	5,196	4,639	4,933
Deferred tax liabilities	774	775	-	-
	7,467	**7,750**	**4,639**	**4,933**
NET ASSETS	**55,922**	**55,384**	**47,211**	**45,918**

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 31/03/2017	**As at 31/12/2016**	**As at 31/03/2017**	**As at 31/12/2016**
	US$'000	US$'000	US$'000	US$'000
CAPITAL AND RESERVES				
Share capital	50,667	50,667	50,667	50,667
Reserves	5,255	4,717	(3,456)	(4,749)
	55,922	**55,384**	**47,211**	**45,918**

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 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
US$'000	US$'000	US$'000	US$'000
187	NIL	181	NIL

Amount repayable after one year

As at 31 March 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
US$'000	US$'000	US$'000	US$'000
1,792	NIL	1,779	NIL

Details of any collateral

The Group's secured borrowings are bank loans secured by the land and building 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 31 March,	
	2017	**2016**
	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**641**	**1,961**
Adjustments for :		
Depreciation of property, plant and equipment	33	62
Reversal of impairment on receivables	-	(2)
Discount on provision unwound	47	94
Interest expenses	15	113
Interest income	(316)	(314)
Unrealised foreign exchange gain	(1,166)	(2,780)
Operating cash flow before working capital changes	**(746)**	**(866)**
Changes in working capital		
Trade and other receivables and other current assets	(207)	(906)
Trade and other payables	12	(111)
Provisions	(486)	(549)
Currency translation adjustments	(538)	(150)
Cash used in operations	**(1,965)**	**(2,582)**
Interest paid	(15)	(108)
Interest received	319	314
Net cash used in operating activities	**(1,661)**	**(2,376)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4)	(2)
Net cash used in investing activities	**(4)**	**(2)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from a related party	-	1,536
Repayment of bank loans	(47)	(48)
Net cash (used in) / generated from financing activities	**(47)**	**1,488**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,712)**	**(890)**
Cash and cash equivalents at beginning of period	12,809	1,313
Effects of exchange rate changes on cash and cash equivalents	349	1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**11,446**	**424**

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 losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2016	50,667	27,171	24	1,898	-	655	(15,208)	65,207
Total comprehensive (loss) / income	-	-	-	-	-	(6)	1,953	1,947
Balance at 31 March 2016	**50,667**	**27,171**	**24**	**1,898**	**-**	**649**	**(13,255)**	**67,154**
Balance at 1 January 2017	50,667	27,171	24	1,910	(3)	605	(24,990)	55,384
Total comprehensive (loss) / income	-	-	-	-	(1)	(91)	630	538
Balance at 31 March 2017	**50,667**	**27,171**	**24**	**1,910**	**(4)**	**514**	**(24,360)**	**55,922**

COMPANY

	Share capital	Share premium	Fair value reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2016	50,667	27,171	-	(10,703)	67,135
Total comprehensive income	-	-	-	2,572	2,572
Balance at 31 March 2016	**50,667**	**27,171**	**-**	**(8,131)**	**69,707**
Balance at 1 January 2017	50,667	27,171	(2)	(31,918)	45,918
Total comprehensive (loss) / income	-	-	(1)	1,294	1,293
Balance at 31 March 2017	**50,667**	**27,171**	**(3)**	**(30,624)**	**47,211**

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 2017 and 31 December 2016 was 25,333,333.

The Company did not have any treasury shares as at 31 March 2017 and 31 December 2016.

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 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 2016.

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:-

	3 months ended 31 March,	
	2017	**2016**
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 2.49 cents	US 7.71 cents
(ii) On a fully diluted basis	US 2.49 cents	US 7.71 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	
	31/03/2017	**31/12/2016**	**31/03/2017**	**31/12/2016**
Net asset value per ordinary share	US 220.7 cents	US 218.6 cents	US 186.4 cents	US 181.3 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$0.1 million from US$2.9 million for Q1 2016 to US$3.0 million for Q1 2017. The increase was mainly attributable to the increase in revenue generated from the close protection service.

Cost of sales increased by US$0.2 million from US$2.0 million for Q1 2016 to US$2.2 million for Q1 2017. The increase was mainly attributable to the higher contracted manpower costs in the Vigers and close protection operations.

The Group recorded a gross profit of US$0.8 million for Q1 2017 as compared to US$0.9 million for Q1 2016, a decrease of US$0.1 million as explained in the preceding paragraphs.

The Group had other net gain of US$2.1 million for Q1 2017 as compared to other net gain of US$3.3 million for Q1 2016. In Q1 2017, the other net gain comprised mainly the net foreign currency exchange gain of US$1.7 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.3 million. In Q1 2016, the other net gain comprised mainly the net foreign currency exchange gain of US$2.9 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.3 million.

Administrative costs increased by US$0.1 million from US$2.0 million for Q1 2016 to US$2.1 million for Q1 2017. The increase was mainly attributable to the increase in operating costs of the group and the decrease in property development and investment service fees.

Finance costs decreased by US$0.14 million from US$0.21 million for Q1 2016 to US$0.07 million for Q1 2017. The decrease was mainly attributable to the decrease in the interest on borrowings from a related party of US$0.09 million and the decrease in the notional finance charge of US$0.05 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 wholly-owned foreign subsidiary disposed of by the Group in September 2015.

As a result of the above, the Group's net profit for Q1 2017 was US$0.6 million, as compared to US$1.9 million for Q1 2016, a decrease of US$1.3 million, as explained in the preceding paragraphs.

Other comprehensive loss of US$0.09 million representing currency translation differences arising on consolidation of foreign subsidiaries was recognised in Q1 2017, as compared to US$0.01 million in Q1 2016.

As a result of the above, the Group's total comprehensive income for Q1 2017 was US$0.5 million as compared to US$1.9 million for Q1 2016, as explained in the preceding paragraphs.

Statement of Financial Position

Property, plant and equipment increased by US$0.14 million from US$5.31 million as at 31 December 2016 to US$5.45 million as at 31 March 2017. The increase was mainly due to the translation adjustment of US$0.17 million arising from translating a property denominated in foreign currency and the depreciation charged to profit or loss of US$0.03 million during the current financial period.

Non-trade receivable from a related party increased by US$1.4 million from US$41.1 million as at 31 December 2016 to US$42.5 million as at 31 March 2017. 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 increased by US$0.1 million from US$2.0 million as at 31 December 2016 to US$2.1 million as at 31 March 2017. The increase was mainly due to the increase in outstanding receivables in the Vigers operations.

Provisions under "Current liabilities" and "Non-current liabilities" decreased in total by US$0.3 million from US$7.0 million as at 31 December 2016 to US$6.7 million as at 31 March 2017. 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$12.8 million as at 31 December 2016 to US$11.4 million as at 31 March 2017, a decrease of US$1.4 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q1 2017, the Group's net cash used in operating activities was US$1.7 million as compared to net cash used in operating activities of US$2.4 million in Q1 2016. The cash movement in Q1 2017 was mainly attributable to the payments made for rental guarantee. The net cash used in financing activities in Q1 2017 of US$0.05 million was 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.

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 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	1,250	-

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.