

LAFE CORPORATION LIMITED

Un-audited Q1 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 31 March,		
	2014	2013	Increase/ (decrease)
	US\$'000	US\$'000	%
Revenue	3,266	3,413	(4)
Cost of sales	(2,334)	(2,476)	(6)
Gross profit	932	937	(1)
Other net gain / (loss)	355	(733)	n/m
Administrative costs	(3,159)	(3,299)	(4)
Finance costs	(260)	(408)	(36)
Loss before taxation	(2,132)	(3,503)	(39)
Taxation	(6)	(8)	(25)
Net loss for the period	(2,138)	(3,511)	(39)
Statement of Comprehensive Income			
Net loss for the period	(2,138)	(3,511)	(39)
Other comprehensive income / (loss):			
Currency translation difference on consolidation of foreign subsidiaries	258	(916)	n/m
Total comprehensive loss for the period	(1,880)	(4,427)	(58)

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 31 March,		
	2014	2013	Increase/ (decrease)
	US\$'000	US\$'000	%
Depreciation of property, plant and equipment	(85)	(56)	52
Foreign exchange gain / (loss), net	126	(925)	n/m
Interest on borrowings	(241)	(338)	(29)

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 31/03/2014	As at 31/12/2013	As at 31/03/2014	As at 31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Land and building	4,529	4,500	-	-
Plant and equipment	751	780	-	-
Investment in associate	65	66	-	-
Investments in subsidiaries	-	-	64,872	64,872
Trademark	10,313	10,317	-	-
Goodwill	520	520	-	-
	16,178	16,183	64,872	64,872
Current assets				
Investment property	148,046	146,983	-	-
Trade and other receivables	36,137	46,758	12	12
Other current assets	649	665	17	23
Non-trade receivables from subsidiaries	-	-	73,562	73,662
Cash and cash equivalents	2,816	1,981	7	50
	187,648	196,387	73,598	73,747
Current liabilities				
Trade payables	2,521	2,539	-	-
Other payables	1,541	1,913	264	321
Short-term bank loans	32,349	38,861	-	-
Current income tax liability	995	983	-	-
	37,406	44,296	264	321
Net current assets	150,242	152,091	73,334	73,426
Total assets less current liabilities	166,420	168,274	138,206	138,298
Non-current liabilities				
Long-term bank loans	2,615	2,648	-	-
Provision for staff benefits	287	287	-	-
Deferred tax liabilities	10,247	10,188	-	-
	13,149	13,123	-	-
NET ASSETS	153,271	155,151	138,206	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 31/03/2014	As at 31/12/2013	As at 31/03/2014	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	106,604	108,484	91,539	91,631
	153,271	155,151	138,206	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 31 March 2014	
Secured	Unsecured
US\$'000	US\$'000
32,349	NIL

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

Amount repayable after one year

As at 31 March 2014	
Secured	Unsecured
US\$'000	US\$'000
2,615	NIL

As at 31 December 2013	
Secured	Unsecured
US\$'000	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 31 March,	
	2014	2013
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(2,132)	(3,503)
Adjustment for :		
Depreciation of property, plant and equipment	85	56
Operating cash flow before working capital changes	(2,047)	(3,447)
Changes in working capital		
Trade and other receivables and other current assets	4,476	3,001
Trade and other payables	(390)	225
Amounts due to related companies	-	3,774
Cash generated from operations	2,039	3,553
Taxation paid	-	-
Net cash generated from operating activities	2,039	3,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(52)	(15)
Proceeds from disposal of investment property	6,161	-
Net cash generated from / (used in) investing activities	6,109	(15)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans	(6,827)	(4,770)
Net cash used in financing activities	(6,827)	(4,770)
Net effect of exchange rate changes on consolidation	(486)	946
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	835	(286)
Cash and cash equivalents at beginning of period	1,981	1,768
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,816	1,482

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	-	-	-	-	(916)	(3,511)	(4,427)
Balance at 31 March 2013	46,667	27,209	24	-	8,363	86,538	168,801
Balance at 1 January 2014	46,667	27,209	24	535	7,418	73,298	155,151
Total comprehensive income / (loss)	-	-	-	-	258	(2,138)	(1,880)
Balance at 31 March 2014	46,667	27,209	24	535	7,676	71,160	153,271

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	-	-	(242)	(242)
Balance at 31 March 2013	46,667	27,209	64,928	138,804
Balance at 1 January 2014	46,667	27,209	64,422	138,298
Total comprehensive loss	-	-	(92)	(92)
Balance at 31 March 2014	46,667	27,209	64,330	138,206

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

The Company did not have any treasury shares as at 31 March 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 figure 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:-

	3 months ended 31 March,	
	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 0.18 cents)	(US 0.30 cents)
(ii) On a fully diluted basis	(US 0.18 cents)	(US 0.30 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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net asset value per ordinary share	US 13.1 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 decreased by US\$0.1 million from US\$3.4 million for Q1 2013 to US\$3.3 million for Q1 2014. The decrease was attributable to a decrease in service income in the Vigers operations.

Cost of sales for Q1 2014 was US\$2.3 million compared to US\$2.5 million for Q1 2013. The cost of sales reduction of US\$0.2 million was attributable to the lower contracted manpower costs in the Vigers operations.

The Group recorded a gross profit of US\$0.9 million for both Q1 2014 and Q1 2013.

The Group had other gain of US\$0.4 million for Q1 2014 as compared to US\$0.7 million loss for Q1 2013. In Q1 2014, the other gain comprised mainly the net foreign exchange gain of US\$0.1 million arising from translating the monetary items denominated in foreign currencies and interest income of US\$0.2 million.

Administrative costs decreased by US\$0.1 million from US\$3.3 million for Q1 2013 to US\$3.2 million for Q1 2014. The decrease was mainly attributable to the decrease in development improvement works for the investment property (Emerald Hill project).

Finance costs decreased by US\$0.1 million from US\$0.4 million for Q1 2013 to US\$0.3 million for Q1 2014. The finance costs for both Q1 2014 and Q1 2013 were principally attributable to the loan interest for the investment property (Emerald Hill project).

The Group's net loss for Q1 2014 was US\$2.1 million as compared to US\$3.5 million for Q1 2013, a decrease of US\$1.4 million, as explained in the preceding paragraphs.

Statement of Financial Position

Investment property increased by US\$1.0 million from US\$147.0 million as at 31 December 2013 to US\$148.0 million as at 31 March 2014. The increase was attributable to the translation adjustment arising from translating the investment property denominated in foreign currency.

Trade and other receivables decreased by US\$10.7 million from US\$46.8 million as at 31 December 2013 to US\$36.1 million as at 31 March 2014. The decrease was mainly due to the partial settlement of receivables during the current financial period. The trade and other receivables as at 31 March 2014 comprised the present value of those receivables that are falling due for collection before 31 March 2015. The present value as at 31 March 2014 was calculated by discounting the future cash receipts by the imputed interest rate of 2.5% per annum which remains unchanged from 2013.

Trade and other payables decreased by US\$0.4 million from US\$4.5 million as at 31 December 2013 to US\$4.1 million as at 31 March 2014. The decrease was mainly due to the decrease in administration costs during the financial period.

Bank loans under "Current Liabilities" and "Non-current Liabilities" decreased in total by US\$6.5 million from US\$41.5 million as at 31 December 2013 to US\$35.0 million as at 31 March 2014. The decrease was mainly due to the partial repayments during the current financial period. As at 31 March 2014, the bank loans comprised bank loans of US\$29.8 million on the investment property, mortgage loan of US\$2.8 million on the land and building and bank overdraft of US\$2.4

million. The bank loans on the investment property and bank overdraft are repayable by installments up to 8 June 2014.

The movement in cash and cash equivalents from US\$2.0 million as at 31 December 2013 to US\$2.8 million as at 31 March 2014, an increase of US\$0.8 million, is explained in the statement of cash flows below.

Statement of Cash Flows

During Q1 2014, the Group's net cash generated from operating activities was US\$2.0 million as compared to US\$3.6 million in Q1 2013. The cash movement in Q1 2014 was mainly attributable to the partial settlement of trade receivables as mentioned in the statement of financial position above. The net cash of US\$6.1 million generated from investing activities was mainly attributable to the proceeds received during the current financial period for the partial disposals of the investment property in Q4 2013. The net cash used in financing activities in Q1 2014 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.

Significant resources and efforts have been applied to market and promote the Residences at Emerald Hill ("REH") in both the local and overseas premium markets. As a result of the continuous effort in undertaking improvement works to enhance the value of REH, the Group has received a Certificate of Appreciation issued by the National Parks Board in recognition of its commitment on sustainability. The sales progress going forward depends very much on Government policy concerning the property market.

The Group will continue to look for acquisition 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. The property market in Hong Kong is quiet under the Double Stamp Duty and Special Stamp Duty policies and with the high economic growth in the PRC and Macau, Vigers Group is exploring more business opportunities and service lines in these markets to generate more income stream in the next twelve months. The Board considers that Vigers Group will continue to enhance the Group's opportunities in the real estate sector to enable the Group to further diversify its property business into the areas of property appraisal, consultancy, agency and management services in order to generate profitable and recurring income for the Group.

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 Q1 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	
Asia Manufacturing Services Limited Property development and investment service fees paid	(784)	-

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.