LAFE CORPORATION LIMITED

ANNUAL REPORT 2019

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2019

LAFE CORPORATION LIMITED

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BOARD OF DIRECTORS
Mr. Will, Eduard William Rudolf Helmuth
Chairman
Mr. Christopher Ho Wing-On
Mr. Kenny Suen Wai Cheung
Mr. Paul Law Kwok Fai
Mr. Ricky Sim Eng Huat
Mr. Kin Yuen
Mr. Paul Francis Gregory Binney

AUDIT COMMITTEE
Mr. Kin Yuen
Chairman
Mr. Ricky Sim Eng Huat
Mr. Will, Eduard William Rudolf Helmuth

ASSET MANAGEMENT COMMITTEE
Mr. Paul Law Kwok Fai
Chairman
Mr. Kenny Suen Wai Cheung
Mr. Will, Eduard William Rudolf Helmuth

NOMINATING COMMITTEE
Mr. Ricky Sim Eng Huat
Chairman
Mr. Will, Eduard William Rudolf Helmuth
Mr. Kin Yuen

REMUNERATION COMMITTEE
Mr. Kin Yuen
Chairman
Mr. Will, Eduard William Rudolf Helmuth
Mr. Ricky Sim Eng Huat

KEY EXECUTIVES
Mr. Christopher Ho Wing-On
CEO
Mr. Paul Law Kwok Fai
Executive Director, Operations
Mr. Paul Francis Gregory Binney
Executive Finance Director
Mr. Kenny Suen Wai Cheung
Executive Director, Operations
Vice Chairman and Chief Executive Officer, Vigers Group
Mr. Raymond Ho Kai Kwong
Managing Director, Vigers Group
Mr. David Cheung Wang Ip
Executive Director, Vigers Appraisal and Consulting Limited and Vigers Macao Company Limited
Mr. Manjit Singh Gill
Managing Director, Vigers Group Singapore

AUDITORS
Mazars LLP
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536
Partner-in-charge: Mr Ooi Chee Keong
(appointed with effect from financial year ended 31 December 2019)

COMPANY SECRETARY
Mr. Paul Francis Gregory Binney

ASSISTANT COMPANY SECRETARY
Ms. Linda Longworth
International Managers Bermuda Ltd.

CORPORATE OFFICE IN SINGAPORE
119 Emerald Hill Road
#12-01 Residences at Emerald Hill
Singapore 229401
Tel: (65) 6509 5235
Fax: (65) 6509 5235

REGISTERED OFFICE
Wessex House
45 Reid Street
Hamilton HM 12
Bermuda

BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE
International Managers Bermuda Ltd.
Wessex House
45 Reid Street
Hamilton HM 12
Bermuda

SINGAPORE SHARE TRANSFER AGENT
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6228 0530

COMPANY'S WEBSITE
www.lafecorporation.com

I am pleased to present the results of the Group for the financial year ended 31 December 2019.

BUSINESS REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's revenue increased by US$0.13 million from US$14.59 million for 2018 to US$14.72 million for 2019. The increase was mainly attributable to the increase in revenue generated from the Vigers operations.

Cost of sales decreased by US$0.10 million from US$11.42 million for 2018 to US$11.32 million for 2019. The decrease was mainly attributable to the lower contracted manpower costs in the Vigers operations.

The Group recorded a gross profit of US$3.39 million for 2019 as compared to US$3.17 million for 2018, an increase of US$0.22 million as explained in the preceding paragraphs.

The Group had other net loss of US$1.31 million for 2019 as compared to US$5.69 million for 2018. In 2019, the other net loss comprised mainly the net foreign currency exchange gain of US$0.26 million arising from translating the monetary items denominated in foreign currencies, the increase in provision for rental guarantee of US$0.03 million and the impairment loss of US$1.53 million on Vigers trademark valuation. In 2018, the other net loss comprised mainly the write-off of acquisition and other incidental costs of approximately US$5.23 million in consequence of the non-completion of the proposed acquisition of all the strata lots and the common area of Fairhaven at Sophia Road in District 9 as more fully disclosed in the Company's Announcements dated 9 October 2018 and 16 October 2018, the net foreign currency exchange loss of US$0.84 million arising from translating the monetary items denominated in foreign currencies and the decrease in provision on rental guarantee of US$0.24 million.

Other income of US$0.84 million in 2019 represented recovery of impaired assets in relation to acquisition of Fairhaven previously written off.

Administrative costs decreased by US$0.70 million from US$9.44 million for 2018 to US$8.74 million for 2019. The higher administrative costs for 2018 was mainly attributable to the payment of an outside-the-court settlement of US$0.30 million 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 by US$0.20 million from US$0.20 million for 2018 to US$0.40 million for 2019. The increase was mainly attributable to the increase in the ultimate holding company loan interest of US$ 0.14 million and increase in interest on lease liabilities of US$0.05 million.

As a result of the above, the Group's loss before taxation for 2019 was US$4.91 million, as compared to US$10.80 million for 2018, a decrease of US$5.89 million as explained in the preceding paragraphs.

The tax expense decreased by US$0.03 million from US$0.05 million from 2018 to US$0.02 million for 2019. The tax expense for both years was mainly represented by the profits tax on the net assessable profits of the Vigers Group companies in their respective jurisdictions.

As a result of the above, the Group's net loss for 2019 was US$4.93 million, as compared to US$10.85 million for 2018, a decrease of US$5.92 million as explained in the preceding paragraphs.

Other comprehensive income of US$0.18 million in 2019 comprised mainly the currency translation gain arising on consolidation of foreign subsidiaries, as compared to a loss of US$0.04 million in 2018.

As a result of the above, the Group's total comprehensive loss for the year was US$4.75 million as compared to US$10.91 million for 2018, decrease of US$6.16 million, as explained in the preceding paragraphs.

Consolidated Statement of Financial Position

Property, plant and equipment slightly decreased by US$0.09 million from US$0.36 million as at 31 December 2018 to US$0.27 million as at 31 December 2019.

The trademark has been impaired by US$1.53 million in the year based on revised key assumptions for the value in use calculation as disclosed in note 14 of financial statements. The revised trademark value was US$3.67 million as at 31 December 2019.

Right-of-use assets of US$1.44 million as at 31 December 2019 resulted from the Group's initial adoption of IFRS 16 on 1 January 2019 in respect of its operating leases for office premises as disclosed in note 2.16 and note 13 of financial statements above and after accounting for accumulated depreciation of US$1.09 million up to 31 December 2019.

Non-trade receivable from a related party under "Non-current assets" and "Current assets" increased by US$0.56 million from US$43.51 million as at 31 December 2018 to US$44.07 million as at 31 December 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 a former subsidiary, Lafe (Emerald Hill) Development Pte. Ltd. ("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$1.85 million from US$4.50 million as at 31 December 2018 to US$2.65 million as at 31 December 2019. The decrease was mainly attributable to the settlement of certain outstanding receivables during the current financial year.

Other assets under "Current assets" and "Non-current assets" increased in total by US$0.14 million from US$0.84 million as at 31 December 2018 to US$0.98 million as at 31 December 2019. The increase was mainly attributable to the additional security deposits placed on certain new contracts gained by the Vigers Operations.

Provisions under "Current liabilities" and "Non-current liabilities" decreased in total by US$1.76 million from US$3.48 million as at 31 December 2018 to US$1.72 million as at 31 December 2019. The decrease was mainly attributable to the payments made during the current financial year, 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 year.

Lease liabilities under "Current liabilities" and "Non-current liabilities" of US$1.51 million as at 31 December 2019 was the outstanding lease payments, discounted at the Group's incremental borrowing rate of 3% per annum, over the respective terms of the Group's operating leases for its office premises following the Group's initial adoption of IFRS 16 on 1 January 2019 as disclosed in note 2.16 and note 13 of financial statements above.

Loans from holding company represented the aggregate amounts of advances extended to the Company by the Company's holding company, Sino Capital Resources Limited. The balance increased by US$3.46 million from US$5.10 million as at 31 December 2018 to US$8.56 million as at 31 December 2019 as a result of further working capital loans being extended to the Company during the current financial year. The loans are unsecured, repayable on demand and bear interest at 3% per annum.

Consolidated Statement of Cash Flows

During the year, the Group's net cash used in operating activities was US$2.46 million as compared to net cash used in operating activities of US$13.57 million in 2018. The cash movement in 2019 was mainly attributable to the payments made for rental guarantee of US$1.91 million.

DIVIDENDS

The Board do not recommend payment of a final dividend in respect of the financial year ended 31 December 2019.

PROSPECTS

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 developing its business in the PRC and Macau with a view to expanding its professional valuation services.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to the management and the staff of the Group for their loyalty and commitment. I would also like to thank our shareholders, customers, suppliers and business associates for their continuing support and confidence.

Will, Eduard William Rudolf Helmuth
Chairman

Authorised share capital	:	US$100,000,000
Issued and fully paid-up	:	US$50,666,666
Class of shares	:	Ordinary shares of US$2.00 each
Voting rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	3,038	68.62	111,482	0.44
100 – 1,000	1,137	25.68	369,090	1.46
1,001 - 10,000	211	4.77	590,984	2.33
10,001 - 1,000,000	37	0.84	1,104,564	4.36
1,000,001 and above	4	0.09	23,157,213	91.41
	4,427	100.00	25,333,333	100.00

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Direct Interests	%
1	Sansui Electric (China) Company Limited**	20,444,712*	80.71
2	CTI Limited	1,610,874	6.36

* Mr Christopher Ho Wing-On is deemed to have interests in these shares as he is the owner of Sansui Electric (China) Company Limited that owns directly 20,444,712 ordinary shares in the Company.

** 57.12% are held directly by Sansui Electric (China) Company Limited and 23.59% are held on behalf in the name of Phillip Securities Pte Ltd.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Sansui Electric (China) Company Limited	14,469,185	57.12
2	Phillip Securities Pte Ltd	5,976,967	23.59
3	CTI Limited	1,610,874	6.36
4	Lew Syn Pau	1,100,187	4.34
5	Choo Ah Seng	132,646	0.52
6	Vibrant Capital Pte Ltd	106,060	0.42
7	Raffles Nominees (Pte) Limited	92,652	0.37
8	Ng Hwee Koon	70,000	0.28
9	OCBC Securities Private Ltd	59,291	0.23
10	Law Kwok Hung	57,456	0.23
11	Teo Ho Beng	40,000	0.16
12	CGS-CIMB Securities (Singapore) Pte Ltd	32,300	0.13
13	Tan Puay Yong	32,000	0.13
14	Wirtz Jochen	31,360	0.12
15	UOB Kay Hian Pte Ltd	27,980	0.11
16	Kuek Ser Khiang Keith	26,500	0.10
17	Ai Lin Jong	24,000	0.09
18	Wu Teng Siong	23,840	0.09
19	Tan Mashiam Alice	22,500	0.09
20	DBS Vickers Securities (S) Pte Ltd	21,952	0.09
		23,957,750	94.57

As at 2 July 2020, there were no treasury shares or subsidiary holdings held by the Company.

PUBLIC SHAREHOLDERS

Based on information available to the Company as at 2 July 2020, 19.29% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Lafe Corporation Limited (the "Company") is committed to ensuring that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long term shareholder value. The Company is also committed to maintaining a high standard of corporate governance by complying with the Code of Corporate Governance (the "Code") issued by the Corporate Governance Committee to promote investors' confidence and protect the interest of all shareholders. On 6 August 2018, the revised Code of Corporate Governance 2018 (the "Revised Code") was issued (which is effective from financial years commencing on or after 1 January 2019).

This report outlines the Company's corporate governance processes and structure that were in place with specific reference made to the Code and the Revised Code.

BOARD MATTERS THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company

The Board comprises four executive directors and three independent directors, all with the right core competencies and diversity of experience which enable them to effectively contribute to the Company. The independent members of the Board include business leaders and professionals with broad experience in government and financial services – a mixture of knowledge and expertise to contribute to the Company's performance. We believe that this will enable the Company to deliver product excellence for our customers and superior returns to its shareholders.

The Board comprises:

Mr. Will, Eduard William Rudolf Helmuth
Chairman
Independent & Non-Executive
Date of Appointment: 1 March 2012
Mr. Will, Eduard William Rudolf Helmuth, aged 78, holds degrees from the Gymnasium St. Georg, Hamburg and the University of Hamburg. He has worked in Germany, New York, London, Hong Kong and is now based in Germany. Mr. Will has more than 45 years of experience as merchant banker, senior advisor and director of various public and private companies. Mr. Will's previous experience include heading international mergers and acquisitions for Morgan Guaranty in Frankfurt, Amex Bank Ltd. in London, partner of Bear, Stearns and Company in London and New York and director of a subsidiary of Singapore Telecom Australia.

Mr. Christopher Ho Wing-On
CEO
Date of Appointment: 9 April 1999
Mr. Christopher Ho Wing-On, aged 69, graduated with a Bachelor of Commerce degree from the University of Toronto in 1974. Prior to 1991, he was a senior partner in a major accounting firm in Hong Kong. Mr. Christopher Ho Wing-On has extensive experience in manufacturing, corporate finance, international trade and real estate industries.

Mr. Paul Law Kwok Fai
Executive Director, Operations
Date of Appointment: 6 August 2010
Mr. Paul Law Kwok Fai, aged 63, holds Bachelor of Science from The University of Western Ontario, Canada. He has over 40 years of working experience with wide-exposure and knowledge in manufacturing, project management and extensive exposure in PRC operations. Mr. Law chairs the Asset Management Committee for the Company.

Mr. Kenny Suen Wai Cheung
Executive Director, Operations
Date of Appointment: 6 August 2010
Mr. Kenny Suen Wai Cheung, aged 57, is Executive Director of Operations, Vice Chairman and Chief Executive Officer of Vigers Group, holds a Bachelor of Science (Honours) degree from De Montford University, United Kingdom. He is a Fellow of Royal Institution of Chartered Surveyors and Fellow of Hong Kong Institute of Surveyors. He has more than 33 years of experience in real estate development in United Kingdom, Hong Kong and PRC. Mr. Suen's global experience covers development appraisals, projects management, property sales and marketing for major institutional investors. He has served on a number of HKSAR Government Boards including Town Planning Appeals Board and the Inland Revenue Board of Review.

Mr. Paul Francis Gregory Binney
Executive Finance Director
Date of Appointment: 31 August 2018
Mr. Paul Francis Gregory Binney, aged 60, is Executive Finance Director of the Group and Company Secretary. He holds an MBA from the University of Warwick and a Bachelor of Commerce (Honours) Degree from University of Birmingham. He is a member of the Institute of Chartered Accountants in England and Wales. Mr. Paul Binney has extensive experience in finance and corporate accounting in manufacturing and operations worldwide.

Mr. Ricky Sim Eng Huat
Independent & Non-Executive
Date of Appointment: 28 April 2014
Mr. Sim Eng Huat, aged 66, was appointed as an Independent Director of Lafe Corporation Limited on 28 April 2014. He chairs the Nominating Committee and is a member of the Audit Committee and Remuneration Committee. Mr. Sim started his career in 1977 with the Singapore Civil Service where he spent a total of 18 years, during which he had served 6 years in Hong Kong and 3 years in Bangkok as a diplomat. In 1994, he entered the private sector by joining Suntec Investment Group of Companies ("SIPL") in Singapore. In addition to fulfilling the role of Chief Operating Officer of SIPL, Mr. Sim was the Managing Director of Chesterton Suntec International Property Consultants from 1997 to 2013. He had been an Honorary Advisor to the Real Estate Developers Association of Singapore from 2005 to 2013 and member of the Singapore Institute of Directors since its founding in January 2000.

Mr. Sim is also an Independent Director and the Chairman of the Nominating Committee of SK Jewellery Group Limited, Metech International Limited and Mary Chia Holdings Limited, which are listed on the Catalist of the SGX-ST.

Mr. Kin Yuen
Independent & Non-Executive
Date of Appointment: 29 April 2016
Mr. Kin Yuen, aged 65, holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Professional Accountant in Canada and he is a fellow member of the Hong Kong Institute of Certified Public Accountants, and of the Association of Chartered Certified Accountants. He has extensive experience in corporate finance, financial planning, reporting and management. He is currently an independent non-executive director of Huayi Tencent Entertainment Co. Ltd., formerly China Jiuhao Health Industry Corporation Ltd., which is an investment holding company principally engaged in entertainment and media businesses and it is listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Emerson Radio Corporation, a U.S. company engaged in distribution of consumer electronic products and electrical appliances, and it is listed on the American Stock Exchange. He is also an executive director of Culturecom Holdings Ltd., an investment holding company principally engaged in publishing and digital marketing businesses, and it is listed on the Hong Kong Stock Exchange. Mr. Yuen chairs both the Audit Committee and the Remuneration Committee for the Company.

INFORMATION ON KEY EXECUTIVES (NON-DIRECTOR)

Mr. Raymond Ho Kai Kwong, aged 57, is Managing Director of Vigers Group. Mr. Ho graduated from The Hong Kong Polytechnic University and holds the professional qualification of Registered Professional Surveyor. He is a member of the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors. Mr. Ho has over 34 years of experience in the field of valuation and real estate.

Mr. David Cheung Wang Ip, aged 59, is Executive Director of Vigers Appraisal and Consulting Limited and Vigers Macao Company Limited. Based in Hong Kong, he leads Vigers' valuation teams in Hong Kong and oversees the Macau operation. He has a degree in General Practice Surveying. He is a corporate member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors as well as a Member of Associacao da Avaliacao de Propriedade de Macau. He has over 34 years of experience in the field of valuation and feasibility study. He has extensive experience in valuing various kinds of assets including all common property types, leisure properties, infrastructure works such as toll roads, bridges, tunnels, power stations, water treatment plants etc. In addition, he has undertaken valuations for the flotation of several substantial IPO's in the Hong Kong Stock Market, Singapore Stock Market and other major Stock Exchanges.

Mr. Manjit Singh Gill, aged 53, is Managing Director of Vigers Group Singapore, holds a Master of Business Administration from the State University of New York at Buffalo. His professional experiences have been in the electronics manufacturing, distribution, consumer electronics, retail and real estate sectors. Manjit has held operations management and general management positions in various entities, including Nakamichi Electronics, Sansui Sales and Jones Lang Lasalle, all of whom are major players in their respective industries.

Induction, training and development provided to new and existing directors are disclosed as below:

The Nominating Committee ("NC") oversees the onboarding of new Directors. All new Directors go through our induction programme, which covers the duties and obligations of a Director, the responsibilities of and work carried out by the Board committees, appropriate Board management oversight controls and training on the Company risk management framework.

The NC ensures that new Directors are provided with information on the corporate structure, key management personnel, business operations and financial statements of the Group. Guidance is also given to all Directors on regulatory requirements concerning disclosure of interests and restrictions on dealings in the Company's securities.

From time to time, the Company keeps the Directors updated with any changes in laws, regulations and/or SGX-ST listing rules which may have impact on the Group's compliance requirements and/or business outlook.

The Company encourages the directors to participate in programs of continuous professional development to develop and refresh their knowledge and skills including digital literacy education. The Company will be responsible for reimbursement of the course fee for the approved courses/ seminars taken by the directors.

Matters that require Board approval are as below:

The Board's responsibilities are well defined. The Board is the decision-making body for matters with significant impact to the Company as a whole; these include matters with strategic, financial or reputational implications or consequences. The specific matters that require board approval include:

- Group's annual and interim financial statements
- acquisitions and divestments exceeding certain material limits
- Group's annual budget
- capital expenditures and expenses exceeding certain material limits
- capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption
- dividend policy
- risk strategy and risk appetite statement

The Board ensures that appropriate controls and decision-making are consistently applied throughout the Company.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company

The Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened as and when deemed necessary. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's business strategies and directions, review financial performance including approval of the annual and quarterly results, approve the nomination of directors and appointments to the various Board Committees, review the adequacy and integrity of internal control, and assume responsibility for corporate governance. With three independent directors out of seven, the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues.

Apart from formal meetings, the members regularly contribute by providing guidance and advice to the Management.

To assist in the execution of its responsibilities, a number of Board Committees are established including an Audit Committee, an Asset Management Committee, a Nominating Committee and a Remuneration Committee. These committees' function with clearly defined terms of references and operating procedures are reviewed regularly. The effectiveness of each committee is also constantly monitored.

Board Independence

The independent directors make up just under half of the Board (3 out of 7 Directors) and one of these being the Chairman.

Board Diversity

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The NC is responsible for setting the relevant objectives to promote and achieve diversity on the Board. The main objective of the Board Diversity Policy is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company. The Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The NC will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy. The NC will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The NC was satisfied that the objectives of the Board Diversity Policy continue to be met.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2019

	Board Meetings	Audit Committee	Asset Management Committee	Nominating Committee	Remuneration Committee
No. of Meetings Held	5	6	1	1	1
Christopher Ho Wing-On	5	N/A	N/A	N/A	N/A
Paul Law Kwok Fai	5	N/A	1	N/A	N/A
Kenny Suen Wai Cheung	5	N/A	1	N/A	N/A
Paul Francis Gregory Binney	5	N/A	N/A	N/A	N/A
Will, Eduard William Rudolf Helmuth	5	6	1	1	1
Ricky Sim Eng Huat	5	6	N/A	1	1
Kin Yuen	5	6	N/A	1	1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

The positions of CEO and Chairman of the Board were separated on 31 August 2018. The Board believes that the current Board Structure has sufficient safeguards and procedures to ensure appropriate balance of power and authority.

All major proposals and decisions made by the Chairman and CEO are discussed and reviewed by the appropriate sub committees and thereafter by the Board. As the Audit Committee, Nominating Committee and Remuneration Committee consist of independent directors, the Board believes that there are sufficient strong and independent procedures and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

All Board members are provided with timely notices and information prior to board meetings as and when the need arises. Most of the formal board meetings are held overseas. The Bye-Laws of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. Where a physical Board meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail, teleconferencing and videoconferencing.

EXECUTIVE COMMITTEE

The Executive Committee comprises four Executive Directors as at the date of this report, namely:

Mr. Christopher Ho Wing-On
Mr. Paul Law Kwok Fai
Mr. Kenny Suen Wai Cheung
Mr. Paul Francis Gregory Binney

The aim of the Executive Committee is to generally act for the Board in the day to day management of the Company, within the limits of the Companies Act 1981 of Bermuda (as amended from time to time) and the Memorandum of Association and Bye-Laws of the Company. The approval of the Board will be required for providing any single corporate guarantee exceeding US$10 million or its equivalent, approval and submission of financial results to the Singapore Exchange Securities Trading Limited and the approval of entering into contracts relating to non-core businesses to the value of 20% or more of the Net Tangible Assets.

If there are any resolutions approved by the Executive Committee, the resolutions approved are tabled at the next quarterly physical meeting of the Board of Directors, for information.

The Board has separate and independent access to the Company Secretary and senior management executives of the Company at all times in carrying out their duties.

ASSET MANAGEMENT COMMITTEE

The Asset Management Committee comprises two Executive Directors and an independent director as at the date of this report, namely:

Mr. Paul Law Kwok Fai (Chairman)
Mr. Kenny Suen Wai Cheung
Mr. Will, Eduard William Rudolf Helmuth

The aim of the Asset Management Committee is to review, evaluate and recommend to the Board the Company's asset deployment strategies and initiatives.

REMUNERATION COMMITTEE

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: ***The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration***.

LEVEL AND MIX OF REMUNERATION

Principle 7: ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

DISCLOSURE ON REMUNERATION

***Principle 8:** The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The Remuneration Committee ("RC") comprises three independent directors (including the Chairman) as at the date of this report, namely:

Mr. Kin Yuen (Chairman)
Mr. Will, Eduard William Rudolf Helmuth
Mr. Ricky Sim Eng Huat

The aim of the RC is to set a policy framework of remuneration for the Board and key executives to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of the business and the Company. Apart from fees and salaries, the Remuneration Committee will also examine all elements of the remuneration, terms of employment, allowances, reward structure and other benefits in kind.

The remuneration of directors and key executives are set out below:

			Fee %	Salary %	Bonus %	Allowances & benefit %	Total %
a)	**Directors of the Company**						
	i)	S$500,000 to S$749,999					
		Christopher Ho Wing-On	–	94	6	–	100
	ii)	S$250,000 to S$499,999					
		Paul Law Kwok Fai	–	77	–	23	100
		Kenny Suen Wai Cheung	–	100	–	–	100
	iii)	Below S$250,000					
		Will, Eduard William Rudolf Helmuth	100	–	–	–	100
		Ricky Sim Eng Huat	100	–	–	–	100
		Kin Yuen	100	–	–	–	100
		Paul Francis Gregory Binney	–	100	–	–	100
b)	**Key Executives of the Group**						
	i)	S$250,000 to S$499,999					
		David Cheung Wang Ip	–	90	10	–	100
		Raymond Ho Kai Kwong	–	90	7	3	100
		Manjit Singh Gill	–	89	8	3	100

The Group has no employee share option scheme as of the date of the report.

The Company has not disclosed the remuneration of each individual director and the CEO on a named basis. The Board after weighing the advantages and disadvantages of such disclosure is of the view that full disclosure of the actual remuneration of each director and the CEO would not be in the interests of the Company as such information is confidential and sensitive, and could be exploited by competitors. The Board is of the opinion that the information disclosed in the Annual Report is sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices in respect of the directors and the CEO.

The Company has not disclosed the total aggregate remuneration of the top five key management personnel (who are not directors or the CEO). The Company has only three key management personnel (who are not directors or the CEO). In respect of such persons, the Board after weighing the advantages and disadvantages of such disclosure is of the view that full disclosure of the aggregate total remuneration paid to such persons would not be in the interests of the Company as such information is confidential and sensitive, and could be exploited by competitors. The Board is of the opinion that the information disclosed in the Annual Report is sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices in respect of the Company's key management personnel.

The policy and criteria for setting remuneration is as below:

The RC sets the structure and remuneration packages for all directors and key management of the Company.

To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and key management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The RC considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration.

To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

To review and approve the compensation payable to executive directors and key management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

To ensure that no director or any of his associates is involved in deciding his own remuneration.

The RC has the right to request the Company Secretary to obtain professional advice in case it is necessary.

NOMINATING COMMITTEE

BOARD MEMBERSHIP

Principle 4: ***The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.***

BOARD PERFORMANCE

Principle 5: ***The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors***.

The NC comprises three independent directors as at the date of this report,

Mr. Ricky Sim Eng Huat (Chairman)
Mr. Will, Eduard William Rudolf Helmuth
Mr. Kin Yuen

The NC's objective is to ensure that the Directors of the Board will provide the required mix of responsibilities, skills and experience. The Nominating Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member. The NC shall conduct a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

Pursuant to the Company's Bye-Laws 86(1) and 86(2), each Director shall retire at least once every three (3) years and a retiring Director shall be eligible for re-election at the annual general meeting of the Company. In addition, the Company's Bye-Law 85(6) provides that any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The process for the selection, appointment and reappointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates is as below:

Appointment of new directors of the Board shall follow the procedures set out in the Bye-laws of the Company. Directors should include a strong commitment to integrity and high ethical values. In this regard senior management must explicitly communicate the Company's values and behavioral standards to employees and directors of the Group, through the Code on Corporate Governance Practices issued by the Exchange.

Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper and to ascertain whether the candidate is independent from the Company's substantial shareholder and/or from management and business relationships with the Company.

The NC then interviews the short-listed candidates and makes its recommendations to the Board. All Board appointments are based on merit, taking into account the contributions the candidates can bring to the Board to enhance its effectiveness. Upon the appointment of a new Director, the NC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the Director's skillset to the needs of each Board committee.

Independent non-executive directors should be appointed for a specific term, subject to re-election.

All directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The NC will then review the composition of the Board and decide whether to recommend to the Board the re-election of these Directors, after taking into account factors such as their attendance, participation, contribution, expertise and competing time commitments.

The assessments of the Board, its board committees and each director have been conducted as below:

The NC regularly reviewed the size and composition of the Board committees in 2019 to ensure that all independence requirements continue to be met, and that the Board committees are of an appropriate size and comprise the appropriate balance of skills, knowledge and experience, as well as diversity of nationality, age and gender.

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identify steps for improvement.

The NC believes that it is important to obtain a perspective on the Board's performance once every three years, and to gain insights on the Board's performance against peer boards and best practices. The NC uses a questionnaire included questions on Board composition, Board processes and culture, quality of information provided to the Board, succession planning, risk management and effectiveness of Board committees. Each Director is asked to complete the questionnaire and submit it directly to the Group Secretary who collates the responses and produces a summary report for the NC. The NC analyses the report and submits its findings to the Board. The Board discusses the findings of the evaluation and agrees on the follow-up.

In addition to the annual Board evaluation exercise, the NC also conducts an annual review of each Director to determine whether each Director remains qualified for office. In making its determination, the NC will take into account

(i) the Director's age, track record, experience, skills and capabilities; (ii) whether each Director is able to and has been adequately carrying out his/ her duties as a Director, including the contributions and performance of each Director; and (iii) whether each Director has committed sufficient time to his/ her duties as a director.

The Board is satisfied that each Director has diligently discharged his or her duties as a Director and has contributed meaningfully to the Company.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively

The Audit Committee ("AC") comprises three independent directors (including the Chairman) as at the date of this report,

Mr. Kin Yuen	(Chairman)
Mr. Ricky Sim Eng Huat	
Mr. Will, Eduard William Rudolf Helmuth	

The AC oversees all aspects of the external audit process, particularly the cost effectiveness and the independence of the external auditors. Annually, the AC meets with the external auditors separately without the presence of Management to review the adequacy of audit arrangements, with particular emphasis on the observation of the auditors, the scope and quality of their audit, the objectivity of the auditors and to review of all non-audit services provided by the auditors. The AC will recommend to the Board appointment or re-appointment of external auditors.

The AC is satisfied with the objectivity and independence of the external auditors, and they recommend the re-appointment of Messrs Mazars LLP for the coming financial year.

To provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects, annual and quarterly financial statements and announcements to shareholders are reviewed by the AC before submission to the Board for adoption. The AC reviews the financial statements with emphasis on (i) changes in accounting policies and practices, if any; (ii) significant matters arising from the audit, if any; and (iii) compliance with relevant accounting standards and legal requirements.

The AC also reviews Interested Person Transactions to ensure that they are conducted on normal commercial terms and not prejudicial to the interests of the Company or its shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive to attend its meetings.

ACCOUNTABILITY AND AUDIT RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

The Board recognises the need to put in place a system of risk management and internal controls of the Company's procedures and processes to safeguard shareholders' interests and the Company's assets. In this regard, the internal audit function is responsible for overseeing the risk management function and identifying deficiencies in internal control and reports directly to the Audit Committee.

The Board is of the opinion with the concurrence of the AC that the system of internal controls including financial, operational, compliance and information technology controls and risk management systems maintained by the Company's management throughout the financial year is adequate and effective to meet the needs of the Group in its current business environment.

For the financial year ended 31 December 2019, the Board has received the assurance from the CEO and the Executive Finance Director that:

1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;

2) the system of internal controls in place for the Group is adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations; and

3) the risk management systems in place for the Group are adequate and effective to address the risks which the Group considers relevant and material to its operations.

For the financial year ended 31 December 2019, the Board has also received assurance from the key management personnel responsible for risk management and internal control systems that the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Board notes that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

INTERNAL AUDIT

The Company has an in-house independent internal audit team. The internal auditors report functionally to the AC and administratively to management. In this regard, the Audit Committee is empowered to review any of the accounting, auditing and financial practices, with access to records and management personnel, to enable it to discharge its functions.

The Internal Auditors submit their annual audit schedule for approval by the AC and report their findings direct to the AC. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. In the year under review, the Internal Auditors carried out reviews on certain areas to assess and evaluate:

1) if adequate systems of internal control are in place and functioning as management intended;

2) if operations of the business processes under review are conducted efficiently and effectively; and

3) the Group's material risk factors and related risk management policies and procedures.

SHAREHOLDER RIGHTS AND ENGAGEMENT SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company

The Company provides avenues for communication between the Board and all shareholders, and discloses the steps taken to solicit and understand the views of shareholders as below:

ENGAGEMENT WITH SHAREHOLDERS

The Company investor relations activities promote regular, effective and fair communication with shareholders. Separate briefing sessions are conducted if required for the media and analysts. All press statements and quarterly financial statements are published on the Company website www.lafecorporation.com and the SGX website. The Company website provides contact details for investors to submit their feedback and raise any questions.

The Company has a disclosure policy to ensure that all disclosures of material information are timely, complete and accurate. The policy sets out how material information should be managed to prevent selective disclosure. Internal Audit annually: (a) reviews the disclosure policy and update it as needed, (b) ensures that all material disclosures are appropriate, complete and accurate, and (c) ensure selective or inadvertent disclosure of material information is avoided.

CONDUCT OF SHAREHOLDERS MEETINGS

The AGM provides shareholders with the opportunity to share their views and to meet the Board, including the chairpersons of the Board committees. The Company's external auditor is available to answer shareholders' queries. At the AGM, the financial performance for the preceding year is presented to shareholders.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and Board members. The Company encourages and values shareholder participation at its general meetings. Resolutions requiring shareholders' approval are tabled separately for adoption at general meetings unless they are closely related and are more appropriately tabled together.

The minutes of the general meetings may be accessed via the Company website. Names of the Directors who attended the 2018 AGM as well as details of the proceedings are recorded.

MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDER

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served

The company strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period was as below:

The Company's key stakeholders are those who most materially impact the Company strategy or are directly impacted by it. They comprise shareholders, customers, employees, society, regulators and policy makers.

Engagement with stakeholders provides the Company with an understanding of the matters they are most concerned with. These matters help define strategic priorities and guide initiatives.

The Company distributes value to stakeholders in the following ways:

Shareholders:
Provided with timely and detailed disclosures for investors to make informed investment decisions on the Company. The Company also seeks their perspectives on the Company's financial performance and strategy.

Quarterly results announcements which provided detailed disclosures and commentary financial performance and business prospects.

Sustainability Report issued last year described progress in embedding sustainability principles into the business practices.

Customers:
The Company interacts with customers to better understand their requirements so that we can propose the right solutions for them.

Through different feedback channels, customers provided insights on how we could make our services simpler, faster and more seamless.

We continue to incorporate the voice of customers in the design of our services, enabling us to deliver better customer experience.

Employees:
We communicate with our employees using multiple channels to ensure they are aligned with our strategic priorities. This also allows us to be up to date with their concerns.

Regular department meetings and events are held by senior management to engage their teams on business plans, performance goals and other areas of interest.

Different channels are available for employees to reach out to Human Resources Department to provide feedback or ask questions.

The Company continues to invest in resources to strengthening managerial capabilities through an in-house development programmes, managerial diagnostics and feedback mechanisms.

Society:
We engage the community to better understand the role we can play to address the needs of society.

We connect to government bodies and associations to continue dialogue, engagement and support where necessary.

We have increased focus on sustainability and climate change matters with a view to acting responsibly in environmental, social and governance matters.

We continue to promote the message of recycle more and waste less through our sustainability policies.

Regulators and Policy Makers:
We strive to be a good corporate citizen and long-term participant in our markets by providing input to and implementing public policies.

We constantly consult with governments, regulators and public policy agencies for relevant policy issues.

APPOINTMENT OF AUDITORS

The Board confirms that with reference to Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board and the AC of the Company are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The Board confirms that the Company has complied with Rule 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

DEALINGS IN SECURITIES

Directors and all officers involved in the preparation of the Company's financial results are all reminded not to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of its full year financial statements.

The Company has its own internal compliance code to provide guidance for both Directors and employees on their dealings with the Company's securities.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company gives full disclosure in all public announcements, press releases and annual reports.

The Board is satisfied with the Company's commitment to comply with the Code of Corporate Governance, and on the adequacy of internal controls within the Company.

None of the employees of the Company and of the Group's subsidiaries are an immediate family member of any director or CEO of the Company and of the Group's subsidiaries.

MATERIAL RELATED PARTY TRANSACTIONS

The Company has embedded procedures to comply with regulations governing related party transactions, including those in the SGX Listing Rules which cover interested person transactions in general.

All new Directors are briefed on relevant provisions that affect them. The Company has robust procedures to manage any potential conflict of interest between a Director and the Company. Checks are conducted before the Company enters into transactions with related parties to ensure compliance with regulations.

As required under the SGX Listing Rules, the details of interested person transactions in 2019 are set out in the table on page 85. These interested person transactions are for the purpose of carrying out day-to-day operations.

The directors hereby present their report to the members together with the audited financial statements of Lafe Corporation Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Group, and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with International Financial Reporting Standards; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors in office at the date of this statement are:

Executive Directors
Mr. Christopher Ho Wing-on
Mr. Kenny Suen Wai Cheung
Mr. Paul Law Kwok Fai
Mr. Paul Francis Gregory Binney

Non-Executive Directors
Mr. Will, Eduard William Rudolf Helmuth (Chairman)
Mr. Kin Yuen
Mr. Ricky Sim Eng Huat

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 5 below.

4. Directors' interests in shares or debentures

Particulars of interests of directors, who held office at the end of the reporting period, in shares of the Company are stated below:

	Direct interest		Deemed interest	
	At 1 January 2019	At 31 December 2019	At 1 January 2019	At 31 December 2019
The Company				
Ordinary shares of US$2 each				
Christopher Ho Wing-On	-	-	19,264,561*	19,264,561*

*Mr. Christopher Ho Wing-On is deemed to have interests in these shares as he is the owner of Sino Capital Resources Ltd that owns directly 19,264,561 ordinary shares in the Company.

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2020.

5. **Share options**

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

6. **Audit committee**

The Audit Committee of the Company comprises three non-executive directors and at the date of this statement, they are:

Mr. Kin Yuen (Chairman)
Mr. Ricky Sim Eng Huat
Mr. Will, Eduard William Rudolf Helmuth

The Audit Committee has convened six meetings during the year, two of which with key management and the external auditors of the Company.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee:

- reviewed with the external auditors the audit plans and any changes to legislation or financial reporting standards which may have a bearing on the financial statements of the Group;
- reviewed with the external auditors their audit findings and their audit report;
- reviewed the annual financial statements and the independent auditors' report on those financial statements before submission to the Board for approval;
- reviewed and discussed with external auditors any suspected fraud, irregularities, suspected infringement of any relevant laws, rules and regulations, which has or likely to have a material impact on the Group's operating results or financial position, and management's response;
- evaluated the assistance given by management to the external auditors and discuss issues of concerns, if any, arising from interim and final audits or any matters the auditors wish to discuss;
- made recommendation to the Board on the proposal to shareholders on the appointment, re-appointment and removal of external auditors;
- reviewed any interested person transactions in respect of Interested Person Transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- reviewed any potential conflicts of interest;
- reviewed whistle blowing investigations within the Group and ensuring appropriate follow up action, if required;
- undertook such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and which warrant for Audit Committee's attention; and
- generally undertook such other functions and duties as may be required under the Audit Committee Charter, by statute or the Listing Manual of SGX-ST, and by such amendments made thereto from time to time.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7. **Independent auditors**

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Will, Eduard William Rudolf Helmuth	**Paul Law Kwok Fai**
Director	Director

Singapore

2 July 2020

To the Members of Lafe Corporation Limited
(Incorporated in Bermuda with Limited Liability)
For the financial year ended 31 December 2019

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Lafe Corporation Limited (the "Company") which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 83.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial statements. The Group reported net loss of US$4,929,000 and operating cash outflows of US$2,457,000 for the financial year ended 31 December 2019. As of 31 December 2019, included in the current assets was US$44,072,000 relating to a non-trade receivable from a related party Lafe (Emerald Hill) Development Pte Ltd ("LEHD") (Notes 17, 32), without which the Group would report a net current liabilities position of US$9,909,000. As disclosed in the notes, the non-trade receivable was secured by a corporate guarantee given by The Ho Family Trust Limited, followed by a second ranking pledge of the entire shareholding in LEHD. As of the reporting date, the Group is not certain whether the receivable from LEHD would be entirely settled by the contractual date. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

To the Members of Lafe Corporation Limited
(Incorporated in Bermuda with Limited Liability)
For the financial year ended 31 December 2019

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current financial year's financial statements, we identified 5 significant components which required full scope audit of their financial information, because of their respective size and risk characteristics.

Out of the 5 significant components, 4 were audited by component auditor under our instructions and the remaining 1 was audited by us. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of trademark (refer to Note 3.2, Note 14 to the financial statements)	
Key audit matter	**Our audit response**
The Group has trademark with carrying amount of US$3,667,000 (2018: US$5,169,000) which is allocated to the cash generating unit (CGU) comprising operations in Hong Kong and the People's Republic of China. Trademark with an indefinite useful life is required to be tested for impairment annually.	Our audit procedures include, but are not limited to the following: • Obtained an understanding of management's impairment assessment process. • Assessed the key estimates to the value in use calculation by comparing the forecasts to historical data and publicly available industry data and compared previous estimates to actual results achieved.

Key Audit Matters (Continued)

Impairment assessment of trademark (refer to Note 3.2, Note 14 to the financial statements) (Continued)	
Key audit matter	**Our audit response**
Impairment assessment of trademark is considered to be a key audit matter due to the significance of the asset to the Group's financial position, and due to the estimation involved in the assessment of the value in use of the CGU performed by the management. The estimation relates to the future results of the CGU and the discount rates applied to future cash forecasts.	Our audit procedures include, but are not limited to the following (Continued): • Assessed the sensitivity of the key estimates on the impairment assessment. • Engaged our valuation specialists in assessing the valuation methodology and the reasonableness of the terminal growth rate and discount rate used. • Evaluated the adequacy and appropriateness of the disclosures made in the financial statements.

Impairment of non-trade receivable from a related party (refer to Note 17 to the financial statements)	
Key audit matter	**Our audit response**
As at 31 December 2019, the Group has non-trade receivable of US$44,072,000 (2018: US$ 43,509,000) from Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD"), a related party. It is secured by a corporate guarantee given by The Ho Family Trust Limited, followed by a second-ranking pledge of the entire shares of LEHD. The assessment on the expected credit losses of the receivables requires the use of significant estimates and judgement, including but not limited to, the consideration of the financial ability of The Ho Family Trust Limited to honour its corporate guarantee in case of default by LEHD and the sales value of the investment properties held by LEHD. As the determination of the expected credit loss ("ECL") requires significant judgement of management and in consideration of the significance of non-trade receivable in the Group, we consider management's assessment and application of IFRS 9 to the impairment of non-trade receivables as a key audit matter.	Our audit procedures include, but are not limited to the following: • Assessed the financial position of the related party. • Assessed the financial ability of The Ho Family Trust Limited and reasonableness of the valuation report of the investment property of LEHD. • Reviewed the appropriateness of the loss rate applied by the management in consideration of the abovementioned factors. • Evaluated the adequacy and appropriateness of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (Continued):

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Ooi Chee Keong.

To the Members of Lafe Corporation Limited
(Incorporated in Bermuda with Limited Liability)
For the financial year ended 31 December 2019

Other Matter

The financial statements of the Group for the financial year ended 31 December 2018 were audited by another firm of auditors who expressed an unqualified opinion on those statements on 2 April 2019.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore

2 July 2020

	Note	Group 2019 US$'000	Group 2018 US$'000
Revenue	5	14,715	14,587
Cost of sales		(11,323)	(11,422)
Gross profit		3,392	3,165
Administrative costs		(8,736)	(9,436)
Other income		838	11
Other net loss	6	(1,313)	(5,691)
Interest income	7	1,308	1,349
Finance costs	8	(403)	(202)
Loss before income tax	9	(4,914)	(10,804)
Income tax expense	10	(15)	(45)
LOSS FOR THE YEAR		(4,929)	(10,849)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss			
Currency translation differences arising on consolidation		186	(36)
Items that will not be reclassified subsequently to profit and loss			
Fair value losses – equity instruments		(2)	(21)
Other comprehensive income/(loss) for the year		184	(57)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,745)	(10,906)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (US cents)	11	(19.46)	(42.83)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	274	364	-	-
Right-of-use asset	13a	1,438	-		
Trademark	14	3,667	5,169	-	-
Financial assets at fair value through other comprehensive income	15	13	15	10	11
Investment in subsidiaries	16	-	-	-	-
Non-trade receivables from a related party	17	-	43,509	-	-
Other non-current assets	18	744	386	-	-
Total non-current assets		6,136	49,443	10	11
Current assets					
Trade and other receivables	19	2,648	4,503	-	-
Non-trade receivables from a related party	17	44,072	-	-	-
Non-trade receivables from subsidiaries	20	-	-	43,397	49,856
Other current assets	18	235	451	3	24
Cash and bank equivalents	21	1,008	1,008	2	3
Total current assets		47,963	5,962	43,402	49,883
Total assets		54,099	55,405	43,412	49,894
EQUITY AND LIABILITIES					
Equity					
Share capital	22	50,667	50,667	50,667	50,667
Reserves	23	(12,064)	(7,364)	(17,559)	(9,301)
Total equity		38,603	43,303	33,108	41,366
Non-current liabilities					
Other payables	24	-	108	-	-
Provisions	25	305	1,796	-	1,445
Lease liabilities	13b	585	-	-	-
Deferred tax liabilities	26	806	801	-	-
Total non-current liabilities		1,696	2,705	-	1,445
Current liabilities					
Trade and other payables	24	2,857	2,601	323	308
Provisions	25	1,417	1,679	1,417	1,679
Loans from holding company	27	8,564	5,096	8,564	5,096
Lease liabilities	13b	929	-	-	-
Tax payable		33	21	-	-
Total current liabilities		13,800	9,397	10,304	7,083
Total liabilities		15,496	12,102	10,304	8,528
Total equity and liabilities		54,099	55,405	43,412	49,894

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

		Reserves							
Group	**Share capital US$'000**	**Share premium US$'000**	**Capital reserve US$'000**	**Fair value reserve US$'000**	**PRC statutory reserve US$'000**	**Exchange reserve US$'000**	**Accumulated profits/ (losses) US$'000**	**Total reserves US$'000**	**Total equity US$'000**
Balance at 1 January 2018	50,667	27,171	24	(2,273)	-	216	(21,596)	3,542	54,209
Loss for the year	-	-	-	-	-	-	(10,849)	(10,849)	(10,849)
Other comprehensive loss:									
Fair value losses on financial assets at fair value through other comprehensive income	-	-	-	(21)	-	-	-	(21)	(21)
Currency translation differences arising on consolidation	-	-	-	-	-	(36)	-	(36)	(36)
Other comprehensive loss for the year	-	-	-	(21)	-	(36)	-	(57)	(57)
Total comprehensive loss for the year	-	-	-	(21)	-	(36)	(10,849)	(10,906)	(10,906)
Balance at 31 December 2018	50,667	27,171	24	(2,294)	-	180	(32,445)	(7,364)	43,303
Effect of adoption of new accounting standards	-	-	-	-	-	-	45	45	45
Balance at 1 January 2019, restated	50,667	27,171	24	(2,294)	-	180	(32,400)	(7,319)	43,348
Loss for the year	-	-	-	-	-	-	(4,929)	(4,929)	(4,929)
Other comprehensive (loss)/income:									
Fair Value losses on financial assets at fair value through other comprehensive income	-	-	-	(2)	-	-	-	(2)	(2)
Exchange differences on translating foreign operations	-	-	-	-	-	186	-	186	186
Other comprehensive (loss)/income for the year	-	-	-	(2)	-	186	-	184	184
Total comprehensive (loss)/income for the year	-	-	-	(2)	-	186	(4,929)	(4,745)	(4,745)
Transfer to statutory reserve	-	-	-	-	7	-	(7)	-	-
Balance at 31 December 2019	50,667	27,171	24	(2,296)	7	366	(37,336)	(12,064)	38,603

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

	Note	Group 2019 US$'000	Group 2018 US$'000
Operating activities			
Loss before income tax		(4,914)	(10,804)
Adjustments for:			
Depreciation of property, plant and equipment	12	187	145
Depreciation on right-of-use assets	13	814	-
Provision for staff benefits	25	2	56
Recovery of impaired assets		(838)	-
Net impairment gains on financial assets		-	(11)
Provision/(reversal of provision) for rental guarantee	25	34	(239)
Gain on disposal of property, plant and equipment	6	(18)	(1)
Impairment loss on trademark	6	1,531	-
Discount on provision unwound	8	143	134
Interest expense	8	250	59
Interest income	7	(1,308)	(1,349)
Unrealised foreign exchange gain		(27)	(84)
Write off of related transaction expenses and deposit due to non-completion of proposed acquisition of Fairhaven	6	-	5,229
Operating cash flows before movements in working capital		(4,144)	(6,865)
Movements in working capital			
Trade and other receivables		2,551	(7,346)
Trade and other payables		324	654
Provisions		(1,905)	(2,192)
Currency translation adjustments		(334)	909
Cash used in operations		(3,508)	(14,840)
Taxation paid		(7)	(15)
Interest paid		(250)	(59)
Interest received		1,308	1,349
Net cash used in operating activities		(2,457)	(13,565)
Investing activities			
Acquisition of property, plant and equipment	12	(94)	(144)
Proceeds from disposal of property, plant and equipment		18	2
Net cash used in investing activities		(76)	(142)
Financing activities			
Loans from holding company	27	5,686	5,224
Repayment of loans from holding company		(2,279)	(128)
Repayment of lease liabilities		(869)	-
Net cash generated from financing activities		2,538	5,096
Net increase/(decrease) in cash and cash equivalents		5	(8,611)
Cash and cash equivalents at beginning of year		1,008	9,621
Effects of exchange rate changes on cash and cash equivalents		(5)	(2)
Cash and cash equivalents at end of year	21	1,008	1,008

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Reconciliation of liabilities arising from financing activities

			Non-cash movements	
	At beginning of financial year	Financing cash inflows/ (outflows)[1]	Foreign exchange difference	At end of financial year
	US$'000	US$'000	US$'000	US$'000
2019				
Liabilities				
Loans from holding company	5,096	3,407	61	8,564
Lease liabilities	2,383	(869)	-	1,514
2018				
Liabilities				
Loans from holding company	-	5,096	-	5,096

[1] Net of proceeds from loans from holding company and repayment of leases liabilities.

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Lafe Corporation Limited (the "Company") was incorporated on 9 April 1999 as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda with its registered office at Wessex House, 45 Reid Street, Hamilton HM 12, Bermuda and principal place of business at 119 Emerald Hill Road, #12-01 Residences at Emerald Hill, Singapore 229401. The shares of the Company are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The Company’s immediate and ultimate holding company was Sino Capital Resources Limited which is incorporated in the British Virgin Islands, until 11 June 2020, and thereafter is Sansui Electric (China) Company Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on the date of directors’ statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), including related Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements presented in United States dollar are rounded to the nearest thousand (“US$’000”) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

In the current financial year, the Group has adopted all the new and revised IFRS and IFRIC that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. Other than IFRS 16 *Leases* (“IFRS 16”), the adoption of these new/revised IFRS and IFRIC did not result in changes to the Group’s and Company’s accounting policies and has no material effect on the current or prior year and is not expected to have a material effect on future periods. The effects of adopting IFRS 16 is disclosed in Note 35.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IAS and IFRS issued but not effective

At the date of authorisation of these financial statements, the following IAS and IFRS that were issued but not yet effective:

	Title	**Effective date (annual periods beginning on or after)**
IAS 1, IAS 8	Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
IFRS 3	Amendments to IFRS 3: *Definition of a Business*	1 January 2020
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
IFRS 17	Insurance Contracts	1 January 2021
IFRS 9, IAS 39, IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest rate benchmark reform*	1 January 2020

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

2.2 Going concern

The Group reported net loss of US$4,929,000 and operating cash outflows of US$2,457,000 for the financial year ended 31 December 2019. As of 31 December 2019, included in the current assets was US$44,072,000 relating to a non-trade receivable from a related party Lafe (Emerald Hill) Development Pte Ltd ("LEHD") (Notes 17, 32), without which the Group would report a net current liabilities position of US$9,909,000. As disclosed in the notes, the non-trade receivable was secured by a corporate guarantee given by The Ho Family Trust Limited, followed by a second ranking pledge of the entire shareholding in LEHD. As of the reporting date, the Group is not certain whether the non-trade receivable from LEHD would be entirely settled by the contractual date. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern.

Notwithstanding the above conditions, the Directors have prepared the consolidated financial statements on a going concern basis on the following premises:

- Ability of the Group to generate sufficient cash flows from their operations; and
- Continued financial support from The Ho Family Trust Limited.

Should the Group be unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

2. Summary of significant accounting policies (Continued)

2.3 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiaries and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2. Summary of significant accounting policies (Continued)

2.4 Business combinations

Business combinations from 1 January 2017

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* ("IFRS 3") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

2. Summary of significant accounting policies (Continued)

2.4 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

2.5 Revenue recognition

Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the good or service and that is allocated to that performance obligation. The good or service is transferred when or as the customer obtains control of the good or service. Revenue is shown net of rebates and other similar allowances.

Valuation and consulting services

The Group provides valuation and consulting services that include market-value appraisal and building consulting services such as property valuation and condition reports. The Group is compensated for appraisal services in the form of a fee, which is payable on the occurrence of certain events (e.g. a portion on the delivery of a draft report with the remaining on the delivery of the final report). For consulting services, the Group is paid based on event-based milestones (such as the delivery of draft reports). At contract inception, the Group will analyse the scope of works required and assess whether the revenue is to be recognised over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date. The customised reports have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. Such services are recognised as performance obligation satisfied over time by reference to the Group's progress towards completing the performance obligation. The measure of progress is determined based on proposal, draft or final reports produced or customer acknowledgement of work performed that corresponds directly with the value to customer of the Group's performance completed to date.

2. Summary of significant accounting policies (Continued)

2.5 Revenue recognition (Continued)

Valuation and consulting services (Continued)

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the reports was produced and the customers have accepted in accordance with the sales contract. The Group will bill to customer upon submission of report and acceptance by customers. The customers are required to pay within 30 days from the invoice date. No element of financing is deemed present.

Other services - Property management, security guard, cleaning, close protection and employee outsourcing services

The Group provides other services that include day-to-day property management, security guard and cleaning services on a contractual basis for owners of residential and commercial properties as well as close protection services to customers and employee outsourcing services to a government authority. The Group is compensated for services through a monthly fee earned based on the promised consideration in the relevant agreements. All these services represent a series of distinct daily services rendered over time and such services are recognised as a performance obligation satisfied over time as the Group transfers the benefit of the services to the customer as it performs. Consistent with the transfer of control for distinct and daily services to the customer, revenue is recognised at the end of each period for the fees associated with the services performed.

Arrangements for security guard services

The Group enters into arrangements with customers who are owners of residential properties to engage third party security guard services on behalf of the customers. The Group recognises a service fee, being the net amount of the consideration that the Group retains after paying the third-party service provider the consideration it is entitled to in exchange for the services. The Group has assessed the arrangements with the customers to determine whether the Group is acting as an agent or a principal and determined that the Group is acting as an agent as the Group is unable to control the performance obligations by the third party service provider.

2.6 Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.7 Retirement benefit costs

The retirement benefits scheme contributions charged in the profit or loss represent the amount of contributions payable by the Group's defined contribution scheme in respect of the current financial year. The Group has no further payment obligations once the contributions have been paid.

2.8 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2. Summary of significant accounting policies (Continued)

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2. Summary of significant accounting policies (Continued)

2.9 Income tax (Continued)

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Summary of significant accounting policies (Continued)

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
■ Leasehold improvement	Shorter of lease terms or 3 years
■ Furniture, fixtures and office equipment	3 to 5
■ Motor vehicles	4

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.12 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

Goodwill on acquisition (Continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

Trademark

Trademark acquired in a business combination is recognised at fair value at the acquisition date. Trademarks with indefinite useful lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.13 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Summary of significant accounting policies (Continued)

2.13 Impairment of tangible and intangible assets excluding goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in IFRS 15 in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost and fair value through other comprehensive income (“FVTOCI”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest (“SPPI”) on the principal amount outstanding to determine the classification of the financial assets.

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

At initial recognition, the Group may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the aforementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

Dividends from equity instruments are recognised in profit or loss only when the Group’s right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

2. **Summary of significant accounting policies (Continued)**

2.14 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under IFRS 15 are assessed for impairment in accordance with IFRS 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 32.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. Summary of significant accounting policies (Continued)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

Other financial liabilities

Trade and other payables, Loans from holding company

Trade and other payables and loans from holding company are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2. Summary of significant accounting policies (Continued)

2.16 Leases

The Group applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a lease*.

<u>The Group as a lessee from 1 January 2019</u>

These accounting policies are applied on and after the initial application date of IFRS 16 (i.e. 1 January 2019).

At inception of a contract, the Group assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under IFRS16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 13.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

2. **Summary of significant accounting policies (Continued)**

2.16 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

The Group as a lessor

Where a contract contains more than one lease and/or non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component.

At the lease commencement date, the Group assess and classify each lease as either an operating lease or a finance lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group as a lessee before 1 January 2019

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.18 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trademark

As disclosed in Note 14, the recoverable amount of the cash generating unit ("CGU") which trademark has been allocated to is determined based on value in use ("VIU") calculation. The VIU calculation requires the management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate, in order to determine the present value of those cash flows. The key assumptions applied in the determination of VIU including a sensitivity analysis, are disclosed and further explained in Note 14.

Calculation of loss allowance

When measuring expected credit losses ("ECL"), the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on non-trade receivable from a related party and subsidiaries is subject to assumptions and the financial ability of The Ho Family Trust Limited to honour its corporate guarantee in case of default by LEHD, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of non-trade receivable from a related party and subsidiaries. Details of ECL measurement and carrying value of non-trade receivable from a related party and subsidiaries at reporting date are disclosed in Note 32.

Provision for rental guarantee

In determining whether a provision is adequate requires management to estimate the future cash payments expected to arise pursuant to a guaranteed rental agreement entered into with a former subsidiary, Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD") and a suitable discount rate in order to calculate the present value. As at 31 December 2019, the carrying amount of provision for rental guarantee was US$ 1,417,000 (2018: US$3,124,000) (Note 25). The management has considered the most significant assumption used is that the existing rental contracts expiring before the end of the rental guarantee period will be renewed at the existing rental rates. Management is of the view that a reasonably possible change in the rental rates and occupancy rates will not result in any material adjustment to the carrying amount of provision for rental guarantee.

3. **Critical accounting judgements and key sources of estimation uncertainty (Continued)**

3.2 **Key sources of estimation uncertainty (Continued)**

Contingent liabilities

In determining whether provision is necessary for contingent liabilities, management makes an assessment on the facts of the legal claims and takes into consideration legal opinions obtained. As disclosed in Note 29, the Group has one outstanding legal case made against them for which management is of the view that no provision is necessary at the end of the reporting period.

4. **Segment Information**

The Group has adopted IFRS 8 Operating segments that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

Business segment	**Principal activities**
Property	Property sales and property related services

The Group's revenue and results analysed by business segment are as follows:

Business Segment

	2019 US$'000	2018 US$'000
Revenue		
Revenue	14,715	14,587
Result		
Segment result	(4,511)	(10,602)
Finance costs	(403)	(202)
Loss before taxation	(4,914)	(10,804)
Taxation	(15)	(45)
Loss after taxation	(4,929)	(10,849)
Assets		
Segment assets	54,099	55,405
Liabilities		
Segment liabilities	15,496	12,102
Other information		
Depreciation of property, plant and equipment (Note 12)	187	145
Write-off of related transaction expenses and deposit due to non-completion of proposed acquisition of Fairhaven	-	5,229
Impairment loss on trademark	1,531	-
Capital expenditure:		
Property, plant and equipment	94	144
Gain on disposal of property, plant and equipment	18	1
Provision/(Reversal of provision) for rental guarantee (Note 25)	34	(239)

4. Segment information (Continued)

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments.

Geographical information

The revenue by geographical segment is based on the billing location of customers. All assets and capital expenditure of the Group are significantly located in the Asia Pacific region.

The following table provides an analysis of the Group's revenue and non-current assets (include property, plant and equipment, right-of-use assets and trademark) based on the billing address of each individual customer and geographical location of the assets respectively:

	Revenue		Non-current assets	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Hong Kong	13,877	13,679	5,056	5,514
People' Republic of China	610	649	314	9
Singapore	-	-	9	10
Macau	228	259	-	-
	14,715	14,587	5,379	5,533

There are two external customer which contributed to 36% (2018: 36%) of the Group's revenue for the financial years ended 31 December 2019 and 2018 as follows:

	2019	2018
	%	%
Revenue		
Customer A	19	27
Customer B	17	9
	36	36

5. Revenue

The disaggregation of revenue from contracts with customers is as follows:

	Valuation and consulting services		Security guard services		Other services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Geographical market								
Hong Kong	8,358	9,117	4,266	3,093	1,253	1,469	13,877	13,679
People's Republic of China	610	649	-	-	-	-	610	649
Macau	228	259	-	-	-	-	228	259
	9,196	10,025	4,266	3,093	1,253	1,469	14,715	14,587

5. Revenue (Continued)

The disaggregation of revenue from contracts with customers is as follows (Continued):

	Valuation and consulting services		Security guard services		Other services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Timing of revenue recognition								
At a point of time	464	125	-	-	-	-	464	125
Over time	8,732	9,900	4,266	3,093	1,253	1,469	14,251	14,462
	9,196	10,025	4,266	3,093	1,253	1,469	14,715	14,587

Transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations on 31 December 2019 and 2018 and expected to be realised in the following financial years:

	Group	
	2019	2018
	US$'000	US$'000
Within one year	2,730	1,858
After one year within five years	175	2,408
	2,905	4,266

The Group applies the practical expedient in IFRS 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

6. Other net loss

	Group	
	2019	2018
	US$'000	US$'000
Gain on disposal of property, plant and equipment	(18)	(1)
Other income	29	(130)
Net foreign currency exchange (gain)/loss	(263)	843
Provision/(reversal of provision) for rental guarantee	34	(239)
Write-back of trade and other payables	-	(11)
Impairment loss on trademark (Note 14)	1,531	-
Write off of related transaction expenses and deposit due to non-completion of proposed acquisition of Fairhaven	-	5,229
	1,313	5,691

7. Interest income

	Group 2019 US$'000	Group 2018 US$'000
Related party	1,307	1,324
Other financial assets at amortised costs	1	25
	1,308	1,349

8. Finance costs

	Group 2019 US$'000	Group 2018 US$'000
Interest on loans from holding company	198	59
Accretion of provision for rental guarantee	143	134
Lease liability	52	-
Bank charges	10	9
	403	202

9. Loss before income tax

Loss before income tax has been arrived at after charging:

	Group 2019 US$'000	Group 2018 US$'000
Non-executive directors' fees	187	178
Auditors' remuneration:		
- Auditor of the Company	64	83
- Other auditors	51	51
Fees for non-audit services paid to auditor of the Company	1	6
Property development and investment service fees	2,018	2,112
Staff costs:		
- Salaries and related costs	14,332	14,015
- Defined contribution benefits	534	658
Operating lease expenses	-	1,006
Expense relating to short-term leases	74	-
Depreciation of property, plant and equipment (Note 12)	187	145

10. Income tax expenses

	Group 2019 US$'000	Group 2018 US$'000
Current income tax provision	15	13
(Over)/under provision in respect of previous financial years		
- current income tax	-	(1)
- deferred tax	-	33
	15	45

10. Income tax expenses (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the financial year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation between the tax expense and loss before income tax at the applicable tax rate is as follows:

	Group	
	2019 US$'000	2018 US$'000
Loss before income tax	(4,914)	(10,804)
National tax calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	(811)	(1,783)
Different tax rates in overseas jurisdictions	25	(18)
Income not subject to tax	(185)	(227)
Expenses not deductible for tax purposes	1,414	1,644
Deferred tax assets not recognised	306	570
Utilisation of previously unrecognised tax losses	(734)	(189)
Under/(Over) provision of income tax in respect of previous financial years	2	(1)
Under provision of deferred tax in respect of previous financial years	-	33
Others	(2)	16
	15	45

11. Loss per share

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following:

	Group	
	2019	2018
Loss for the year attributable to equity holders of the Company (US'000)	(4,929)	(10,849)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share ('000)	25,333	25,333
Basic and diluted loss per share (US cents)	(19.46)	(42.83)

The calculations of the basic and diluted loss per share are calculated by dividing the loss for the financial year attributable to owners of the Company by the applicable weighted average number of ordinary shares. The loss and share data are presented in the tables above.

12. Property, plant and equipment

	Leasehold improvements US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Group				
Cost				
At 1 January 2018	123	502	492	1,117
Currency translation adjustments	(2)	(1)	(1)	(4)
Additions	-	144	-	144
Disposals	-	(51)	-	(51)
At 31 December 2018	121	594	491	1,206
Currency translation adjustments	(2)	2	5	5
Additions	-	15	79	94
Disposals	(3)	(4)	(91)	(98)
At 31 December 2019	116	607	484	1,207
Accumulated depreciation				
At 1 January 2018	120	465	163	748
Currency translation adjustments	(2)	1	-	(1)
Depreciation charge for the year	-	42	103	145
Disposals	-	(50)	-	(50)
At 31 December 2018	118	458	266	842
Currency translation adjustments	(2)	2	2	2
Depreciation charge for the year	3	62	122	187
Disposals	(3)	(4)	(91)	(98)
At 31 December 2019	116	518	299	933
Carrying amounts				
At 31 December 2019	-	89	185	274
At 31 December 2018	3	136	225	364

13. The Group as a lessee

The Group leases office premises for two to three years. Previously, these leases were classified as operating leases under IAS 17.

Extension options

There is no extension option granted to the lease contracts of the Group.

13. The Group as a lessee (Continued)

13(a) Right-of-use assets

The carrying amount of right-of-use assets is as follows:

	Group Office premises US$'000
Cost	
Recognition on initial application of IFRS 16 (Note 35)/Adjusted balance at 1 January 2019	2,310
Additions	198
Translation difference charged to profit or loss	15
At 31 December 2019	2,523
Accumulated depreciation	
Recognition on initial application of IFRS 16 (Note 35)/Adjusted balance at 1 January 2019	(265)
Depreciation charged	(814)
Translation difference charged to profit or loss	(6)
At 31 December 2019	(1,085)
Carrying amount	
At 31 December 2019	1,438
Adjusted balance at 1 January 2019	2,045

The total cash outflow for leases during the financial year ended 31 December 2019 is US$869,000.

13(b) Lease liabilities

	Group 2019 US$'000
Lease liabilities - non-current	585
Lease liabilities - current	929
	1,514

The maturity analysis of lease liabilities is disclosed in Note 32.

13(c) Amounts recognised in profit or loss

	Group 2019 US$'000	Group 2018 US$'000
Interest expense on lease liabilities (Note 8)	52	-
Expense relating to short-term leases	74	-
Operating lease expense	-	1,006

14. Trademark

	Group	
	2019	2018
	US$'000	US$'000
Cost		
Beginning of financial year	11,492	11,511
Currency translation adjustments	64	(19)
End of financial year	11,556	11,492
Allowance for impairment		
Beginning of financial year	6,323	6,332
Impairment loss during the year	1,531	-
Currency translation adjustments	35	(9)
	7,889	6,323
Net carrying amount	3,667	5,169

Trademark

Licenses are available for the use of the trademark on the bases of a royalty charged which depends on the period and the specific license. The license provides an option for renewal based on meeting conditions of the license and may be renewed at little or no cost to the Group. As a result, the trademark is considered by the management as having an indefinite useful life and is tested for impairment annually or more frequently when there are indications of impairment.

Impairment testing of trademark

Trademark has been allocated to the Group's CGU comprising operations in Hong Kong and the People's Republic of China. The recoverable amount of the CGU has been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions used in value in use calculation

The key assumptions for the value in use ("VIU") calculation are those regarding the budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate.

	CGU	
	2019	2018
	%	%
Budgeted revenue growth rate	3.0	3.5
Budgeted gross margin	22.0 – 23.0	22.0 – 23.0
Discount rate [1]	21.4	21.4

(1) Pre-tax discount rate applied to cash flow projections.

Budgeted revenue growth rate and gross margin are based on past performance and its expectations of market development. The forecasted terminal growth rate are based on published industry research and do not exceed the long term average growth rate for the industry. The discount rate used was pre-tax and reflected risks specific to the CGU.

Consequent to the assessment during the financial year ended 31 December 2019, an impairment loss of US$1,531,000 was recognised for trademarks due to the anticipation of lower and delayed future orders intake arising from uncertain and conservative market sentiments in response to escalated global trade tensions.

14. Trademark (Continued)

Sensitivity to changes in assumptions

In 2018, the estimated recoverable amount exceeds its carrying amount by approximately US$0.3 million as at 31 December 2018. If the budgeted revenue growth used in the VIU calculation had been 3%, the recoverable amount of the trademark would equal to its carrying amount.

15. Financial assets at fair value through other comprehensive income

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Equity investments designated at FVTOCI quoted equity shares	13	15	10	11
Unquoted equity shares	–	–	–	–
Total	13	15	10	11

These investments in equity shares are not held for trading. Accordingly, management has elected to designate these investments in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold these investments for long term purposes. Unquoted equity shares represent interest in a company in the United States of America which is engaged in investment holding activities.

16. Investments in subsidiaries

	Company	
	2019 US$'000	2018 US$'000
Unquoted equity shares, at cost		
Beginning and end of financial year	34,988	34,988
Allowance for impairment		
Beginning and end of financial year	34,988	34,988
Net carrying amount	-	-

Details of subsidiaries are as follows:

Name of company	Place of incorporation/ operations	Principal activities	Issued and paid up/registered capital	Percentage of equity interest attributable to the Group 2019 %	2018 %
Held by the Company					
Lafe Holdings Limited(1)	The British Virgin Islands ("BVI")	Investment holding	US$100	100	100
Vigers Group Pte. Ltd.(1)	Singapore	Property management services	S$2	100	100
Infomaster Holdings Limited(1)	BVI	Investment holding	US$2	100	100
Wave Track Limited(1)	BVI	Investment holding	US$2	100	100
Forchess Star Company Limited(1)	BVI	Investment holding	US$2	100	100

16. Investments in subsidiaries (Continued)

Details of subsidiaries are as follows (Continued):

Name of company	Place of incorporation/ operations	Principal activities	Issued and paid up/registered capital	Percentage of equity interest attributable to the Group 2019 %	2018 %
Held by Lafe Holdings Limited					
Lafe Strategic Services Limited[(2)]	Hong Kong	Trademark licensing and corporate strategic services	HK$20	100	100
Markwood Capital Limited[(1)]	BVI	Investment holding	US$2	100	100
Held by Lafe Strategic Services Limited					
Vigers Security Limited[(1)(2)]	Hong Kong	Security guard services	HK$400,000	100	100
Held by Vigers Group Pte. Ltd.					
Vigers Property Management Pte. Ltd.[(1)]	Singapore	Property management services	S$2	100	100
Vigers Real Estate Pte. Ltd.[(1)]	Singapore	Property management services	S$2	100	100
GIOIA Fund Pte. Ltd.[(1)]	Singapore	Real estate developers	S$1,000,000	100	100
Vigers Fund Management Pte. Ltd.[(1)]	Singapore	Fund management	S$1,000	100	100
Held by Infomaster Holdings Limited					
Lafe GreenTech International Limited[(1)]	BVI	Investment holding	US$10,000	100	100
Lafe GreenTech Limited[(2)]	Hong Kong	Consultancy services	HK$100	100	100
Held by Wave Track Limited					
Lafe Development (China) Limited[(1)]	BVI	Investment holding	US$2	100	100
Held by Forchess Star Company Limited					
Vigers Holdings Ltd.[(2)]	BVI	Investment holding	US$10,553,000	100	100
Lucksberg Holdings Limited[(1)]	BVI	Investment holding	US$2	100	100
Held by Vigers Holdings Ltd.					
Vigers Asset Management Limited[(2)]	Hong Kong	Property management services	HK$20	100	100
Vigers Building Consultancy Limited[(1)(2)]	Hong Kong	Building consultancy services	HK$8,000,000	100	100
Vigers Nominees Limited[(2)]	Hong Kong	Corporate services	HK$1,000	100	100
Vigers Realty Limited[(2)]	Hong Kong	Real estate agency services	HK$10,000	100	100
Vigers Macao Company Limited[(2)]	Macao	Property appraisal services	MOP25,000	100	100
Vigers Appraisal and Consulting (International) Limited[(2)]	Hong Kong	Investment holding and consultancy services	HK$1,200	100	100
Vigers External Wall Consultant Limited[(2)]	Hong Kong	Building consultancy services	HK$1,000	100	100

16. Investments in subsidiaries (Continued)

Details of subsidiaries are as follows (Continued):

Name of company	Place of incorporation/ operations	Principal activities	Issued and paid up/registered capital	Percentage of equity interest attributable to the Group 2019 %	2018 %
Held by Vigers Appraisal and Consulting (International) Limited					
Vigers Property Consultants (Shanghai) Ltd(3)	PRC	Property management and agency services	US$345,000	100	100
Vigers E-Net Limited(2)	Hong Kong	Property appraisal services in internet	HK$1,000	100	100
Vigers Appraisal and Consulting Limited(1)(2)	Hong Kong	Property appraisal and consulting services	HK1,000,000	100	100
Held by Vigers Realty Limited					
Vigers Asia Pacific Limited(2)	Hong Kong	Corporate administration services	HK$100	100	100
Held by Vigers External Wall Consultant Limited					
Vigers Asia Pacific Holdings Limited(2)	BVI	Investment holding	US$1	100	100
Held by Vigers Asia Pacific Limited					
Vigers Property Consultants (Beijing) Ltd(4)	PRC	Property management and agency services	RMB500,000	100	100
Vigers Investment Consultants (Shenzhen) Ltd(5)	PRC	Property consultancy services	RMB100,000	100	100
Held by Vigers Asia Pacific Holdings Limited					
Vigers Property Management Services (Hong Kong) Limited(1)(2)	Hong Kong	Property Management services	HK$8,900,000	100	100
The Grande Properties Management Limited(2)	Hong Kong	Property management services	HK$2	100	100
Held by Lucksberg Holdings Limited					
Vigers Pacific Limited(1)	Cayman Islands	Trademarks holding	US$100	100	100
Vigers Asia (Holdings) Limited(1)	Cayman Islands	Trademarks holding	US$100	100	100

(1) Audited/reviewed by Mazars, Singapore.

(2) Audited/reviewed by Moore Stephens CPA Limited, Hong Kong. Accountants.

(3) Audited by Shanghai Yonghua Certified Public Accountants.

(4) Audited by Beijing Daqi International Certified Public Accountants. Accountants.

(5) Audited by Shenzhen Huilong Certified Public Accountants

17. Non-trade receivable from a related party

	Group	
	2019	2018
	US$'000	US$'000
Receivables from a related party		
Non-current	-	43,509
Current	44,072	-
	44,072	43,509

The outstanding non-trade receivable from a related party comprises fixed term loans extended to a related party, Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD"). The non-current portion of US$44,072,000 as at 31 December 2019 and US$43,509,000 million as at 31 December 2018 (equivalent to S$59,417,000) due to a subsidiary of the Company 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. LEHD also signed a covenant that it will not distribute any dividends while any amount of the loan remains outstanding.

The fair value of non-current receivable from a related party computed based on cash flows discounted at market borrowing rate for similar financial assets at the end of the reporting period approximates its carrying value. The fair value measurement for disclosure purpose was categorised in the Level 3 of the fair value hierarchy.

18. Other non-current and current assets

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Prepayments	175	155	3	24
Deposits	804	682	-	-
Total other assets	979	837	3	24
Less: Current portion	(235)	(451)	(3)	(24)
Non-current potion	744	386	-	-

19. Trade and other receivables

	Group	
	2019	2018
	US$'000	US$'000
Trade receivables	2,638	2,827
Other receivables	6	1,664
Non-trade receivable from a related party	4	12
Total trade and other receivables	2,648	4,503

Trade receivables are non-interest bearing, unsecured and with credit term from 30 to 45 days.

Non-trade receivable from a related party is unsecured, interest-free and repayable on demand.

Included in other receivables is an amount of US$ Nil (2018: US$1,658,000) representing certain taxes recoverable from the Government.

20. Non-trade receivables from subsidiaries – Company

	Company	
	2019	2018
	US$'000	US$'000
Non-trade receivables from subsidiaries	75,635	74,261
Less: Allowance for impairment	(32,238)	(24,405)
	43,397	49,856

Non-trade receivables from subsidiaries are unsecured, interest-free and repayable on demand.

21. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Cash at banks	1,003	1001	2	3
Cash on hand	5	7	-	-
Cash and cash equivalents	1,008	1,008	2	3

Cash and cash equivalents of the Group and the Company at 31 December 2019 and 2018 comprise cash held at banks and on hand.

Bank balances earn interest at floating rates based on daily bank deposit rates. Short term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Bank and cash balances of US$193,000 (2018: US$222,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

22. Share capital

	Group		Company	
	No. of shares ('000)	US$'000	No. of shares ('000)	US$'000
At 1 January 2018 and 31 December 2018 and 31 December 2019	25,333	50,667	25,333	50,667

The Company has one class of ordinary shares which carries no rights to fixed income.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares, which have a par value of US$2, carry one vote per share without restrictions.

23. Other reserves

PRC Statutory reserve

The Group's subsidiaries follow PRC GAAP applicable to foreign-owned enterprise in the preparation of their accounting records and statutory financial statements. According to the Articles of Association of the subsidiaries, they are required to transfer certain amounts from their profits after tax to statutory reserve. The transfers to the reserve must be made before the distribution of dividends to equity owners. The percentage of appropriation is at the discretion of the directors of the jointly controlled entities. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group, as well as from the translation of foreign currency loans which form part of the Group's net investments in foreign operations.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve comprises cumulative net changes in the fair value of the Group's investments in equity instruments which were irrevocably designated, at initial recognition, to be subsequently measured at fair value through other comprehensive income; as well as cumulative net changes in the fair value of the Group's investments in debt instruments which are subsequently measured at fair value through other comprehensive income. Upon derecognition, the corresponding cumulative fair value of the derecognised investment in equity instruments would be transferred to accumulated profits, while the corresponding cumulative fair value of the derecognised investment in debt instruments would be recycled to profit or loss.

24. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade payables	644	928	-	-
Accrued expenses	2,063	1,493	277	240
Other payables	150	288	46	68
Total trade and other payables	2,857	2,709	323	308
Less: current potion	(2,857)	(2,601)	(323)	(308)
Non-current potion	-	108	-	-

Trade payables are non-interest bearing, unsecured and normally with credit term of 30 days.

25. Provisions

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Non-current				
Provision for rental guarantee	-	1,445	-	1,445
Provision for staff benefits	305	351	-	-
	305	1,796	-	1,445
Current				
Provision for rental guarantee	1,417	1,679	1,417	1,679

Provision for rental guarantee

At the end of the reporting period, the amounts shown in the Group and the Company comprise the provision for net rental expenses of S$1.9 million (equivalent to US$1.4 million), an outstanding obligation up to 27 September 2020 pursuant to a guaranteed rental agreement entered into with a former subsidiary, LEHD. The provision amount was determined by discounting the estimated future cash payments based on the assumption of renewal of rental contracts at existing rental rates upon expiry of existing rental contracts at a discount rate of 3% (2018: 3%).

	Group and Company	
	2019	2018
	US$'000	US$'000
Beginning of financial year	3,124	5,507
Additional provision/(Reversal of) recognised in profit or loss	34	(239)
Discount unwound	143	134
Payment made during the year	(1,905)	(2,192)
Translation difference charged to profit or loss	21	(86)
End of financial year	1,417	3,124

Provision for staff benefits

Provision for staff benefits represents long service payments under the applicable regulations.

	Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	351	295
Net provision made during the financial year	2	56
Translation difference charged to profit or loss	(48)	-
	305	351

The provision represents the Group's estimated liability to employees who are expected to be eligible for long service payments under Hong Kong Employment Ordinance on termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. The provision made is based on the Group's past experience and the directors' knowledge of the business and the work force, as reduced by certain benefits arising from the Group's retirement scheme.

26. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate off-setting, are shown on the consolidated statement of financial position as follows:

	Group	
	2019 US$'000	2018 US$'000
Non-current:		
Deferred tax liabilities		
- to be settled after one year	806	801
Movements in deferred tax account are as follows:		
Beginning of financial year	801	769
Currency translation adjustments	5	(1)
Tax expense to profit or loss	-	33
End of financial year	806	801

The following are the major components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation US$'000	Fair value of trademark US$'000	Total US$'000
At 1 January 2018	-	769	769
Current year tax expense to profit or loss	33	-	33
Currency translation adjustments	-	(1)	(1)
At 31 December 2018	33	768	801
Currency translation adjustments	-	5	5
At 31 December 2019	33	773	806

At the end of the reporting period, the Group has unutilised tax losses of US$29,720,000 (2018: US$32,313,000) that are available for carrying forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. No deferred tax assets have been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised. Tax losses may be carried forward indefinitely.

27. Loans from holding company

	Group	
	2019	2018
	US$'000	US$'000
Loans from holding company	8,564	5,096

Loans from holding company are unsecured, bear interest rate at 3% per annum and are repayable on demand. The holding company has confirmed its intention 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.

28. Operating lease commitments

In the financial year ended 31 December 2018, the Group leases office premises from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between 24 to 36 months

At the end of financial year ended 31 December 2018, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group
	2018
	US$'000
Within one financial year	1,074
After one financial year but within five financial years	1,550
	2,624

29. Contingent liabilities

A plaintiff, which is in creditors' voluntary liquidation, issued a writ of summons in the High Court of the Hong Kong Special Administrative Region Court of First Instance against certain subsidiaries of the Vigers Group and certain individuals on 3 May 2013 together with a statement of claim (with subsequent amendments made on 21 June 2013, 7 October 2014 and 24 November 2017 respectively) for breaches of fiduciary duties, preferential payments of approximately US$1.58 million, fraudulent disposition of certain funds of approximately US$1.06 million, disposition of the plaintiff's property of approximately US$1.23 million and failure to put in place proper professional indemnity insurance for the plaintiff. All the transactions in relation to these allegations happened prior to the acquisition of the Vigers Group by the Company.

The pre-trial review is scheduled to be heard on 20 May 2021 and the trial hearing is from 25 November 2021 to 10 December 2021.

The management is of the view that no provision is necessary for any of the legal suits described above having considered their stages of proceedings.

30. Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

PRC employees of the Group's subsidiary registered in the PRC are members of the pension scheme operated by the PRC local government. The PRC subsidiary is required to contribute a certain percentage based on a relevant portion of the payroll of these employees to fund the benefits. The only obligation of the Group in respect of the pension scheme is the required contributions under the pension scheme.

In the case of eligible Singapore employees, the Group pays to a defined contribution plan. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

31. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

31. Significant related party transactions (Continued)

	Group	
	2019	2018
	US$'000	US$'000
Interest expenses (charged at 3% per annum) paid/payable to holding company	198	59
Property development and investment service fees paid/payable to a related party	2,018	2,111
Rental guarantee paid/payable to a related party	1,905	2,192
Interest income (charged at 3.00% per annum) received from a related party	1,307	1,324

Compensation of key management personnel

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company, directly or indirectly.

The remuneration of key management personnel during the financial year were as follows:

	Group	
	2019	2018
	US$'000	US$'000
Directors and other key management personnel remuneration		
- Salary, bonus and allowance	2,026	2,053
- Defined pension benefit	33	101
Non-executive directors' fees	187	178
	2,246	2,332

32. Financial instruments and financial risks

The Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

32. Financial instruments and financial risks (Continued)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group's credit risk arises mainly from bank balances and trade and other receivables, non-current and current assets and non-trade receivable from a related party. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets and contract assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per IFRS 9's presumption.

The Group has not rebutted the presumption included in IFRS 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group has established credit limits for each customer under which these customers are analysed for credit worthiness before the Group's standard payment, and delivery terms are offered. The Group's reviews include external ratings, where available and in some cases bank references. Customers that fail to meet the Group's benchmark are only allowed to transact with the Group on a prepayment or cash basis. Most of the customers have been with the Group for many years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables except for the non-trade receivable from a related party as referred to in Note 17.

The Group's internal credit risk grading categories are as follows:

Category	**Description**	**Basis of recognising ECL**
1	Low credit risk [Note 1]	12-months ECL
2	Non-significant increase in credit risk since initial recognition and financial asset is $\leqslant$ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition [Note 2] or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired [Note 3]	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount [Note 4]	Written off

32. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group’s future outlook of the industry in which the debtor operates based on the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are > 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

32. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

As at the end of the financial year, other than as disclosed in Note 4 segment information and non-trade receivable from a related party of US$44,072,000 (2018: US$43,509,000), which contributed to 81% (2018: 79%) of the total asset, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables (Note 19)

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

Based on a simplified approach for determining credit loss allowance for trade receivables as at 31 December 2019, the expected credit loss is immaterial as the historical default rate is low. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor. The Group has written off trade receivables of US$ Nil (2018: US$12,000) to profit or loss and written off trade receivables of US$ Nil (2018: US$921,000) against allowance for impairment previously recognised by the Group for specific debtor as a result of occurrence of credit impairment events during the current financial year. None of the trade receivables that have been written off is subject to enforcement activities.

The loss allowance for trade receivables are determined as follows:

	Current	Past due less than 1 month	Past due 1 to 2 months	Past due 2 to 3 months	Past due more than 3 months	Total
31 December 2019						
Expected credit loss rates	0%	0%	0%	0%	0%	
Trade receivables (gross) (US$'000)	1,740	554	117	25	202	2,638
1 January 2019						
Expected credit loss rates	0%	0%	0%	0%	0%	
Trade receivables (gross) (US$'000)	1,294	838	124	118	453	2,827

32. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Other receivables (Note 19) and other current and non-current asset (Note 18)

As of 31 December 2019, the Group recorded other receivables and other current and non-current asset of US$10,000 (2018: US$1,676,000) and US$979,000 (2018: US$837,000) respectively. The Group assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. The Group assessed that the other receivables and deposits paid are made to parties with good credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Non-trade receivable from a related party (Note 17)

As of 31 December 2019, the Group recorded non-trade receivable from a related party of US$44,072,000 (2018: US$43,509,000). The Group assessed the impairment loss allowance of the amount on a lifetime ECL basis consequent to their assessment and conclusion that the credit risk has significant increase since initial recognition.

Non-trade receivable from a related party 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. LEHD also signed a covenant that it will not distribute any dividends while any amount of the loan remains outstanding. Management has considered the collateral held and that the credit risk exposure in relation to the receivable balance as at 31 December 2019 is insignificant, and accordingly no credit loss allowance is recognised as at 31 December 2019.

Non-trade receivables from subsidiaries (Note 20)

As of 31 December 2019, the Company recorded non-trade receivable from subsidiaries of US$43,397,000 (2018: US$49,856,000) consequent to an extension of loans to the subsidiaries. The Company assessed that there is a significant increase in credit risk on the receivables of US$38,347,000 (2018: US$ 37,287,000) and determined that the loss allowance is US$32,238,000 (2018: US$24,405,000) on the bases of offsetting against payables to these subsidiaries and the receivables were repayable on demand.

32. Financial instruments and financial risks (Continued)

Credit risk (Continued)

The movement in the loss allowance during the financial year and the Group's and Company's exposure to credit risk in respect of the trade and other receivables are as follows:

Group	**Trade receivables**			**Other receivables and other current and non-current assets**		**Non-trade receivable from a related party**		
	Note (i) US$'000	**Category 5 US$'000**	**Total US$'000**	**Category 1 US$'000**	**Total US$'000**	**Category 1 US$'000**	**Category 3 US$'000**	**Total US$'000**
Loss allowance								
At 1 January 2018	-	966	966	-	-	-	-	-
Decrease in loss allowance recognised in profit or loss	-	(23)	(23)	-	-	-	-	-
Write-off of receivables	-	(921)	(921)	-	-	-	-	-
Currency translation adjustment	-	(22)	(22)	-	-	-	-	-
At 31 December 2018/31 December 2019	-	-	-	-	-	-	-	-
Gross carrying amount								
At 31 December 2018	2,827	-	2,827	2,513	2,513	43,509	-	43,509
At 31 December 2019	2,638	-	2,638	989	989	-	44,072	44,072
Net carrying amount								
At 31 December 2018	2,827	-	2,827	2,513	2,513	43,509	-	43,509
At 31 December 2019	2,638	-	2,638	989	989	-	44,072	44,072

Note (i): For trade receivables, the Group uses the practical expedient under IFRS 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

32. Financial instruments and financial risks (Continued)

Credit risk (Continued)

Company	Non-trade receivables from subsidiaries		
	Category 1 US$'000	Category 3 US$'000	Total US$'000
Loss allowance			
At 1 January 2018	-	18,892	18,892
Allowance for impairment loss	-	5,413	5,413
At 31 December 2018	-	24,405	24,405
Allowance for impairment loss	-	7,652	7,652
Currency translation adjustment	-	181	181
At 31 December 2019	-	32,238	32,238
Gross carrying amount			
At 31 December 2018	38,414	35,847	74,261
At 31 December 2019	37,288	38,347	75,635
Net carrying amount			
At 31 December 2018	38,414	11,442	49,856
At 31 December 2019	37,288	6,109	43,397

During the financial year, additional impairment loss on non-trade receivables from subsidiaries of US$7,652,000 (2018: US$5,413,000) has been provided after assessment performed on the financial position as at 31 December 2019, past financial performance and cash flows trends of respective subsidiaries.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risks

The Group transacts business in various foreign currency, mainly United States dollar ("USD") other than the respective functional currencies of the Group entities, and hence is exposed to foreign currency risks.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities as at the end of the financial year are as follows:

Group	SGD US$'000	RMB US$'000	HKD US$'000	Total US$'000
2019				
Cash and cash equivalents	13	196	2	211
Trade and other receivables	-	47	-	47
Non-trade receivables from subsidiaries	43,722	-	-	43,722
Financial assets at fair value through other comprehensive income	-	-	10	10
Non-trade payable to fellow subsidiaries	(7,101)	-	-	(7,101)
Loans from holding company	(8,564)	-	-	(8,564)
Trade and other payables	(316)	(343)	-	(659)
Net financial assets/(liabilities) denominated in foreign currencies	27,754	(100)	12	27,666

32. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

Group	**SGD** US$'000	**RMB** US$'000	**HKD** US$'000	**Total** US$'000
2018				
Cash and cash equivalents	13	224	3	240
Trade and other receivables	-	45	-	45
Non-trade receivables from subsidiaries	48,237	-	-	48,237
Financial assets at fair value through other comprehensive income	-	-	11	11
Non-trade payable to fellow subsidiaries	(6,664)	-	-	(6,664)
Loans from holding company	(5,096)			(5,096)
Trade and other payables	(331)	(342)	-	(673)
Net financial assets/(liabilities) denominated in foreign currencies	36,159	(73)	14	36,100

Company	**SGD** US$'000	**HKD** US$'000	**Total** US$'000
2019			
Cash and cash equivalents	-	2	2
Non-trade receivables from subsidiaries	43,722	-	43,722
Financial assets at fair value through other comprehensive income	-	10	10
Trade and other payables	(275)	-	(275)
Loans from holding company	(8,564)	-	(8,564)
Net financial assets denominated in foreign currencies	34,883	12	34,895
2018			
Cash and cash equivalents	-	3	3
Non-trade receivables from subsidiaries	49,856	-	49,856
Financial assets at fair value through other comprehensive income	-	11	11
Trade and other payables	(260)	-	(260)
Loans from holding company	(5,096)	-	(5,096)
Net financial assets denominated in foreign currencies	44,500	14	44,514

Sensitivity analysis for foreign exchange currency risk

In respect of the Group, at the end of the reporting period, if the SGD strengthens/weakens against United States Dollar ("USD") by 5% with all variables including tax rate being held constant, the Group's loss after taxation will be lower/higher by US$1,388,000 (2018: lower/higher by US$1,510,000).

In respect of the Company, at the end of the reporting period, if the SGD strengthens/weakens against USD by 5% with all variables including tax rate being held constant, the Company's loss after taxation will be lower/higher by US$1,456,000 (2018: lower/higher by US$1,858,000).

The sensitivity analysis for the other foreign currencies is not disclosed as the impact on the Group's and Company's loss after taxation is not significant.

32. Financial instruments and financial risks (Continued)

Market risks (Continued)

Interest rate risks

Interest rate risk arises on interest-bearing financial instruments recognised in the statements of financial position. It is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments.

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which the interest could be affected by an adverse movement in interest rates.

The Group ensures that surplus funds are deposited at favourable interest rates with reputable financial institutions in the PRC, Hong Kong, Singapore and Macau.

As at 31 December 2019, the debt obligations pertain to its loans from holding company at fixed interest rate. The Group does not hedge interest rate risk. The Group ensures that it borrows at competitive interest rates under favourable terms and conditions.

The interest rates for short term bank deposits and the non-trade receivable from a related party are fixed.

Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's cash and cash equivalents, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

The Group is presently dependent on The Ho Family Trust Limited, a related party for continuing financial support.

The table below summarised the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations:

Group	Less than 1 year US$'000	Between 1 to 5 years US$'000	Total US$'000
2019			
Trade and other payables	2,857		2,857
Loans from holding company	8,564	-	8,564
Lease liabilities	959	591	1,550
	12,380	591	12,971
2018			
Trade and other payables	2,502	108	2,610
Loans from holding company	5,096	-	5,096
	7,598	108	7,706

32. Financial instruments and financial risks (Continued)

Liquidity risks (Continued)

The table below summarised the maturity profile of the financial liabilities based on contractual undiscounted repayment obligations (Continued):

Company	Less than 1 year US$'000	Between 1 to 5 years US$'000	Total US$'000
2019			
Other payables	323	-	323
Loans from holding company	8,564	-	8,564
	8,887	-	8,887
2018			
Other payables	308	-	308
Loans from holding company	5,096	-	5,096
	5,404	-	5,404

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Financial assets				
Financial assets at fair value through other comprehensive income	13	15	10	11
Financial assets at amortised cost	48,532	48,044	43,402	49,883
	48,545	48,059	43,412	49,894
Financial liabilities				
At amortised cost	12,935	7,629	8,887	5,404

Valuation policies and techniques

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the management reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the management, the Group would engage experts to perform significant financial reporting valuations. The management is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and IFRS 13 *Fair Value Measurement* guidance. The Group's internal financial personnel will undertake non-complex financial reporting valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. The management also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

33. Fair value of financial assets and financial liabilities

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The Group classifies fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Unobservable inputs for the asset or liability.

		Fair value measurement			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group and Company					
2019					
Financial asset at fair value through other comprehensive income:					
Quoted equity shares	15	13	-	-	13
2018					
Financial asset at fair value through other comprehensive income:					
Quoted equity shares	15	15	-	-	15

		Fair value measurement			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Company					
2019					
Financial asset at fair value through other comprehensive income:					
Quoted equity shares	15	10	-	-	10
2018					
Financial asset at fair value through other comprehensive income:					
Quoted equity shares	15	11	-	-	11

34. Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings.

The Group is presently dependent on The Ho Family Trust Limited, a related company for continuing financial support.

Management monitors capital with reference to net debt-to-equity ratio. The Group strategies, which were unchanged from the previous year, are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loans from holding company plus trade and other payables, provision for rental guarantee, non-trade payables to related parties and lease liabilities less cash and cash equivalents. Total equity comprises share capital and all reserves.

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Net debt	13,344	9,922	10,302	8,525
Total equity	38,603	43,303	33,108	41,366
Net debt-to-equity ratio	0.35	0.23	0.31	0.21

The Group and Company are in compliance with all externally imposed capital requirements and financial covenants for the financial years ended 31 December 2019 and 31 December 2018.

35. Initial application of IFRS 16 Leases

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short- term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

Lessor accounting under IFRS 16 remains unchanged from IAS 17. Therefore, there is no impact to the Group as a lessor.

The details of the accounting policies under IFRS 16 and IAS 17 are disclosed in Note 2.16.

The Group applied IFRS 16 using the modified retrospective approach and recognised the cumulative effect of initial application on 1 January 2019, being the date of initial application of IFRS 16. Accordingly, the comparative information presented were not restated and is presented as previously reported under IAS 17 and its related interpretations.

35. Initial application of IFRS 16 Leases (Continued)

Practical expedients applied

The Group applied the following practical expedients when applying IFRS 16 for the first time.

- Not to reassess whether a contract is, or contains, a lease at 1 January 2019 and instead relied on the assessment previously made using IAS 17 and IFRIC 4;
- Not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019;
- Use of hindsight for contracts which contain an option to extend or terminate a lease.

Leases classified as operating leases under IAS 17

The Group previously classified its office premises as operating leases under IAS 17. Under IFRS 16, the Group recognised, for each lease,

(a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019; and
(b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

In the determination of lease liabilities, the Group applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 January 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

The effects of adopting IFRS 16 at 1 January 2019 is summarised as follows:

	31 December 2018	Initial adoption of IFRS 16 adjustments	1 January 2019
	IAS 17 US$'000	US$'000	IFRS 16 US$'000
Right-of-use asset	-	2,045	2,045
Lease liabilities (short term)	-	(850)	(850)
Lease liabilities (long term)	-	(1,325)	(1,325)
Deferred rent liabilities	(175)	175	-
Accumulated losses	32,445	(45)	32,400

The Group uses incremental borrowing rates at 1 January 2019 to discount the remaining lease payments at 1 January 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate applied by the Group at 1 January 2019 is 3%.

35. Initial application of IFRS 16 Leases (Continued)

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitment as at 31 December 2018 as follows:

	At 1 January 2019 US$'000
Operating lease commitments at 31 December 2018 under IAS 17 as disclosed in the Group's consolidated financial statements	2,624
Recognition exemption for lease with 12 months or less of lease term at transition	74
	2,550
Discounted using the incremental borrowing rate at 1 January 2019	2,175
Lease liabilities at 1 January 2019	2,175

36. Events subsequent to the reporting date

Development of Coronavirus

Since early 2020, a novel coronavirus ("COVID-19") has spread widely across the world with a sharp increase in the number of cases. On 11 March 2020, the World Health Organization declared COVID-19 a pandemic. In view of the heightened risk of importation of COVID-19, many countries including Singapore and Hong Kong have imposed border controls.

The Group considers COVID-19 outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Group does not consider that it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. Nonetheless, the Group continues to monitor and assess the development of the situation, including the potential impact on the Group's recoverability of the non-trade receivable from LEHD, which includes the consideration of the financial ability of The Ho Family Trust Limited to honour its corporate guarantee in case of default by LEHD.

Delisting of the Company from SGX-ST

On 27 May 2020 ("Joint Announcement Date"), the Company and Sansui Electric (China) Company Limited ("Offeror") jointly announced that the Offeror had presented to the directors of the Company a formal proposal to make an exit offer to Shareholders pursuant to Rules 1306 and 1309 of the Listing Manual ("Delisting Proposal") in connection with the directed delisting of the Company by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification.

Under the Delisting Proposal, the Offeror will make a conditional exit cash offer ("Exit Offer") for all the Shares other than those Shares already owned, controlled or agreed to be acquired by the Offeror as at the date of the Exit Offer in accordance with the Singapore Code on Take-overs and Mergers. The Exit Offer is open for acceptance by shareholders for at least 28 days from 10 June 2020, unless the Exit Offer is withdrawn with the consent of the Securities Industry Council and every person released from any obligation incurred thereunder. Accordingly, the Exit Offer will close at 5.30 p.m. (Singapore time) on 8 July 2020 ("Closing Date").

Subject to the acceptance level having reached over 90%, the Offeror will proceed with the compulsory acquisition as soon as practicable. The actual delisting date has yet to be confirmed by SGX-ST.

Group	2015 US$'000	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000
RESULTS					
Revenue	12,626	11,610	13,054	14,587	14,715
Loss before taxation	(36,804)	(10,903)	(447)	(10,804)	(4,914)
Taxation	(28)	1,121	(21)	(45)	(15)
Net loss for the year	(36,832)	(9,782)	(468)	(10,849)	(4,929)
Basic loss per share (US cents)	(153.91)	(38.61)	(1.85)	(42.83)	(19.46)
ASSETS AND LIABILITIES					
Non-current assets	58,392	51,925	50,296	49,443	6,136
Current assets	28,062	15,070	12,563	5,962	47,963
Current liabilities	(11,003)	(3,861)	(4,150)	(9,397)	(13,800)
Net current assets/(liabilities)	17,059	11,209	8,413	(3,435)	34,163
Non-current liabilities	(10,244)	(7,750)	(4,500)	(2,705)	(1,696)
Net assets	65,207	55,384	54,209	43,303	38,603

Notes to financial summary

The results for the five years ended 31 December 2019 have been extracted from the audited consolidated statement of profit or loss and other comprehensive income, which include the results of the Group for each of the two years ended 31 December 2019 and 2018 as set out on page 29 of the annual report.

The Group has not obtained a general mandate from the shareholders for the interested person transactions for the year ended 31 December 2019, 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 the financial year 2019, 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$100,000)**
Associates of Mr. Christopher Ho Wing-On:	**US$'000**	**US$'000**
Conducted with shareholders' approval	3,212	–
Conducted under review	1,708	–
	4,920	–

Pursuant to SGX Listing Rule 920(1)(c), the Audit Committee confirmed that the methods or procedures for determining the transaction prices have not changed since last shareholders' approval and are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Lafe Corporation Limited (the "Company") will be held by way of electronic means on Thursday, 30 July 2020 at 2 p.m. Singapore time to transact the following businesses:

AS ORDINARY BUSINESS

(1) To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2019 and the Auditors' Report thereon. (Resolution 1)

(2) (i) To re-elect Mr. Christopher Ho Wing-On, who will retire by rotation pursuant to the Company's Bye-laws 86(1) and (2) and who, being eligible, will offer himself for re-election. (Resolution 2)

(ii) To re-elect Mr. Paul Law Kwok Fai, who will retire by rotation pursuant to the Company's Bye-laws 86(1) and (2) and who, being eligible, will offer himself for re-election. (Resolution 3)

(iii) To re-elect Mr. Kenny Suen Wai Cheung, who will retire by rotation pursuant to the Company's Bye-laws 86(1) and (2) and who, being eligible, will offer himself for re-election. (Resolution 4)

(iv) To re-elect Mr. Ricky Sim Eng Huat, who will retire by rotation pursuant to the Company's Bye-laws 86(1) and (2) and who, being eligible, will offer himself for re-election. (Resolution 5)

(v) To re-elect Mr. Kin Yuen, who will retire pursuant to the Company's Bye-laws 86(1) and (2) and who, being eligible, will offer himself for re-election. (Resolution 6)

Key information on the above Directors can be found on pages 1 and 7 to 9 of the 2019 Annual Report and Notes (6) to (8) as below.

(3) To approve the Non-Executive Directors' Fees of S$255,969.16 for the year ended 31 December 2019 (2018: S$243,780.15). (Resolution 7)

(4) To ratify the appointment of Messrs Mazars LLP as Auditors of the Company for the year ended 31 December 2019 and to approve their re-appointment as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 8)

AS SPECIAL BUSINESS

To consider and if thought fit, approve with or without modifications, the following ordinary resolution:

(5) Authority to Issue Shares

That pursuant to the Companies Act 1981 of Bermuda and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares ("Shares") in the capital of the Company whether by way of rights, bonus or otherwise; and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(i) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) (or such other higher or lower limit as may be prescribed by the SGX-ST) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Company;

(ii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares; and

(iii) that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier, or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities. (Resolution 9)

By Order of the Board

Paul Francis Gregory Binney
Company Secretary
Singapore, 15 July 2020

Notes:

(1) The forthcoming AGM Is being convened, and will be held, by electronic means pursuant to (i) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020; and (ii) the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period jointly issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore, and Singapore Exchange Regulation on 13 April 2020. This Notice is published on SGXNet at the URL https://www.sgx.com/securities/company-announcements and is also made available at the Company's website at http://www.lafecorporation.com. **Printed copies of this Notice will not be sent to shareholders of the Company.**

(2) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 15 July 2020.

(3) Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the AGM in person. A shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the AGM may be accessed on SGXNet at the URL https://www.sgx.com/securities/company-announcements and is also made available at the Company's website at http://www.lafecorporation.com

If a Shareholder wishes to appoint the Chairman of the Meeting to vote at the AGM in his stead, then he should complete and sign the relevant Shareholder Proxy Form.

A Depositor (Individual or Corporation) whose name is shown in the Depository Register of The Central Depository (Pte) Limited ("CDP") as at a time not earlier than 48 hours prior to the time of the AGM who/which wishes to appoint the Chairman of the Meeting to vote at the AGM in his stead, then he should complete and sign the the Depositor Proxy Form.

The Chairman of the Meeting, as proxy, need not be a shareholder of the Company.

(5) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

(a) if submitted in hard copy and by post, the proxy form must be lodged with the Company's Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or

(b) if submitted electronically, the proxy form must be submitted via email to the Company's Share Transfer Agent, at gpb@mncsingapore.com,

in either case, at least 48 hours before the time for holding the AGM, no later than 2 p.m. on 28 July 2020 (the "Proxy Deadline").

(6) Except for Mr. Christopher Ho Wing-On and Mr. Paul Law Kwok Fai, there is no change to the responses previously disclosed by each of the retiring Directors, who are seeking re-election, under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual which were all "No".

In respect of Mr. Christopher Ho Wing-On there is no change to the responses previously disclosed under items (a) and (c) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual which were all "No" except item (b) which is "Yes". In this respect Mr. Christopher Ho Wing-On was a Director of Nimble Holdings Company Limited (formerly, The Grande Holdings Limited), a company listed on the Hong Kong Stock Exchange, when this company was being petitioned for liquidation by a creditor in May 2011. The company had successfully undergone certain schemes of arrangement and the liquidation order was eventually removed by the court in May 2016.

In respect of Mr. Paul Law Kwok Fai there is no change to the responses previously disclosed under items (a) and (c) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual which were all "No" except item (b) which is "Yes". In this respect Mr. Paul Law Kwok Fai had been a Director of Nimble Holdings Company Limited (formerly, The Grande Holdings Limited), a company listed on the Hong Kong Stock Exchange. He ceased to be a Director within two years prior to this company being petitioned for liquidation by a creditor in May 2011. The company had successfully undergone certain schemes of arrangement and the liquidation order was eventually removed by the court in May 2016

(7) The Appendix 7.4.1 information in respect of each appointment as Director was announced as follows: Mr. Christopher Ho Wing-On on 9 April 1999, Mr. Paul Law Kwok Fai on 6 August 2010, Mr. Kenny Suen Wai Cheung on 6 August 2010, Mr. Ricky Sim Eng Huat on 28 August 2014 and Mr. Kin Yuen on 29 August 2016.

(8) The Board has considered the Nominating Committee's recommendation and assessment on each Director's background, experience, independence and commitment in the discharge of his duties as a Director and is satisfied that he will continue to contribute to the Board if re-elected.

A Member/Depositor who wishes to submit an instrument of proxy must first download, complete and sign the relevant Shareholder/Depositor proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney, failing which the instrument of proxy may be treated as invalid.

Personal Data Privacy:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment there of, a Shareholder or Depositor (i) consents to the collection, use and disclosure of the Shareholder's or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder or Depositor discloses the personal data of the Shareholder's or Depositors proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's or Depositor's breach of warranty.

LAFE CORPORATION LIMITED