LAFE CORPORATION LIMITED

ANNUAL REPORT 2016

ANNUAL REPORT

2016

LAFE CORPORATION LIMITED

CONTENTS

BOARD OF DIRECTORS

Mr. Christopher Ho Wing-On
Chairman
Mr. Will, Eduard William Rudolf Helmuth
Deputy Chairman
Mr. Kenny Suen Wai Cheung
Mr. Paul Law Kwok Fai
Mr. Shum Sze Keong *(retired on 29 April 2016)*
Mr. Ricky Sim Eng Huat
Mr. Kin Yuen *(appointed on 29 April 2016)*

AUDIT COMMITTEE

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

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
Chairman
Mr. Paul Law Kwok Fai
Executive Director, Operations
Mr. Paul Francis Gregory Binney
Chief Financial Officer and Company Secretary
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
Ms. Bianca Leung Lai Sheung
Executive Director and CEO, Hong Kong, Vigers Asia Pacific Limited
Mr. David Cheung Wang Ip
Executive Director, Vigers Appraisal and Consulting Limited and Vigers Macao Company Limited

AUDITORS

Baker Tilly TFW LLP
600 North Bridge Road
Unit #05-01 Parkview Square
Singapore 188778
Partner-in-charge: Ms. Guo Shuqi
(appointed with effect from financial year ended 31 December 2016)

COMPANY SECRETARY

Mr. Paul Francis Gregory Binney

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

CORPORATE OFFICE IN SINGAPORE

57 Cantonment Road
Singapore 089755
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 2016.

BUSINESS REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The operations of the Group comprise property investment, property development and property agency and appraisal and consultancy services. The revenue for 2016 consisted of revenue generated from the property agency and appraisal and consultancy services and other service fees income.

The Group's revenue decreased by US$1.0 million from US$12.6 million for 2015 to US$11.6 million for 2016. The decrease was mainly attributable to the decrease in rental income.

Cost of sales decreased by US$0.2 million from US$8.9 million for 2015 to US$8.7 million for 2016. The decrease was mainly attributable to the lower contracted manpower costs in the Vigers and close protection operations.

The Group recorded a gross profit of US$2.9 million for 2016 as compared to US$3.7 million for 2015, a decrease of US$0.8 million as explained in the preceding paragraphs.

The Group had other net loss of US$5.1 million for 2016 as compared to US$29.0 million for 2015. In 2016, the other net loss comprised mainly the impairment loss on the goodwill and trademark in total of US$5.6 million, the additional provision on rental guarantee of US$0.7 million, the net foreign currency exchange loss of US$0.5 million arising from translating the monetary items denominated in foreign currencies and interest income of US$1.6 million. In 2015, the other net loss comprised mainly the reversal of the previously recognised additional compensation of US$25.8 million on disposal of the Panyu property as more fully described in the Company's announcement dated 26 May 2015, the gain on disposal of a foreign subsidiary of US$2.1 million, the extension fees of US$1.6 million paid to the Singapore Land Authority for the investment property, the net foreign currency exchange loss of US$3.9 million arising from translating the monetary items denominated in foreign currencies and interest income of US$0.5 million.

Administrative costs decreased by US$2.4 million from US$10.6 million for 2015 to US$8.2 million for 2016. The decrease was mainly attributable to the decrease in operating costs on the investment property (Residences at Emerald Hill, Singapore) in consequence of the disposal of Lafe (Emerald Hill) Development Pte. Ltd. ("LEHD"), a wholly-owned foreign subsidiary, in September 2015 and the decrease in property development and investment service fees.

Finance costs decreased by US$0.4 million from US$0.9 million for 2015 to US$0.5 million for 2016. The decrease was mainly attributable to the decrease in the loan interest for the investment property of US$0.4 million, the decrease in the facility fee on the loan for the investment property of US$0.2 million and the increase in the notional finance charge of US$0.2 million recognised in compliance with the IFRS for the provision of net rental expenses pursuant to a guaranteed rental agreement entered into with LEHD.

As a result of the above, the Group's loss before taxation for 2016 was US$10.9 million, as compared to US$36.8 million for 2015, a decrease of US$25.9 million, as explained in the preceding paragraphs.

The tax credit in 2016 was mainly represented by the reduction in the deferred tax provision of US$1.1 million arising from the diminution in the fair value of the trademark.

As a result of the above, the Group's net loss for 2016 was US$9.8 million, as compared to US$36.8 million for 2015, a decrease of US$27.0 million, as explained in the preceding paragraphs.

Included in the other comprehensive loss of US$6.5 million for 2015 was a reclassification of US$7.0 million from the exchange reserve to profit or loss in compliance with the IFRS in consequence of the disposal of foreign subsidiaries. The US$7.0 million comprised US$6.1 million relating to the disposal of LEHD in 2015 and US$0.9 million relating to the disposal of foreign subsidiaries in prior years.

Other comprehensive loss of US$0.05 million representing currency translation differences arising on consolidation of foreign subsidiaries was recognised in 2016, as compared to an income of US$0.2 million in 2015.

Revaluation gain of US$0.01 million was recognised in other comprehensive loss for the year based on the valuation performed by an independent professional valuer on the Singapore office compared to a revaluation gain of US$0.4 million in 2015.

As a result of the above, the Group's total comprehensive loss for the year was US$9.8 million as compared to US$43.3 million for 2015, a decrease of US$33.5 million, as explained in the preceding paragraphs.

Consolidated Statement of Financial Position

Property, plant and equipment decreased by US$0.2 million from US$5.5 million as at 31 December 2015 to US$5.3 million as at 31 December 2016. The decrease was mainly due to the translation adjustment of US$0.1 million arising from translating a property denominated in foreign currency, the depreciation charged to profit or loss of US$0.1 million and a revaluation gain of US$0.01 million recognised during the financial year. The revaluation gain was recognised based on the valuation performed by an independent professional valuer.

Goodwill of US$0.52 million was fully impaired and trademark was written down by US$5.1 million to its recoverable amount of US$5.2 million during the financial year. The recoverable amount of the cash generating unit to which the goodwill and trademark have been allocated to has been determined based on value in use calculation using cash flow projections from budgets.

Available-for-sale financial assets increased by US$0.01 million from nil as at 31 December 2015 to US$0.01 million as at 31 December 2016. The increase was due to the conversion of certain debts to equity shares held by the Group during the financial year.

Non-trade receivable from a related party under "Non-current assets" and "Current assets" decreased in total by US$25.6 million from US$66.7 million as at 31 December 2015 to US$41.1 million as at 31 December 2016. The decrease was mainly attributable to the settlement of the current portion during the financial year and the translation adjustment arising from translating the receivable denominated in foreign currency. The outstanding balance comprises fixed term loans extended to LEHD. The non-current portion of US$41.1 million bears interest at 3% per annum and is repayable by 27 September 2020. It is secured by a corporate guarantee given by The Ho Family Trust Limited, a related party, and a second-ranking pledge of the entire shares in LEHD.

Other non-current assets increased by US$0.2 million from nil as at 31 December 2015 to US$0.2 million as at 31 December 2016. The increase was mainly due to the reclassification of rental deposits from current assets to non-current assets resulting from renewal of office tenancy agreements with expiry date over one year from 31 December 2016.

Trade and other receivables increased by US$0.4 million from US$1.6 million as at 31 December 2015 to US$2.0 million as at 31 December 2016. The increase was mainly due to the increase in outstanding receivables in Vigers operations.

Other current assets decreased by US$0.2 million from US$0.5 million as at 31 December 2015 to US$0.3 million as at 31 December 2016. The decrease was mainly due to the reclassification of rental deposits from current assets to non-current assets resulting from renewal of office tenancy agreements with expiry date over one year from 31 December 2016.

Trade and other payables decreased by US$0.9 million from US$2.8 million as at 31 December 2015 to US$1.9 million as at 31 December 2016. The decrease was mainly due to the repayment of the outstanding obligation of US$0.9 million in respect of the additional compensation on disposal of the Panyu property as disclosed in the Company's announcement dated 12 August 2015.

Non-trade payables to related parties decreased by US$6.19 million from US$6.2 million as at 31 December 2015 to US$0.01 million as at 31 December 2016. The decrease was mainly due to the repayments made during the current financial year. The short-term borrowing was obtained from an interested party for general working capital purposes. It bore interest at 5.25% per annum and was unsecured and repayable on demand.

Bank loans under "Current liabilities" and "Non-current liabilities" decreased in total by US$0.2 million from US$2.2 million as at 31 December 2015 to US$2.0 million as at 31 December 2016. The movements during the current financial year comprised the partial repayments made of US$0.18 million and the translation adjustment arising from translating the bank loans denominated in foreign currency of US$0.05 million.

Provisions under "Current liabilities" and "Non-current liabilities" decreased in total by US$1.1 million from US$8.1 million as at 31 December 2015 to US$7.0 million as at 31 December 2016. The decrease was mainly attributable to the net effect of the payments made during the current financial year, the additional provision for rental guarantee recognised during the 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.

Deferred tax liabilities decreased by US$1.1 million from US$1.9 million as at 31 December 2015 to US$0.8 million as at 31 December 2016. The decrease was attributable to the diminution in the fair value of the trademark.

The movement in cash and cash equivalents from US$1.3 million as at 31 December 2015 to US$12.8 million as at 31 December 2016, an increase of US$11.5 million, is explained in the statement of cash flows below.

Consolidated Statement of Cash Flows

During the year, the Group's net cash used in operating activities was US$7.6 million as compared to net cash used in operating activities of US$6.6 million in 2015. The cash movement in 2016 was mainly attributable to the payments made for rental guarantee. The net cash generated from investing activities in 2016 of US$25.7 million was mainly attributable to the settlement of the current portion of the non-trade receivable from a related party. The net cash used in financing activities in 2016 of US$6.3 million was mainly attributable to the repayment of the short-term borrowing from a related party of US$6.15 million and the partial bank loan repayments of US$0.18 million.

DIVIDENDS

The Board do not recommend payment of a final dividend in respect of the financial year ended 31 December 2016.

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 into 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.

Christopher Ho Wing-On
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	6,494	61.82	263,073	1.04
100 – 1,000	3,122	29.72	1,111,707	4.39
1,001 - 10,000	782	7.45	2,193,595	8.66
10,001 - 1,000,000	104	0.99	5,706,356	22.52
1,000,001 and above	2	0.02	16,058,602	63.39
	10,504	100.00	25,333,333	100.00

SUBSTANTIAL SHAREHOLDERS

S/No.	Name	No. of Shares held: Direct interest	No. of Shares held: Deemed interest	%
1.	CHRISTOPHER HO WING-ON	–	14,891,223*	58.78*
2.	CLARENDON INVESTMENTS CAPITAL LTD	12,884,944	–	50.86
3.	BRASILIA CAPITAL LIMITED	–	12,884,944**	50.86**
4.	THE HO FAMILY TRUST LTD	–	14,891,223***	58.78***
5.	ACCOLADE (PTC) INC	–	14,891,223****	58.78****
6.	MCVITIE CAPITAL LIMITED	2,000,000	–	7.89
7.	CTI LIMITED	1,610,874	–	6.36

* Mr. Christopher Ho Wing-On is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that in turn owns directly 12,884,944 ordinary shares in the Company, the entire issued capital of McVitie Capital Limited that in turn owns directly 2,000,000 ordinary shares in the Company and 73.65% issued capital of The Grande Holdings Limited that in turn owns indirectly 6,279 ordinary shares in the Company.

** Brasilia Capital Limited is the immediate holding company of Clarendon Investments Capital Ltd.

*** The Ho Family Trust Ltd is the immediate shareholder of Brasilia Capital Limited and an intermediate shareholder of both McVitie Capital Limited and The Grande Holdings Limited.

**** Accolade (PTC) Inc is the immediate shareholder of The Ho Family Trust Ltd and is the trustee of The Ho Family Trust.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Clarendon Investments Capital Ltd	12,884,944	50.86
2	Mcvitie Capital Limited	2,000,000	7.89
3	CTI Limited	1,610,874	6.36
4	DBS Vickers Securities (S) Pte Ltd	895,228	3.53
5	Lew Syn Pau	847,371	3.34
6	Raffles Nominees (Pte) Ltd	283,212	1.12
7	UOB Kay Hian Pte Ltd	176,134	0.70
8	Yeo Lai Huat	161,260	0.64
9	Citibank Nominees Singapore Pte Ltd	147,876	0.58
10	Choo Ah Seng	132,646	0.52
11	Phillip Securities Pte Ltd	130,854	0.52
12	Loh Ngiap Chew	106,318	0.42
13	Vibrant Capital Pte Ltd	106,060	0.42
14	Ng Kim Choon	81,200	0.32
15	Maybank Kim Eng Securities Pte Ltd	80,174	0.32
16	Gordon Cai Zhen Qiang	78,600	0.31
17	Loh Bak Cham	70,000	0.28
18	Tan Kim Wah Jacob	66,000	0.26
19	Maybank Nominees (S) Pte Ltd	63,658	0.25
20	Lim & Tan Securities Pte Ltd	59,933	0.24
		19,982,342	78.88

PUBLIC SHAREHOLDERS

Based on information available to the Company as at 14 March 2017, 34.86% 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 2 May 2012, the revised Code of Corporate Governance 2012 (the "Revised Code") was issued (which is effective from financial year commencing on or after 1 November 2012).

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 OF DIRECTORS

Principle 1: Effective Board To Lead And Control The Company

The Board comprises three 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. Christopher Ho Wing-On
Chairman
Date of Appointment: 9 April 1999
(Standing for re-election in 2017)
Mr. Christopher Ho Wing-On, aged 66, 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. Will, Eduard William Rudolf Helmuth
Deputy Chairman
Independent & Non-Executive
Date of Appointment: 1 March 2012
(Re-elected in 2015)
Mr. Will, Eduard William Rudolf Helmuth, aged 75, holds degrees from the Gymnasium St. Georg, Hamburg and the University of Hamburg. He has worked in Germany, New York, London and is now based in Hong Kong. Mr. Will has more than 43 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 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. Will chairs the Audit Committee for the Company.

Mr. Shum Sze Keong
Independent & Non-Executive
Date of Appointment: 19 March 2007
(Retired in 2016)
Mr. Shum Sze Keong, aged 54, holds a Bachelor of Science in Aeronautical Engineering from Embry Riddle Aeronautical University, USA. Mr. Shum has extensive experience in strategic development and restructuring in Heavy Engineering, Electronic Components and Aerospace sectors. He is currently involved in property investment both in the industrial and agricultural sectors.

Mr. Paul Law Kwok Fai
Executive Director, Operations
Date of Appointment: 6 August 2010
(Standing for re-election in 2017)
Mr. Paul Law Kwok Fai, aged 60, holds Bachelor of Science, majoring in Computer Science & Mathematics from The University of Western Ontario, Canada. He has over 37 years of working experience with wide-exposure and knowledge in manufacturing, operations, information technology, 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
(Standing for re-election in 2017)
Mr. Kenny Suen Wai Cheung, aged 54, 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 30 years of experience in real estate development in United Kingdom, Hong Kong and PRC. Mr. Suen's global experience covers development appraisals, projects management, 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. Ricky Sim Eng Huat
Independent & Non-Executive
Date of Appointment: 28 April 2014
(Standing for re-election in 2017)
Mr. Ricky Sim Eng Huat, aged 63, has devoted 18 years of his career to the Singapore Civil service since 1977, including 6 years in Hong Kong and 3 years in Bangkok as a diplomat. In 1994, he entered the private sector, joining Suntec Investment Group of Companies (SIPL) in Singapore. In addition to fulfilling the role of Chief Operating Officer of SIPL, Mr. Sim was concurrently the Managing Director (MD) of Chesterton Suntec International Property Consultants since 1997 to 2013. He was also an Honorary Advisor to the Real Estate Developers Association of Singapore from 2005 to 2013. Mr. Sim is also the Nominating Chairman of Metech International Limited and Soo Kee Group Limited, both are listed in the SGX Catalist Board. Mr. Sim chairs the Nominating Committee for the Company.

Mr. Kin Yuen
Independent & Non-Executive
Date of Appointment: 29 April 2016
(Standing for re-election in 2017)
Mr. Kin Yuen, aged 62, 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 China Jiuhao Health Industry Corporation Limited, a company engaged in the provision of online and offline healthcare and wellness services, and media business; it is listed on The Stock Exchange of Hong Kong Limited. Mr. Yuen chairs the Remuneration Committee for the Company.

INFORMATION ON KEY EXECUTIVES (NON-DIRECTOR)

Mr. Raymond Ho Kai Kwong, aged 54, 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 31 years of experience in the field of valuation and real estate.

Ms. Bianca Leung Lai Sheung, aged 54, is Executive Director and CEO, Hong Kong of Vigers Asia Pacific Limited. She holds an MBA from Manchester Business School and a Diploma in Accounting from the University of Hong Kong. She has over 27 years of experience in finance and accounting and extensive experience in management.

Mr. David Cheung Wang Ip, aged 56, 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 31 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. In terms of political qualification, he is a Member of 11th Shanxi Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Paul Francis Gregory Binney, aged 57, is Chief Financial Officer 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.

ROLE OF THE BOARD

Principle 2: Strong And Independent Element on The Board

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 six, 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 within clearly defined terms of references and operating procedures, which are reviewed regularly. The effectiveness of each committee is also constantly monitored.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2016

	Board Meetings	Audit Committee	Asset Management Committee	Nominating Committee	Remuneration Committee
No. of Meetings Held	**5**	**5**	**1**	**2**	**1**
Christopher Ho Wing-On	5	N/A	N/A	N/A	N/A
Shum Sze Keong	1	1	N/A	2	1
Paul Law Kwok Fai	5	N/A	1	N/A	N/A
Kenny Suen Wai Cheung	5	N/A	1	N/A	N/A
Will, Eduard William Rudolf Helmuth	5	5	1	2	1
Ricky Sim Eng Huat	5	5	N/A	2	1
Kin Yuen	4	4	N/A	0	0

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: Chairman and CEO To Be Separate To Ensure Appropriate Balance of Power and Authority, Such That No One Individual Represents A Considerable Concentration of Power

Although currently the CEO and the Chairman of the Board is the same person, the Board believes that there are 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.

Further, the independent directors make up half of the Board and one is the Deputy Chairman.

ACCESS TO INFORMATION / ACCOUNTABILITY

Principle 6: Board Members To Have Complete, Adequate And Timely Information

Principle 10: The Board Is Accountable To Shareholders; Management Is Accountable To The Board

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 three 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

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

Principle 7: ***Formal And Transparent Procedure For Fixing Remuneration Packages of Directors***

Principle 8: ***Remuneration of Directors Should Be Adequate But Not Excessive***

Principle 9: ***Disclosure On Remuneration Policy, Level And Mix Of Remuneration, And Procedure For Setting Remuneration***

The Remuneration Committee 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 Remuneration Committee 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	–	89	11	–	100
	ii)	S$250,000 to S$499,999					
		Paul Law Kwok Fai	–	76	–	24	100
		Kenny Suen Wai Cheung	–	76	24	–	100
	iii)	Below S$250,000					
		Shum Sze Keong	100	–	–	–	100
		Will, Eduard William Rudolf Helmuth	100	–	–	–	100
		Ricky Sim Eng Huat	100	–	–	–	100
		Kin Yuen	100	–	–	–	100
b)	**Key Executives of the Group**						
	i)	S$250,000 to S$499,999					
		David Cheung Wang Ip	–	80	19	1	100
		Raymond Ho Kai Kwong	–	93	6	1	100
		Bianca Leung Lai Sheung	–	89	10	1	100
	ii)	Below S$250,000					
		Paul Francis Gregory Binney	–	100	–	–	100

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

Paragraph 9.2 of the Revised Code states that the Company should fully disclose the remuneration of each individual director and the CEO on a named basis. 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.

Paragraph 9.3 of the Revised Code states that the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or 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 four 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.

NOMINATING COMMITTEE

Principle 4: Formal And Transparent Process For Appointment And Re-Appointment Of Directors

Principle 5: Formal Assessment Of The Effectiveness Of The Board As A Whole And The Performance Of Individual Directors

The Nominating Committee comprises three independent directors as at the date of this report, namely:

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

The Nominating Committee'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 Nominating Committee 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.

AUDIT COMMITTEE

Principle 12: Establishment Of Audit Committee with Written Terms Of Reference

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

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

The Audit Committee oversees all aspects of the external audit process, particularly the cost effectiveness and the independence of the external auditors. Annually, the Audit Committee 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 Audit Committee will recommend to the Board appointment or re-appointment of external auditors.

The Audit Committee is satisfied with the objectivity and independence of the external auditors, and they recommend the re-appointment of Messrs Baker Tilly TFW LLP. For the financial year ended 31 December 2016, Messrs Baker Tilly TFW LLP had been engaged for tax service for certain companies with the Group and appointed as the scrutineer for the shareholders' meetings of the Company.

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 Audit Committee before submission to the Board for adoption. The Audit Committee 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 Audit Committee 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 Audit Committee 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound System Of Risk Management And Internal Controls

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 Audit Committee 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 2016, the Board has received the assurance from the CEO and the Chief Financial Officer 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.

INTERNAL AUDIT

Principle 13: Independent Internal Audit Function

The Company has an in house internal audit team. The internal auditors report functionally to the Audit Committee 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 Audit Committee and report their findings direct to the Audit Committee. The Audit Committee 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.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Treat All Shareholders Fairly and Equitably, And Recognise, Protect And Facilitate The Exercise Of Shareholders' Rights

Principle 15: Regular, Effective And Fair Communication With Shareholders

Principle 16: Greater Shareholder Participation At Annual General Meetings

The Company strives for timeliness in the dissemination of financial results and corporate developments to the shareholders and the financial community by broadcasting through SGXNET. In addition, the Company's website www.lafecorporation.com keeps the public informed about developments in the Company's products and services. The Company's website has been upgraded and the information on the Company is clearly provided. Up to date information is posted in a timely manner.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. At shareholders' meetings, each distinct issue is proposed as a separate resolution. The Chairman of the Audit, Asset Management, Nominating and Remuneration Committees are present to address questions at the Annual General Meeting. External auditors are also present at the Annual General Meeting to assist the Directors to address shareholders' queries, if necessary.

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 Audit Committee 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 were 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.

The Officers of the Company are reminded not to deal with the Company's securities on short term considerations.

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.

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Lafe Corporation Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

DIRECTORS

The directors of the Company in office at the date of this report are:

Executive directors:
Christopher Ho Wing-On
Paul Law Kwok Fai
Kenny Suen Wai Cheung

Independent and Non-executive directors:
Will, Eduard William Rudolf Helmuth
Ricky Sim Eng Huat
Kin Yuen (Appointed on 29 April 2016)

Mr. Christopher Ho Wing-On, Mr. Paul Law Kwok Fai, Mr. Kenny Suen Wai Cheung and Mr. Ricky Sim Eng Huat retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting in accordance with the Company's Bye-laws 86(1) and (2). Mr. Kin Yuen will retire pursuant to the Company's Bye-laws 85(6) and, being eligible, will offer himself for re-election. Mr. Will, Eduard William Rudolf Helmuth continues in office. The term of office of each non-executive director is the period up to his re-appointment by rotation or retirement in accordance with the Company's Bye-laws.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group's subsidiaries are described in Note 34 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the financial year, a foreign subsidiary was liquidated, the details of which are described in Note 14 to the financial statements.

During the financial year, a wholly-owned subsidiary was incorporated in the British Virgin Islands, the details of which are described in Note 14 to the financial statements.

There were no other acquisitions and disposals of subsidiaries.

RESULTS FOR THE FINANCIAL YEAR

	Group US$'000
Net loss for the year	(9,782)
Accumulated losses at the beginning of the year	(15,208)
Losses before appropriation	(24,990)
Dividend paid	–
Accumulated losses at the end of the year	(24,990)

MATERIAL TRANSFERS TO/FROM RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the accompanying financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, there were no shares or debentures issued by the Company and its subsidiaries.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, 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.

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:

	Shareholdings registered in the name of the directors			Shareholdings in which directors are deemed to have an interest		
	1 Jan 2016	31 Dec 2016	21 Jan 2017	1 Jan 2016	31 Dec 2016	21 Jan 2017
Ordinary shares of US$2 each						
Christopher Ho Wing-On	–	–	–	12,710,959*	14,891,223**	14,891,223**

* Mr. Christopher Ho Wing-On is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that owns directly 12,704,680 ordinary shares in the Company and Barrican Investments Corporation that owns 71.38% of The Grande Holdings Limited that in turn owns indirectly 6,279 ordinary shares in the Company.

** Mr. Christopher Ho Wing-On is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that in turn owns directly 12,884,944 ordinary shares in the Company, the entire issued capital of McVitie Capital Limited that in turn owns directly 2,000,000 ordinary shares in the Company and 73.65% issued capital of The Grande Holdings Limited that in turn owns indirectly 6,279 ordinary shares in the Company.

DIVIDENDS

There were no dividends paid or declared for both financial years ended 31 December 2016 and 2015.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2016 (2015: nil).

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial interest except that certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations and except as disclosed in the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements 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.

OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted nor were there issue of shares from the exercise of any option to take up unissued shares. At the end of the reporting period, there were no unissued shares of the Company or any corporation in the Group under option.

INDEPENDENT AUDITOR

A resolution will be submitted at the annual general meeting to re-appoint the auditor, Messrs Baker Tilly TFW LLP, as the independent auditor of the Company for the coming financial year.

On behalf of the Board of Directors

Christopher Ho Wing-On Chairman	Paul Law Kwok Fai Executive Director

31 March 2017

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 23 to 72 are properly 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 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with International Financial Reporting Standards; and

(b) 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.

On behalf of the Board of Directors

Christopher Ho Wing-On	Paul Law Kwok Fai
Chairman	Executive Director

31 March 2017

To the Members of Lafe Corporation Limited
(Incorporated in Bermuda with Limited Liability)
For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lafe Corporation Limited (the Company) and its subsidiaries (the Group) as set out on pages 23 to 72, which comprise the statement of financial position of the Group and the Company as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (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 for our opinion.

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 period. 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.

<u>Impairment assessment of goodwill and trademark</u>

As disclosed in Notes 5b(i) and 17 to the consolidated financial statements of the Group, the Group has goodwill and trademark of nil (2015: US$520,000) and US$5,220,000 (2015: US$10,321,000) respectively which are allocated to the cash generating unit (CGU) comprising operations in Hong Kong and the People's Republic of China. Impairment charges of US$520,000 (2015: nil) on goodwill and US$5,096,000 (2015: nil) on trademark are recognised in statement of profit or loss and other comprehensive income during the financial year ended 31 December 2016.

Goodwill and trademark with an indefinite useful life are required to be tested for impairment annually.

Impairment assessment of goodwill and trademark is considered to be a key audit matter due to the significance of the assets to the Group's consolidated 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.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Our procedures to address the key audit matter

We obtained an understanding of management's impairment assessment process.

We obtained the Group's value in use model. Key inputs to the value in use model included budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate. We challenged these key inputs by comparing the forecasts to historical revenue achieved, historical costs incurred and published industry reports.

We involved our valuation specialists in assessing the value in use model for valuation methodology, including the terminal value and the net present value calculation. Valuation specialists were also involved to evaluate the appropriateness of the discount rate used by management based on the Group and its industry.

We performed sensitivity analysis in the areas of budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate assumptions.

We have also assessed 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 auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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 and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditor's 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 auditor's 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 ISAs 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.

To the Members of Lafe Corporation Limited
(Incorporated in Bermuda with Limited Liability)
For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, 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.

- 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 auditor's 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 auditor's 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 auditor's 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 auditor's report is Guo Shuqi.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

GROUP

	Note	**2016** **US$'000**	2015 US$'000
Revenue	7	**11,610**	12,626
Cost of sales		**(8,662)**	(8,916)
Gross profit		**2,948**	3,710
Other net loss	8	**(5,116)**	(28,954)
Administrative costs		**(8,188)**	(10,611)
Finance costs	9	**(547)**	(949)
Loss before taxation	10	**(10,903)**	(36,804)
Taxation	11	**1,121**	(28)
Loss for the year		**(9,782)**	(36,832)
Other comprehensive loss:			
Items that are or may be reclassified subsequently to profit or loss:			
Reclassification of exchange reserve to profit or loss arising from disposal of foreign subsidiaries		**–**	(7,016)
Fair value changes on available-for-sale financial asset		**(3)**	–
Currency translation differences arising on consolidation		**(50)**	155
Item that will not be reclassified subsequently to profit or loss:			
Revaluation gain on property, plant and equipment		**12**	366
Other comprehensive loss for the year, net of tax		**(41)**	(6,495)
Total comprehensive loss for the year		**(9,823)**	(43,327)
Loss per share			
Attributable to equity holders of the Company			
Basic and diluted loss per share (US cents)	12	**(38.61)**	(153.91)

The accompanying notes form an integral part of these financial statements.

GROUP

	Note	**2016 US$'000**	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**5,306**	5,547
Trademark	17	**5,220**	10,321
Goodwill	17	**–**	520
Available-for-sale financial assets	15	**11**	–
Non-trade receivable from a related party	16	**41,142**	42,004
Other non-current assets	18	**246**	–
Total non-current assets		**51,925**	58,392
Current assets			
Investment property	19	**–**	–
Trade and other receivables	20	**1,991**	1,598
Other current assets	18	**270**	479
Non-trade receivable from a related party	16	**–**	24,672
Cash and cash equivalents	22	**12,809**	1,313
Total current assets		**15,070**	28,062
Total assets		**66,995**	86,454
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**50,667**	50,667
Reserves		**4,717**	14,540
Total equity		**55,384**	65,207
Non-current liabilities			
Bank loans	25	**1,779**	2,001
Provisions	26	**5,196**	6,327
Deferred tax liabilities	27	**775**	1,916
Total non-current liabilities		**7,750**	10,244
Current liabilities			
Trade and other payables	24	**1,892**	2,831
Bank loans	25	**181**	185
Provisions	26	**1,762**	1,805
Non-trade payables to related parties	28	**10**	6,155
Tax payable		**16**	27
Total current liabilities		**3,861**	11,003
Total liabilities		**11,611**	21,247
Total equity and liabilities		**66,995**	86,454

The accompanying notes form an integral part of these financial statements.

COMPANY

	Note	**2016** **US$'000**	2015 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**–**	–
Available-for-sale financial asset	15	**8**	–
Non-trade receivable from a subsidiary	21	**–**	36,180
Other non-current asset	18	**–**	4,328
Total non-current assets		**8**	40,508
Current assets			
Other current assets	18	**23**	1,170
Non-trade receivable from a related party	16	**–**	24,672
Non-trade receivables from subsidiaries	21	**52,803**	8,901
Cash and cash equivalents	22	**3**	5
Total current assets		**52,829**	34,748
Total assets		**52,837**	75,256
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**50,667**	50,667
Reserves		**(4,749)**	16,468
Total equity		**45,918**	67,135
Non-current liability			
Provisions	26	**4,933**	6,086
Current liabilities			
Trade and other payables	24	**224**	230
Provisions	26	**1,762**	1,805
Total current liabilities		**1,986**	2,035
Total liabilities		**6,919**	8,121
Total equity and liabilities		**52,837**	75,256

The accompanying notes form an integral part of these financial statements.

GROUP

		Reserves							
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Revaluation reserve US$'000	Fair value reserve US$'000	Exchange reserve US$'000	Accumulated profits/ (losses) US$'000	Total reserves US$'000	Total equity US$'000
Balance at 1 January 2015	46,667	27,209	24	1,532	–	7,516	21,624	57,905	104,572
Issue of shares	4,000	–	–	–	–	–	–	–	4,000
Share placement expenses	–	(38)	–	–	–	–	–	(38)	(38)
Loss for the year	–	–	–	–	–	–	(36,832)	(36,832)	(36,832)
Other comprehensive income/(loss) for the year									
Reclassification of exchange reserve to profit or loss arising from disposal of foreign subsidiaries	–	–	–	–	–	(7,016)	–	(7,016)	(7,016)
Revaluation gain recognised during the year	–	–	–	366	–	–	–	366	366
Currency translation differences arising on consolidation	–	–	–	–	–	155	–	155	155
Other comprehensive income/(loss) for the year	–	–	–	366	–	(6,861)	–	(6,495)	(6,495)
Total comprehensive income/(loss) for the year	–	–	–	366	–	(6,861)	(36,832)	(43,327)	(43,327)
Balance at 31 December 2015	50,667	27,171	24	1,898	–	655	(15,208)	14,540	65,207
Loss for the year	–	–	–	–	–	–	(9,782)	(9,782)	(9,782)
Other comprehensive income/(loss) for the year									
Revaluation gain recognised during the year	–	–	–	12	–	–	–	12	12
Fair value changes on available-for-sale financial asset	–	–	–	–	(3)	–	–	(3)	(3)
Currency translation differences arising on consolidation	–	–	–	–	–	(50)	–	(50)	(50)
Other comprehensive income/(loss) for the year	–	–	–	12	(3)	(50)	–	(41)	(41)
Total comprehensive income/(loss) for the year	–	–	–	12	(3)	(50)	(9,782)	(9,823)	(9,823)
Balance at 31 December 2016	**50,667**	**27,171**	**24**	**1,910**	**(3)**	**605**	**(24,990)**	**4,717**	**55,384**

The accompanying notes form an integral part of these financial statements.

COMPANY

	Share capital US$'000	Share premium US$'000 (Reserves)	Fair value reserve US$'000 (Reserves)	Accumulated profits / (losses) US$'000 (Reserves)	Total reserves US$'000 (Reserves)	Total equity US$'000
Balance at 1 January 2015	46,667	27,209	–	63,994	91,203	137,870
Issue of shares	4,000	–	–	–	–	4,000
Share placement expenses	–	(38)	–	–	(38)	(38)
Loss and total comprehensive loss for the year	–	–	–	(74,697)	(74,697)	(74,697)
Balance at 31 December 2015	50,667	27,171	–	(10,703)	16,468	67,135
Loss for the year	–	–	–	(21,215)	(21,215)	(21,215)
Other comprehensive loss for the year						
Fair value changes on available-for-sale financial asset	–	–	(2)	–	(2)	(2)
Total comprehensive loss for the year	–	–	(2)	(21,215)	(21,217)	(21,217)
Balance at 31 December 2016	**50,667**	**27,171**	**(2)**	**(31,918)**	**(4,749)**	**45,918**

The accompanying notes form an integral part of these financial statements.

GROUP

	2016 US$'000	2015 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(10,903)**	(36,804)
Adjustments for:		
Depreciation of property, plant and equipment (Note 13)	**181**	326
Provision for staff benefits (Note 26(ii))	**22**	(58)
(Reversal of)/allowance for impairment on receivables (Note 20)	**(22)**	310
Bad debts written off	**8**	43
Reversal of the outstanding additional compensation previously recognised on disposal of the Panyu property (Note 8(a))	**–**	16,812
Impairment loss on goodwill (Note 17)	**520**	–
Impairment loss on trademark (Note 17)	**5,096**	–
Provision for rental guarantee (Note 26(i))	**735**	–
Gain on disposal of a foreign subsidiary	**–**	(2,134)
Write-back of trade and other payables	**(68)**	(65)
(Gain)/loss on disposal of property, plant and equipment (Note 8)	**(47)**	21
Discount on provision unwound (Note 9)	**270**	95
Interest expenses	**270**	613
Interest income	**(1,563)**	(458)
Unrealised foreign exchange gain	**(195)**	–
Operating cash flow before working capital changes	**(5,696)**	(21,299)
Changes in working capital		
Trade and other receivables and other current assets	**(421)**	5,883
Trade and other payables	**(841)**	6,213
Provisions	**(2,136)**	(471)
Currency translation adjustments	**284**	3,209
Cash used in operations	**(8,810)**	(6,465)
Taxation paid	**(30)**	(18)
Interest paid	**(300)**	(594)
Interest received	**1,554**	458
Net cash used in operating activities	**(7,586)**	(6,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 13)	**(37)**	(30)
Proceeds from disposal of property, plant and equipment	**47**	115
Repayment of loan by a related party	**25,664**	–
Proceeds from disposal of a foreign subsidiary	**–**	2,167
Net cash generated from investing activities	**25,674**	2,252
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to a related party	**(6,155)**	–
Loan from related parties	**10**	3,897
Proceeds from bank loans	**–**	1,304
Repayment of bank loans	**(181)**	(3,843)
Share placement expenses paid	**–**	(38)
Net cash (used in)/generated from financing activities	**(6,326)**	1,320
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**11,762**	(3,047)
Cash and cash equivalents at beginning of the financial year	**1,313**	4,369
Effects of exchange rate changes on cash and cash equivalents	**(266)**	(9)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**12,809**	1,313

The accompanying notes form an integral part of these financial statements.

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

1 CORPORATION INFORMATION

The Company was incorporated on 8 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 57 Cantonment Road, Singapore 089755. The shares of the Company are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). In the opinion of the Directors, the Company's immediate and ultimate holding companies are Clarendon Investments Capital Ltd and Accolade (PTC) Inc, respectively, both of which are companies incorporated in the British Virgin Islands.

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in Note 34.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 31 March 2017.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 5 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE

(a) New and amended standards adopted by the Group

In the current financial year, the Group has adopted all the new and revised IFRS issued by the IASB and interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC Interpretations") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC Interpretations.

The adoption of these new/revised IFRS and IFRIC Interpretations did not have any material effect on the financial results or position of the Group and the Company.

(b) Standards, amendments and interpretations to existing standards that are issued, revised or amended but are not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. IFRS 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in IFRS 15 by applying a 5-step approach.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management anticipates that the initial application of the new IFRS 15 should not have a material impact to the financial statements of the Group and the Company. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in IFRS 9 are based on an expected credit loss model and replace IAS 39 incurred loss model. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of IFRS 9 and plans to adopt the standard on the required effective date.

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE (continued)

(b) Standards, amendments and interpretations to existing standards that are issued, revised or amended but are not yet effective (continued)

IFRS 16 Leases

IFRS 16 replaces the existing IAS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial positions to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of IFRS 16 and plans to adopt the standard on the required effective date.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenue recognition

Revenue for the Group comprises the fair value of consideration received or receivable for rendering of services in the ordinary course of business, net of rebates, discounts and sales related tax, and after eliminating sales within the Group.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

i) Rendering of services

Service income, management and consultancy fees are recognised in the period in which the services are rendered.

ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

iii) Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term as set out in specific rental agreements.

iv) Property services income

Property services income is recognised when the relevant services have been rendered.

4.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 4.4. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific IFRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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, 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 subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.5 Property, plant and equipment

Cost and measurement

Land and building are initially recorded at cost. Freehold land is subsequently stated at revalued amount less accumulated impairment losses. Building is subsequently carried at revalued amounts less accumulated depreciation and accumulated impairment losses. Their fair values are determined by an independent professional valuer every year and whenever their carrying amounts are likely to differ materially from their fair values.

Other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is 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 asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the assets. Any increase in the carrying amount arising from revaluation is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; and any amount in asset revaluation reserve relating to that asset is transferred to accumulated profits directly.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Property, plant and equipment (continued)

Depreciation

No depreciation is provided on freehold land.

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Freehold building	50 years
Leasehold improvements	Shorter of lease terms or 3 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

4.6 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.

4.7 Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an 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.

Recoverable amount is the higher of fair value less costs to sell and 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

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 years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Operating leases

When a Group entity is the lessee:

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

Leases where the Group retains substantially all risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Contingent rents are recognised as revenue in the period in which they are earned.

4.9 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial assets

a) *Classification*

The Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as “trade and other receivables”, “other non-current and current assets” (excluding prepayments and advances paid), “non-trade receivable from a related party” and “cash and cash equivalents” on the statements of financial position.

ii) Financial assets, available-for-sale

Financial assets, available-for-sale include equity securities that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

b) *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

d) *Subsequent measurement*

Financial assets, available-for-sale are subsequently carried at fair value. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss. Loans and receivables financial assets are carried at amortised cost using the effective interest method, less impairment.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in fair value reserve/other comprehensive income, together with the related currency translation differences.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial assets (continued)

e) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

ii) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

4.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial liabilities

Financial liabilities include trade and other payables, non-trade payables to related parties and bank loans.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

4.13 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share premium.

4.14 Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

4.15 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

4.16 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

i) Provision for staff benefits

Staff benefits are provided based on the employees' salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

ii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits (continued)

iii) Retirement benefits scheme contributions

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.

iv) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

4.17 Foreign currencies

i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in United States Dollar ("US$"), which is the Company's functional currency and the presentation currency for the financial statements.

ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the exchange reserve within equity in the consolidated financial statements. The exchange reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities are translated at the closing rates at the end of the reporting period;

b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

c) All resulting exchange differences are recognised in the exchange reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Foreign currencies (continued)

iii) Translation of Group entities' financial statements (continued)

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.

On the disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

4.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

4.19 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantee contracts are amortised in profit or loss over the period of the guarantee.

4.20 Contingent liabilities

A contingent liability is 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 a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

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

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

a) *Critical judgements in application of the accounting policies*

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Impairment of non-trade receivable from a related party

The Group assesses at the end of the reporting period whether there is any objective evidence that the non-trade receivable from a related party is impaired. Factors such as the probability of insolvency or significant financial difficulties of the related party and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is historical payment trend indicating that there have been significant changes in the related party's payment ability or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the related party operates in. The Group also considers the securities held for the non-trade receivable from a related party as disclosed in Note 16.

b) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

i) Impairment of goodwill and trademark

As disclosed in Note 17, the recoverable amount of the cash generating unit ("CGU") which goodwill and trademark have 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 17.

ii) 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 2016, the carrying amount of provision for rental guarantee was US$6,695,000 (2015: US$7,891,000) (Note 26(i)). The management has considered that a reasonably possible change in the discount rate will not result in any material adjustment to the carrying amount of provision for rental guarantee.

iii) Contingent liabilities

In determining whether provision is necessary for contingent liabilities, management makes an assessment on the facts and merits of the legal claims and takes into consideration legal opinions obtained. As disclosed in Note 31, the Group has two outstanding legal claims made against them for which management is of the view that no provision is necessary at the end of the reporting period.

6 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, rental income and property related services

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

Business Segment

	Group Property/Consolidated	
	2016	2015
	US$'000	US$'000
Revenue		
Revenue	**11,610**	12,626
Result		
Segment result	**(10,356)**	(35,855)
Finance costs	**(547)**	(949)
Loss before taxation	**(10,903)**	(36,804)
Taxation	**1,121**	(28)
Loss after taxation	**(9,782)**	(36,832)
Assets		
Segment assets	**66,995**	86,454
Liabilities		
Segment liabilities	**11,611**	21,247
Other information		
Depreciation of property, plant and equipment (Note 13)	**181**	326
Capital expenditure:		
Property, plant and equipment (Note 13)	**37**	30
Loss on reversal of the previously recognised additional compensation on disposal of the Panyu property (Note 8)	**–**	25,782
Gain on disposal of a foreign subsidiary	**–**	2,134
Gain/(loss) on disposal of property, plant and equipment (Note 8)	**47**	(21)
Impairment loss on goodwill (Note 17)	**520**	–
Impairment loss on trademark (Note 17)	**5,096**	–
Provision for rental guarantee (Note 26(i))	**735**	–

6 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 by geographical market, which is analysed based on the billing address of each individual customer:

	Revenue		**Non-current assets**	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong	**10,836**	10,879	**5,314**	11,062
People's Republic of China	**774**	783	**16**	15
Singapore	**–**	964	**5,196**	5,311
	11,610	12,626	**10,526**	16,388

There is no single external customer which amounted to 10% or more of the Group's revenue for the financial years ended 31 December 2016 and 2015.

7 REVENUE

	Group	
	2016	2015
	US$'000	US$'000
Property services income	**11,179**	11,219
Rental and other service fees income	**431**	1,407
	11,610	12,626

8 OTHER NET LOSS

	Group	
	2016	2015
	US$'000	US$'000
Bad debts written off	**8**	43
Extension fees on investment property	**–**	1,603
(Gain)/loss on disposal of property, plant and equipment (Note 6)	**(47)**	21
Gain on disposal of a foreign subsidiary	**–**	(2,134)
Impairment loss on trademark (Note 17)	**5,096**	–
Impairment loss on goodwill (Note 17)	**520**	–
Interest income		
- Receivable from third party	**(10)**	(122)
- Related party	**(1,553)**	(336)
Loss on reversal of the previously recognised additional compensation on disposal of the Panyu property (a)	**–**	25,782
Other income	**(59)**	(90)
Net foreign currency exchange loss	**516**	3,942
Provision for rental guarantee (Note 26(i))	**735**	–
(Reversal of)/allowance for impairment on receivables (Note 20)	**(22)**	310
Write-back of trade and other payables	**(68)**	(65)
	5,116	28,954

(a) The reversal resulted from the adjustments in government policy in the People's Republic of China which rendered the agreement for the payment of the additional compensation in connection with the disposal of the Panyu property unenforceable in the previous financial year.

The loss on reversal of the previously recognised additional compensation on disposal of the Panyu property comprises the write-off of the remaining receivables amounting to US$16,812,000 and recognition of a payable of US$8,970,000 in relation to the additional compensation previously received.

9 FINANCE COSTS

	Group	
	2016	2015
	US$'000	US$'000
Interest on bank and other borrowings	**270**	613
Discount on provision unwound (Note 26(i))	**270**	95
Bank charges	**7**	241
	547	949

10 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Group	
	2016	2015
	US$'000	US$'000
Non-executive directors' fees (Note 33(b))	**153**	150
Auditors' remuneration:		
- Auditor of the Company	**88**	106
- Other auditors	**51**	49
Fees for non-audit services paid to auditor of the Company	**5**	10
Property development and investment service fees	**2,075**	2,745
Staff costs (including directors' remuneration):		
- Salaries and related costs	**11,092**	11,202
- Defined contribution benefits	**388**	426
Operating lease expenses	**954**	1,092
Depreciation of property, plant and equipment	**181**	326

11 TAXATION

Taxation (benefit)/expense attributable to the loss is made up of:

	Group	
	2016	2015
	US$'000	US$'000
Current tax expense:		
Foreign – Current	**19**	28
Deferred tax benefit (Note 27):		
Foreign – Current	**(927)**	–
Foreign – Under provision in prior years	**(213)**	–
	(1,140)	–
	(1,121)	28

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

11 TAXATION (continued)

A reconciliation between the tax (benefit)/expense and loss before tax at the applicable tax rate is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Loss before taxation	**(10,903)**	(36,804)
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	**(1,799)**	(6,073)
Different tax rates in overseas jurisdictions	**(3,393)**	(2,213)
Income not subject to tax	**(312)**	(90)
Expenses not deductible for tax purposes	**4,254**	8,080
Deferred tax assets not recognised	**157**	264
Others	**(28)**	60
	(1,121)	28

Details of deferred tax liabilities are set out in Note 27.

12 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	
	2016	2015
Loss for the year attributable to equity holders of the Company (US$'000)	**(9,782)**	(36,832)
Weighted average number of ordinary shares ('000) **	**25,333**	23,930
Loss per share (US cents)	**(38.61)**	(153.91)

** The loss per share in the previous financial year was derived after taking into account the effects of the share consolidation of every fifty (50) ordinary shares in its authorised and issued share capital into one (1) ordinary share.

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2016 and 31 December 2015.

13 PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land and building US$'000	Leasehold improvements US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost or valuation					
At 1 January 2015	5,331	124	541	910	6,906
Revaluation gain	366	–	–	–	366
Translation adjustments	(353)	(6)	–	–	(359)
Additions	–	–	30	–	30
Disposals	–	–	(10)	(309)	(319)
Disposal of a foreign subsidiary	–	–	(8)	–	(8)
At 31 December 2015	5,344	118	553	601	6,616
Revaluation gain	12	–	–	–	12
Translation adjustments	(110)	(2)	(1)	–	(113)
Additions	–	–	37	–	37
Disposals	–	–	(2)	(181)	(183)
At 31 December 2016	**5,246**	**116**	**587**	**420**	**6,369**
Accumulated depreciation					
At 1 January 2015	32	80	384	446	942
Translation adjustments	(3)	(5)	–	–	(8)
Charge for the year	13	27	90	196	326
Disposals	–	–	(8)	(175)	(183)
Disposal of a foreign subsidiary	–	–	(8)	–	(8)
At 31 December 2015	42	102	458	467	1,069
Translation adjustments	(2)	(2)	–	–	(4)
Charge for the year	13	10	71	87	181
Disposals	–	–	(2)	(181)	(183)
At 31 December 2016	**53**	**110**	**527**	**373**	**1,063**
Net carrying values					
At 31 December 2016	**5,193**	**6**	**60**	**47**	**5,306**
At 31 December 2015	5,302	16	95	134	5,547

Land and building comprise of a freehold land and building in Singapore occupied by the Group as office premises. The property is a refurbished two storey intermediate conservation pre-war shophouse with a mezzanine level and an attic. Total gross floor and land area of the property are approximately 292 square metres and 121.9 square metres respectively. The property has been pledged against loan facilities made available by a financial institution (Note 25) as collateral for bank loans.

The fair value of the office premises of S$7.5 million (equivalent to US$5.2 million) as at 31 December 2016 (2015: S$7.5 million (equivalent to US$5.3 million)) was arrived at based on a valuation carried out by PREMAS Valuers & Property Consultants Pte Ltd, an accredited independent valuer. The fair value was determined by reference to market transactions that consider sales of similar property that have been transacted in the open market. The fair value measurement is categorised as Level 3 of the fair value hierarchy (Note 36).

13 PROPERTY, PLANT AND EQUIPMENT (continued)

If the freehold land and building carried at valuation had been included in the financial statements at cost less accumulated depreciation, the net book value would have been as follows:

	Group	
	2016	2015
	US$'000	US$'000
Freehold land and building	**3,442**	3,526

The revaluation reserves arising from freehold land and building carried at valuation are not distributable by way of dividends.

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	US$'000	US$'000
Unquoted equity shares		
Cost		
Beginning of financial year	**34,988**	64,872
Disposal of a foreign subsidiary	**–**	(29,884)
End of financial year	**34,988**	34,988
Allowance for impairment		
Beginning of financial year	**34,988**	–
Impairment charge during the financial year	**–**	34,988
End of financial year	**34,988**	34,988
Net carrying amount	**–**	–

(a) During the financial year, Lafe Investment Consultancy Limited, a wholly-owned subsidiary of the Group was liquidated.

During the financial year, Lafe GreenTech International Limited, a wholly-owned subsidiary of the Group was incorporated with an issued share capital of US$10,000.

Details of the Company's subsidiaries at 31 December 2016 are set out in Note 34.

(b) Company level - Impairment review of investments in subsidiaries

During the previous financial year, management performed an impairment test for the investment in Lafe Holdings Limited, Infomaster Holdings Limited and Wave Track Limited as these direct subsidiaries have been making losses in consecutive years and are not expected to return to profitability in the foreseeable future. An impairment loss of US$34,988,000 was recognised for the year ended 31 December 2015 to write down the carrying values of these subsidiaries to their fair values which in aggregate approximates nil at the end of the reporting period. In determining the fair values of the respective direct subsidiaries of the Company, management has based it on the lower of cost or discounted value of the estimated cash flows expected to arise from the respective direct subsidiaries. The discount rate applied to the cash flow projection is 3%.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong quoted equity securities, at fair value	**11**	–	**8**	–
Unquoted equity securities, at cost	**2,295**	2,295	**–**	–
Less: Allowance for impairment	**(2,295)**	(2,295)	**–**	–
	–	–	**–**	–
Net carrying amount	**11**	–	**8**	–

The fair value of the Hong Kong quoted equity shares is determined based on quoted market price at the end of the reporting period. The instrument is included in Level 1 of the fair value hierarchy (Note 36).

16 NON-TRADE RECEIVABLE FROM A RELATED PARTY

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Non-trade receivable from a related party	**41,142**	66,676	**–**	24,672
Representing:				
- Non-current portion	**41,142**	42,004	**–**	–
- Current portion	**–**	24,672	**–**	24,672
	41,142	66,676	**–**	24,672

The outstanding non-trade receivable from a related party comprises fixed term loans extended to LEHD. The non-current portion of S$59.417 million (equivalent to US$41.1 million as at 31 December 2016 and US$42.0 million as at 31 December 2015) 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. The current portion was novated to a subsidiary of the Company and it was fully recovered during the financial year.

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.

17 GOODWILL AND TRADEMARK

	Group			
	Goodwill		Trademark	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cost				
Beginning of financial year	**520**	520	**11,608**	11,601
Translation adjustments	**–**	–	**(5)**	7
End of financial year	**520**	520	**11,603**	11,608
Allowance for impairment				
Beginning of financial year	**–**	–	**1,287**	1,287
Impairment charge during financial year	**520**	–	**5,096**	–
End of financial year	**520**	–	**6,383**	1,287
Net carrying amount	**–**	520	**5,220**	10,321

17 GOODWILL AND TRADEMARK (continued)

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 goodwill and trademark

Goodwill acquired through business combination and trademark have 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 VIU calculation are those regarding the budgeted revenue growth rate, budgeted gross margin, terminal growth rate and discount rate.

	CGU	
	2016	2015
	%	%
Budgeted revenue growth rate	**3.5**	7.0
Budgeted gross margin	**27.0-28.0**	22.0
Terminal growth rate (1)	**–**	4.0
Discount rate (2)	**21.4**	12.0

(1) Growth rate used to extrapolate cash flows beyond the budgeted period.
(2) 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.

Impairment charges of US$520,000 (2015: nil) on goodwill and US$5,096,000 (2015: nil) on trademark are included within "Other net loss" in the statement of profit or loss and other comprehensive income. The impairment charges have arisen from the lower than expected performance of the operations in the People's Republic of China.

Sensitivity to changes in assumptions

If the budgeted revenue growth used in the VIU calculation had been 1% lower than management's estimates, the Group would have recognised a further impairment charge on trademark of US$683,000.

18 OTHER NON-CURRENT AND CURRENT ASSETS

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Deferred expenditure (Note 21(b))	**–**	–	**–**	5,482
Prepayments	**136**	127	**23**	16
Deposits	**380**	352	**–**	–
Total other assets	**516**	479	**23**	5,498
Less: Current portion	**(270)**	(479)	**(23)**	(1,170)
Non-current portion	**246**	–	**–**	4,328

19 INVESTMENT PROPERTY

	Group	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**–**	79,856
Disposal of a foreign subsidiary	**–**	(73,955)
Translation adjustments	**–**	(5,901)
End of financial year	**–**	–

The investment property comprising the redevelopment project situated at Emerald Hill Road, Singapore was disposed of in consequence of the disposal of LEHD during the previous financial year.

The following amounts are recognised in profit or loss:

	Group	
	2016	2015
	US$'000	US$'000
Rental income	**–**	945
Direct operating expenses arising from investment property that generated rental income	**–**	2,044

20 TRADE AND OTHER RECEIVABLES

	Group	
	2016	2015
	US$'000	US$'000
Trade receivables	**2,883**	2,727
Less: Allowance for impairment loss	**(936)**	(1,129)
Trade receivables - net	**1,947**	1,598
Other receivables	**44**	–
Total trade and other receivables	**1,991**	1,598

The fair value of the trade and other receivables approximates their carrying value at the end of the reporting period.

20 TRADE AND OTHER RECEIVABLES (continued)

The Group made a reversal of impairment loss amounting to US$22,000 (2015: allowance for impairment loss of US$310,000) during the financial year. The movement of allowance for impairment losses is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**1,129**	860
Allowance written-off	**(171)**	(41)
(Reversal of)/allowance for impairment loss recognised during the year	**(22)**	310
End of financial year	**936**	1,129

21 NON-TRADE RECEIVABLES FROM A SUBSIDIARY/SUBSIDIARIES - COMPANY

	Company	
	2016	2015
	US$'000	US$'000
Non-current (see (a) below)	**–**	36,180
Current (see (c) below)	**52,803**	8,901

(a) <u>Non-trade receivable from a subsidiary (non-current)</u>

	Company	
	2016	2015
	US$'000	US$'000
Loan to a subsidiary, at cost	**36,180**	42,004
Fair value adjustment recorded as deferred expenditure	**–**	(5,771)
	36,180	36,233
Finance income - Unwinding of fair value adjustment	**17**	272
Repayment	**(642)**	(325)
Translation adjustment	**1,767**	–
Reversal of fair value adjustment	**5,736**	–
Reclassification to current portion	**(43,058)**	–
At amortised cost at end of financial year	**–**	36,180

In the previous financial year, the Company entered into a deed of novation with a subsidiary for assigning to it a term loan of US$42.0 million extended to a related party as referred to in Note 16. The outstanding assignment consideration due by the subsidiary is unsecured, interest-free and expected to be repaid by 27 September 2020.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Company initially recognised the loan at fair value, determined based on the market rate prevailing on loan inception date of 3%. The difference between the fair value of the loan and notional value of the loan at initial recognition is taken to "Deferred expenditure" account and amortised over the period of the loan to match the finance income from unwinding the fair value adjustment.

During the current financial year, the non-trade receivable from a subsidiary repayment term has changed to repayable on demand, thus it was classified as current asset as at end of the reporting period.

21 NON-TRADE RECEIVABLES FROM A SUBSIDIARY/SUBSIDIARIES - COMPANY (continued)

(b) Deferred expenditure

Deferred expenditure will be amortised to profit or loss on a straight line basis over the loan period from the effective date of the deed of novation.

	Company	
	2016	2015
	US$'000	US$'000
Movement in deferred expenditure:		
Beginning of financial year	**5,482**	–
Fair value adjustment	**–**	5,771
Amortisation - interest expense	**–**	(289)
Translation adjustment	**254**	–
Reversal of fair value adjustment	**(5,736)**	–
End of financial year	**–**	5,482
Representing:		
Current	**–**	1,154
Non-current	**–**	4,328
	–	5,482

(c) Non-trade receivables from subsidiaries (current)

	Company	
	2016	2015
	US$'000	US$'000
Non-trade receivables from subsidiaries	**71,948**	8,901
Less: Allowance for impairment	**(19,145)**	–
	52,803	8,901

Movements of allowance for impairment are as follows:

Beginning of financial year	**–**	–
Allowance made during the year	**19,145**	–
End of financial year	**19,145**	–

The current portion of the non-trade receivables from subsidiaries are unsecured, interest-free and repayable on demand.

(d) Fair values

In 2015, the fair value of non-current receivable from a subsidiary approximates its fair value at the end of the reporting period.

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cash and cash equivalents	**12,809**	1,313	**3**	5

Cash and cash equivalents of the Group and the Company at 31 December 2016 and 31 December 2015 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$214,000 (2015: US$115,000) 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.

23 SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	**US$'000**	No. of shares '000	US$'000
Authorised				
Beginning of financial year before share consolidation	**50,000**	**100,000**	2,500,000	100,000
Less: share consolidation *	**–**	**–**	(2,450,000)	–
End of financial year	**50,000**	**100,000**	50,000	100,000
Issued and fully paid				
Beginning of financial year before share consolidation	**25,333**	**50,667**	1,166,667	46,667
Less: share consolidation *	**–**	**–**	(1,143,334)	–
Balance after share consolidation	**25,333**	**50,667**	23,333	46,667
Add: share issue	**–**	**–**	2,000	4,000
End of financial year	**25,333**	**50,667**	25,333	50,667

* In 2015, the Company completed the share consolidation of every fifty (50) ordinary shares in its authorised and issued share capital into one (1) ordinary share. The Company completed a share placement of 2 million new shares at a subscription price of US$2 per share for an aggregate subscription proceeds of US$4 million by the capitalisation of certain debts.

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.

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**519**	545	**–**	–
Accrued expenses	**1,270**	1,295	**177**	183
Other payables	**103**	991	**47**	47
	1,892	2,831	**224**	230

25 BANK LOANS

	Group	
	2016	2015
	US$'000	US$'000
Bank loans (secured)	**1,960**	2,186
Representing:		
- Non-current portion	**1,779**	2,001
- Current portion	**181**	185
	1,960	2,186

The bank loans are secured by assets with carrying values as below:

	Group	
	2016	2015
	US$'000	US$'000
Freehold land and building (Note 13)	**5,193**	5,302

As at 31 December 2016, the bank loans were secured by the following:

(i) All monies first legal mortgage over the land and building; and

(ii) All monies guarantee and indemnity by the Company.

The interest rate on the bank loans at the end of the reporting period is 3.2% (2015: 3.4%) per annum.

Bank loans and other banking facilities of the Group were covered by corporate guarantees issued by the Company.

The carrying amounts of these financial liabilities are reasonable approximation of fair values as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period. The fair value measurement for disclosure purposes is categorised as Level 3 of the fair value hierarchy.

26 PROVISIONS

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Provision for rental guarantee (i)	**4,933**	6,086	**4,933**	6,086
Provision for staff benefits (ii)	**263**	241	**–**	–
	5,196	6,327	**4,933**	6,086
Current				
Provision for rental guarantee (i)	**1,762**	1,805	**1,762**	1,805

26 PROVISIONS (continued)

(i) 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$9.7 million (equivalent to US$6.7 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 at a discount rate of 3% (2015: 3%).

Movements in provision for rental guarantee are as follows:

	Group and Company	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**7,891**	–
Provision made	**–**	8,267
Additional provision recognised in profit or loss	**735**	–
Discount unwound (Note 9)	**270**	95
Payment made during the year	**(2,136)**	(560)
Translation difference charged to profit or loss	**(65)**	89
End of financial year	**6,695**	7,891

(ii) Provision for staff benefits

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

	Group	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**241**	299
Net provision provided/(reversed) during the financial year	**22**	(58)
End of financial year	**263**	241

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.

27 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	
	2016	2015
	US$'000	US$'000
Non-current:		
Deferred tax liabilities		
- to be settled after one year	**775**	1,916

Movements in deferred tax account are as follows:

Beginning of financial year	**1,916**	2,114
Disposal of a foreign subsidiary	**–**	(184)
Translation adjustments	**(1)**	(14)
Tax credited to profit or loss (Note 11)	**(1,140)**	–
End of financial year	**775**	1,916

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.

	Revaluation of investment property US$'000	Accelerated tax depreciation US$'000	Fair value of trademark US$'000	Tax losses US$'000	Total US$'000
At 1 January 2015	449	43	1,915	(293)	2,114
Disposal of a foreign subsidiary	(440)	(43)	–	299	(184)
Translation adjustments	(9)	–	1	(6)	(14)
At 31 December 2015	–	–	1,916	–	1,916
Current year tax credit to profit or loss	–	–	(1,140)	–	(1,140)
Translation adjustments	–	–	(1)	–	(1)
At 31 December 2016	**–**	**–**	**775**	**–**	**775**

At the end of the reporting period, the Group has unutilised tax losses of US$22,847,000 (2015: US$21,744,000) 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.

28 NON-TRADE PAYABLES TO RELATED PARTIES - GROUP

The amounts are unsecured, interest-free and are repayable on demand. The amount was revised from interest at fixed rate of 5.25% per annum to interest-free during the financial year.

29 COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	Group	
	2016	2015
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	**151**	38

(b) Operating lease commitments

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 (2015: 12 to 36 months).

The Group had outstanding commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, payable as follows:

	Group	
	2016	2015
	US$'000	US$'000
Not later than one financial year	**934**	509
Later than one financial year but not later than five financial years	**1,275**	40
	2,209	549

30 CORPORATE GUARANTEES

As at 31 December 2016, the Company had executed certain corporate guarantees amounting to US$2.0 million (2015: US$2.2 million) to secure the banking facilities granted to its subsidiary. The amount of bank loan utilised by the Group that were covered by the corporate guarantees issued by the Company at the end of the reporting period is US$2.0 million (2015: US$2.2 million).

No liability is recognised from the issuance of the corporate guarantees issued to fellow-subsidiaries as management has assessed the risk of default to be remote and therefore, the fair value of the financial guarantee to be immaterial.

31 CONTINGENT LIABILITIES

(a) A plaintiff issued a writ of summons in the High Court of the Hong Kong Special Administrative Region Court of First Instance against the Company in January 2012 for a sum of US$5.7 million together with interest, costs and other reliefs as the Court sees fit. The claim is in relation to a guarantee and indemnity provided by the Company to its former subsidiary, Lafe Technology (Hong Kong) Limited ("LTHKL") under a factoring facility agreement between the plaintiff and LTHKL. The parties have exchanged first round of witness statements, and the discovery process is nearly completed. The parties' experts on Norwegian law will exchange expert reports in April 2017 and prepare a joint report in June 2017. The parties will make further interlocutory applications for calling more witnesses and preparing supplemental witness statements in September 2017. The plaintiff has obtained compensation from its insurer and its aggregate claims against LTHKL and the Company have been reduced to US$1.8 million plus interest.

31 CONTINGENT LIABILITIES (continued)

(b) 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 others on 3 May 2013 together with a statement of claim (with subsequent amendments made on 21 June 2013 and 7 October 2014 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 plaintiff made a payment of HK$1 million and HK$1.5 million into court as security for Defendants' costs on 11 February 2014 and 18 January 2017 respectively. The action is at its discovery stage.

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

32 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.

33 RELATED PARTY TRANSACTIONS

(a) Group and related party transactions

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who were not members of the Group during the financial year on terms agreed by the parties concerned. The related parties comprise the spouse of one of the directors of the Company and a company directly held by the aforesaid party and certain companies held by a discretionary trust of which the same director of the Company is one of the beneficiaries.

	Group	
	2016	2015
	US$'000	US$'000
Interest expenses (charged at 5.25% per annum) paid/payable to related parties	**(191)**	(135)
Property development and investment service fees paid/payable to a related party	**(2,075)**	(2,745)
Net rental expenses paid/payable to a related party	**(2,136)**	(560)
Rental paid to the spouse of one of the directors of the Company	**–**	(141)
Consultancy fee	**2**	–
Share of administrative fees	**1**	–
Interest income (charged at 3.00% per annum) received from a related party	**1,302**	336
Interest income (charged at 5.00% per annum) received from a related party	**251**	–
Sales consideration for disposal of a foreign subsidiary to the spouse of one of the directors of the Company	**–**	2,380

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2016	2015
	US$'000	US$'000
Directors and other key management personnel remuneration		
- Salary, bonus and allowances	**1,886**	1,828
- Defined pension benefit	**95**	94
Non-executive directors' fees (Note 10)	**153**	150
	2,134	2,072

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34 PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

Name of company	Place of incorporation/ operations	Issued and paid up/ registered capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities
			%	%	
Held by the Company					
Lafe Holdings Limited[(1)]	The British Virgin Islands ("BVI")	US$100	**100**	100	Investment holding
Vigers Group Pte. Ltd.[(1)]	Singapore	S$2	**100**	100	Property management services
Infomaster Holdings Limited[(1)]	BVI	US$2	**100**	100	Investment holding
Wave Track Limited[(1)]	BVI	US$2	**100**	100	Investment holding
Forchess Star Company Limited[(1)]	BVI	US$2	**100**	100	Investment holding
Held by Lafe Holdings Limited					
Lafe Strategic Services Limited[(2)]	Hong Kong	HK$20	**100**	100	Close protection services
Markwood Capital Limited[(1)]	BVI	US$2	**100**	100	Investment holding
Held by Lafe Strategic Services Limited					
Lafe Investment Consultancy Limited	PRC	HK$1,300,000	**–**	100	Investment holding
Vigers Security Limited[(2)]	Hong Kong	HK$400,000	**100**	100	Security guard services

34 PARTICULARS OF SUBSIDIARIES (continued)

Details of the Company's subsidiaries as at 31 December 2016 are as follows: (continued)

Name of company	Place of incorporation/ operations	Issued and paid up/ registered capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities
			%	%	
Held by Vigers Group Pte. Ltd.					
Vigers Property Management Pte. Ltd.(1)	Singapore	S$2	**100**	100	Property management services
Vigers Real Estate Pte. Ltd.(1)	Singapore	S$2	**100**	100	Property management services
Held by Infomaster Holdings Limited					
Lafe GreenTech International Limited(1)	BVI	US$10,000	**100**	–	Investment holding
Lafe GreenTech Limited (formerly known as Lafe Property Development Limited)(2)	Hong Kong	HK$100	**100**	–	Consultancy services
Held by Wave Track Limited					
Lafe Development (China) Limited(1)	BVI	US$2	**100**	100	Investment holding
Held by Forchess Star Company Limited					
Vigers Holdings Ltd.(2)	BVI	US$10,553,000	**100**	100	Investment holding
Lucksberg Holdings Limited(1)	BVI	US$2	**100**	100	Investment holding

34 PARTICULARS OF SUBSIDIARIES (continued)

Details of the Company's subsidiaries as at 31 December 2016 are as follows: (continued)

Name of company	Place of incorporation/ operations	Issued and paid up/ registered capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities
			%	%	
Held by Vigers Holdings Ltd.					
Vigers Appraisal and Consulting Limited(2)	Hong Kong	HK$1,000,000	**100**	100	Property appraisal and consulting services
Vigers Asset Management Limited(2)	Hong Kong	HK$20	**100**	100	Property management services
Vigers Building Consultancy Limited(2)	Hong Kong	HK$8,000,000	**100**	100	Building consultancy services
Vigers E-Net Limited(2)	Hong Kong	HK$1,000	**100**	100	Property appraisal services in internet
Vigers Asia Pacific Limited(2)	Hong Kong	HK$100	**100**	100	Corporate administration services
Vigers Nominees Limited(2)	Hong Kong	HK$1,000	**100**	100	Corporate services
Vigers Realty Limited(2)	Hong Kong	HK$10,000	**100**	100	Real estate agency services
Vigers Macao Company Limited(2)	Macao	MOP25,000	**100**	100	Property appraisal services
Vigers Appraisal and Consulting (International) Limited(2)	Hong Kong	HK$1,200	**100**	100	Investment holding and consultancy services
Lafe Property Development Limited (formerly known as Vi-Tech Facilities Services Limited)(2)	Hong Kong	HK$100	**–**	100	Consultancy services
Vigers Asia Pacific Holdings Limited(2)	BVI	US$1	**100**	100	Investment holding
Vigers External Wall Consultant Limited(2)	Hong Kong	HK$1,000	**100**	100	Building consultancy services
Held by Vigers Appraisal and Consulting (International) Limited					
Vigers Property Consultants (Shanghai) Ltd(3)	PRC	US$345,000	**100**	100	Property management and agency services

34 PARTICULARS OF SUBSIDIARIES (continued)

Details of the Company's subsidiaries as at 31 December 2016 are as follows: (continued)

Name of company	Place of incorporation/ operations	Issued and paid up/ registered capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities
			%	%	
Held by Vigers Asia Pacific Limited					
Vigers Property Consultants (Beijing) Ltd(4)	PRC	RMB500,000	**100**	100	Property management and agency services
Vigers Investment Consultants (Shenzhen) Ltd(5)	PRC	RMB100,000	**100**	100	Property consultancy services
Held by Vigers Asia Pacific Holdings Limited					
Vigers Property Management Services (Hong Kong) Limited(2)	Hong Kong	HK$8,900,000	**100**	100	Property management services
The Grande Properties Management Limited(2)	Hong Kong	HK$2	**100**	100	Property management services
Held by Lucksberg Holdings Limited					
Vigers Pacific Limited(1)	Cayman Islands	US$100	**100**	100	Trademarks holding
Vigers Asia (Holdings) Limited(1)	Cayman Islands	US$100	**100**	100	Trademarks holding

(1) Audited/reviewed by Baker Tilly TFW LLP, Singapore.

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

(3) Audited by Shanghai An Da Hua Xin Certified Public Accountants Co., Ltd.

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

(5) Audited by Shenzhen Huilong Certified Public Accountants.

35 RISK FACTORS AND RISK MANAGEMENT

The risk factors, risk management policies and related procedures for the Group are summarised as follows:

Reliance on property business

The Group will concentrate its efforts and resources on its property business, which will be affected by the property market.

The Group has diversified the risk by making property investment and developments in different locations.

In addition, Vigers Group is a reputable property service group specialising in property appraisal, business valuation, property management, building services engineering, real estate agency and project management with a strong presence in the Far East region.

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale financial assets	**11**	–	**8**	–
Trade and other receivables	**1,991**	1,598	**–**	–
Non-trade receivable from a related party	**41,142**	66,676	**–**	24,672
Non-trade receivable from subsidiaries	**–**	–	**52,803**	45,081
Other assets	**367**	352	**–**	–
Cash and cash equivalents	**12,809**	1,313	**3**	5
Loans and receivables	**56,309**	69,939	**52,806**	69,758
Financial liabilities				
Trade and other payables	**1,807**	2,763	**224**	230
Non-trade payables to related parties	**10**	6,155	**–**	–
Bank loans	**1,960**	2,186	**–**	–
Financial liabilities at amortised cost	**3,777**	11,104	**224**	230

(b) Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly Singapore dollar ("SGD"), Renminbi ("RMB") and Hong Kong dollar ("HKD").

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavors to keep the net exposure at a minimum level.

35 RISK FACTORS AND RISK MANAGEMENT (continued)

(b) *Foreign currency risk (continued)*

At the end of the reporting period, the Group and the Company have the following significant financial assets and financial liabilities denominated in currencies other than functional currencies based on information provided to key management:

	SGD US$'000	RMB US$'000	HKD US$'000	Total US$'000
Group				
2016				
Cash and cash equivalents	11,079	221	3	11,303
Trade and other receivables	9	41	–	50
Non-trade receivable from subsidiaries	52,803	–	–	52,803
Available-for-sales financial assets	–	–	8	8
Non-trade payable to fellow subsidiaries	(8,349)	–	–	(8,349)
Trade and other payables	(262)	(354)	–	(616)
Net financial assets/(liabilities) denominated in foreign currencies	**55,280**	**(92)**	**11**	**55,199**
2015				
Cash and cash equivalents	–	111	5	116
Trade and other receivables	–	123	–	123
Non-trade receivable from a related party	24,672	–	–	24,672
Non-trade receivable from subsidiaries	41,722	–	8,841	50,563
Non-trade receivable from fellow subsidiaries	2,819	–	–	2,819
Trade and other payables	(295)	(1,260)	–	(1,555)
Net financial assets/(liabilities) denominated in foreign currencies	68,918	(1,026)	8,846	76,738
Company				
2016				
Cash and cash equivalents	–	–	3	3
Non-trade receivable from subsidiaries	52,803	–	–	52,803
Available-for-sales financial asset	–	–	8	8
Trade and other payables	(175)	–	–	(175)
Net financial assets denominated in foreign currencies	**52,628**	**–**	**11**	**52,639**
2015				
Cash and cash equivalents	–	–	5	5
Non-trade receivable from a related party	24,672	–	–	24,672
Non-trade receivable from subsidiaries	41,722	–	8,841	50,563
Trade and other payables	(181)	–	–	(181)
Net financial assets denominated in foreign currencies	66,213	–	8,846	75,059

35 RISK FACTORS AND RISK MANAGEMENT (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis for foreign exchange currency risk

In respect of the Group, at the end of the reporting period, if the SGD and HKD 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$2,308,000 (2015: lower/higher by US$2,877,000) and nil (2015: US$369,000) respectively.

In respect of the Company, at the end of the reporting period, if the SGD and HKD 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$2,631,000 (2015: lower/higher by US$3,311,000) and nil (2015: US$369,000) respectively.

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.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contracutal obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with credit-worthy parties to mitigate any significant concentration of credit risk. Potential exposures are monitored and reported to management on a timely basis. As the Group and Company does not hold any collateral for its trade and other receivables, except for the non-trade receivable from a related party as referred to in Note 16, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statement of financial position and the amount of US$1,960,000 corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings. The Group maintains an allowance for impairment loss of receivables for estimated losses resulting from the inability of debtors to make required payments. Allowances for impairment of receivables are based on the estimates of future cash flows on the aging of the trade receivables balance, their credit-worthiness and historical write-off experience.

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. Management is of the view that the non-trade receivable from a related party has adequate security and accordingly no impairment is required.

Bank balances and short term bank deposits are held with reputable financial institutions and are neither past due nor impaired.

As at 31 December 2016, the allowance for impairment of trade and other receivables for the Group and the Company were US$936,000 (2015: US$1,129,000) and US$19,145,000 (2015: nil) respectively. The movements in allowance for impairment of trade and other receivables during the financial year are presented in Notes 20 and 21.

Except for trade and other receivables with specific terms of repayment, the Group extends an average credit period of 30 days (2015: 30 days).

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

35 RISK FACTORS AND RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Financial assets that are past due but not impaired

The aging analysis of trade and other receivables past due but not impaired is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Past due less than 30 days	**290**	153
Past due 31 to 60 days	**49**	116
Past due 61 to 90 days	**41**	14
Past due over 90 days	**151**	152
	531	435

Trade and other receivables of the Group were not concentrated on any particular customer in 2016 and 2015.

(d) Interest rate risk

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 favorable interest rates with reputable financial institutions in the PRC, Hong Kong, Singapore and Macau.

The debt obligations pertain to its borrowings from banks in Singapore. The Group does not hedge interest rate risk. The Group ensures that it borrows at competitive interest rates under favorable terms and conditions.

The interest rates for short term bank deposits and the non-trade receivable from/payable to a related party are fixed. The Group's exposure to interest rate risks arises mainly from the bank loans at variable rates. The bank loans at 31 December 2016 were the mortgage loan on the Singapore office. If the interest rates increase/decrease by 0.5% (2015: 0.5%), with all other variables including tax rate being held constant, the loss after taxation will be higher/lower by US$8,000 (2015: US$9,000) as a result of higher/lower interest expense on these bank loans.

(e) Liquidity risk

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.

35 RISK FACTORS AND RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

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

	Less than 1 year US$'000	Between 1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Group				
At 31 December 2016				
Trade and other payables	1,807	–	–	1,807
Non-trade payables to related parties	10	–	–	10
Bank loans	241	906	1,154	2,301
	2,058	**906**	**1,154**	**4,118**
At 31 December 2015				
Trade and other payables	2,773	–	–	2,773
Non-trade payable to a related party	6,319	–	–	6,319
Bank loans	257	965	1,412	2,634
	9,349	965	1,412	11,726
Company				
At 31 December 2016				
Other payables	**224**	**–**	**–**	**224**
At 31 December 2015				
Other payables	230	–	–	230

The table below shows the contractual expiry by maturity of the Company's contractual liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Less than 1 year US$'000	Between 1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Company				
At 31 December 2016				
Financial guarantee contracts	**1,960**	**–**	**–**	**1,960**
At 31 December 2015				
Financial guarantee contracts	2,186	–	–	2,186

35 RISK FACTORS AND RISK MANAGEMENT (continued)

(f) Capital risk

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.

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.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as all financial liabilities (including trade and other payables) and provision for rental guarantee less cash and cash equivalents. Total equity comprise share capital and all reserves.

	Group		Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Net (assets)/debts	**(2,252)**	17,750	**6,916**	8,116
Total equity	**55,384**	65,207	**45,918**	67,135
Net debt-to-equity ratio	**N.M.**	0.27	**0.15**	0.12

N.M.: not meaningful

The Group and Company are in compliance with all externally imposed capital requirements and financial covenants for the financial years ended 31 December 2016 and 31 December 2015.

36 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group adopted the amendments to IFRS 7 which require disclosure of fair value measurements by levels in the fair value hierarchy based on the inputs to the valuation techniques.

The fair value hierarchy levels are defined as follows:

(i) Level 1 - quoted prices (unadjusted) in active market for identical assets or liabilities;

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

(iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) *Fair value measurements of assets and liabilities that are measured at fair value*

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statements of financial position as at the end of the reporting period at 31 December 2016.

Group	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2016				
Financial assets				
Available-for-sale financial assets				
- Quoted equity securities	**11**	**–**	**–**	**11**
Non-financial assets				
Property, plant and equipment				
- freehold land and building	**–**	**–**	**5,193**	**5,193**
2015				
Non-financial assets				
Property, plant and equipment				
- freehold land and building	–	–	5,302	5,302
Company				
2016				
Financial assets				
Available-for-sale financial asset				
- Quoted equity securities	**8**	**–**	**–**	**8**
2015				
Financial assets				
Available-for-sale financial asset				
- Quoted equity securities	–	–	–	–

(c) *Determination of fair values*

(i) *Quoted equity securities*

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

(ii) *Property, plant and equipment*

The freehold land and building is valued at their highest and best use by independent valuers based on comparable market transactions that consider sales of similar properties that have been transacted in the open market at the end of the reporting period, with appropriate yield adjustments made for differences in the nature, location or condition of the specific properties being valued.

Significant inputs used in this valuation are prices per square metre of comparable properties in the vicinity. Significant unobservable inputs used are the adjustments made by the professional valuer, for any differences in nature, location, or condition of the specific property. A significant increase/decrease in yield adjustments based on management's assumptions would result in a significantly lower/higher fair value measurement.

The fair value measurement of freehold land and building is categorised as Level 3 in the fair value hierarchy.

36 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Determination of fair values (continued)

(iii) Non-current receivable from a related party

The basis of determining fair value of non-current receivable from a related party as at the end of the reporting period are disclosed in Note 16.

(d) Movements in Level 3 non-current assets measured at fair value

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Investment property		**Property, plant and equipment - freehold land and building**	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**–**	79,856	**5,302**	5,299
Revaluation gain recognised in other comprehensive income	**–**	–	**12**	366
Translation adjustments	**–**	(5,901)	**(108)**	(350)
Disposal of a foreign subsidiary	**–**	(73,955)	**–**	–
Depreciation charge	**–**	–	**(13)**	(13)
At end of financial year	**–**	–	**5,193**	5,302
Total loss for the year included in:				
Profit or loss:				
Administrative costs				
- Depreciation charge	**–**	–	**(13)**	(13)

(e) Valuation process applied by the Group

The fair value of land and building is determined by external, independent property valuers, having appropriate professional qualifications and experience in the category of property being valued at the end of every financial year. For valuation performed by external valuers, management considers the appropriateness of the valuation technique and assumptions applied by the external valuers. The measurement of fair values of other assets and liabilities within Level 3 fair value hierarchy is performed by the Group on a yearly basis. The valuation reports and changes in fair value measurements are analysed and reported to the management regularly. Significant valuation issues are reported to the Audit Committee.

Group	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000
RESULTS					
Revenue	13,025	13,184	13,707	12,626	11,610
Profit/(loss) before taxation	3,609	(18,425)	(60,720)	(36,804)	(10,903)
Taxation	4,793	1,674	9,046	(28)	1,121
Net profit/(loss) for the year	8,402	(16,751)	(51,674)	(36,832)	(9,782)
Basic earnings/(loss) per share (US cents)	36.01	(71.79)	(221.46)	(153.91)	(38.61)
ASSETS AND LIABILITIES					
Non-current assets	42,370	16,183	16,798	58,392	51,925
Current assets	204,304	196,387	120,323	28,062	15,070
Current liabilities	(56,934)	(44,296)	(27,795)	(11,003)	(3,861)
Net current assets	147,370	152,091	92,528	17,059	11,209
Non-current liabilities	(16,512)	(13,123)	(4,754)	(10,244)	(7,750)
Net assets	173,228	155,151	104,572	65,207	55,384

Notes to financial summary

The results for the five years ended 31 December 2016 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 2016 and 2015 as set out on page 23 of the annual report.

This page and the pages thereafter do not form part of the audited financial statements.

The Group has not obtained a general mandate from the shareholders for the interested person transactions ("IPT") for the year ended 31 December 2016, as the value of the transactions fell 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 2016, which fall under the listing manual, were as follows:

Name of Interested Person	Aggregate value of all IPT during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) US$'000	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Associates of Mr. Christopher Ho Wing-On	5,958	–

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 at Raffles Town Club, 1 Plymouth Avenue, Singapore 297753 on Friday, 28 April 2017 at 4.30 p.m. 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 2016 and the Auditor's 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 85(6) and who, being eligible, will offer himself for re-election. **(Resolution 6)**

(3) To approve the Non-Executive Directors' Fees of S$221,115.78 for the year ended 31 December 2016 (2015: S$210,586.47). **(Resolution 7)**

(4) To approve re-appointment of Baker Tilly TFW LLP 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, 11 April 2017

Notes:

1. A Shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote at the AGM in his stead, then he should complete and sign the relevant Shareholder Proxy Form and deposit the duly completed Shareholder Proxy Form at the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time appointed for the AGM.

3. A Depositor 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 is (i) an individual but is unable to attend the AGM personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time appointed for the AGM.

4. If a Shareholder who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company is unable to attend the AGM and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Shareholder Proxy Form for, respectively, the Shares entered against his name in the Depository Register and the Shares registered in his name in the Register of Members of the Company.

5. A Depositor who is an individual and whose name is shown in the Depository Register as at a time not earlier than 48 hours prior to the time of the AGM and who wishes to attend the AGM in person need not take any further action and can attend and vote at the AGM as CDP's proxy without the lodgment of any proxy form.

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