LAFÉ

LAFE CORPORATION LIMITED

(Company Registration No.: 26304)

(Incorporated in Bermuda)

CORRIGENDUM TO CIRCULAR TO SHAREHOLDERS DATED 4 SEPTEMBER 2017

1. The Board of Directors of Lafe Corporation Limited (the "**Company**") refers to its circular to shareholders dated 4 September 2017 (the "**Offeree Circular**") in respect of the Offer. Capitalised terms used herein shall have the same meaning given to them in the Offeree Circular.

2. The Board wishes to inform the Shareholders that there are certain typographical errors in Appendix IV to the Offeree Circular which sets out the audited consolidated financial statement of the Group for FY2016 at **pages IV-1, IV-24, IV-33, IV-34, IV-47 and IV-48** of the Offeree Circular (the "**Relevant Pages**"). The Board requests the Shareholders to disregard the Relevant Pages of Appendix IV to the Offeree Circular and **REFER INSTEAD TO THE RELEVANT PAGES AS ATTACHED TO THIS CORRIGENDUM**.

3. The Offeree Circular, which contains the correct version of the Relevant Pages, is available on the website of the SGX-ST at www.sgx.com. The annual report of the Group for FY2016, which contains the audited consolidated financial statement of the Group for FY2016, is available for inspection at the office of the Share Transfer Agent at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours for the period during which the Offer remains open for acceptance and is also available at www.sgx.com.

4. The Directors (including any who may have delegated detailed supervision of this Corrigendum) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Corrigendum are fair and accurate and that no material facts have been omitted from this Corrigendum, and they jointly and severally accept responsibility accordingly.

   Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Corrigendum in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors

Will, Eduard William Rudolf Helmuth
Deputy Chairman
4 September 2017

INDEPENDENT AUDITOR'S REPORT

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.

Impairment assessment of goodwill and trademark

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.

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

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.

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.