



**Securities Investors Association (Singapore)**

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**Issuer:** Lafe Corporation Limited

**Security:** Lafe Corporation Limited

**Meeting details:**

Date: 29 April 2019

Time: 4.30 p.m.

Venue: Holiday Inn Singapore, Orchard City Centre, 11 Cavenagh Road, Singapore 229616

### **Company Description**

Lafe Corporation Limited is a Singapore-based investment holding company. The Company's operations comprise the property investment, property development, property agency, and appraisal and consultancy services. The Company operates through the Property segment. Its Property segment includes property sales, rental income and property related services. The Company has its operations in Hong Kong, the People's Republic of China and Singapore. The Company's subsidiaries include Lafe Holdings Limited, which is engaged in investment holding; Lafe (Emerald Hill) Development Pte. Ltd., which is engaged in property development; Vigers Group Pte. Ltd., which is engaged in providing property management services, and Forchess Star Company Limited, Wave Track Limited and Infomaster Holdings Limited, which are engaged in investment holding.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=AYB](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AYB))

**Q1.** As noted in the “Message to shareholders”, the Group had other net loss of US\$5.7 million for 2018 due to write-off of acquisition and other incidental costs of approximately US\$5.2 million in consequence of the non-completion of the proposed acquisition of all the strata lots and the common area of Fairhaven at Sophia Road in District 9.

The company had, on 9 October and 16 October 2019, clarified on the reasons for the non completion of the deal.

The reasons for the non-completion were the potential interest rate hike, uncertainty due to the trade war and the cooling measures introduced in July 2018. However, it must be noted that the group’s bid of \$57 million translates to a land rate of approximately \$1,629 psf per plot ratio. This was 27% above the asking price of \$45 million.

- (i) Fairhaven: With the benefit of hindsight, can management clarify if it had been overly-optimistic with the initial bid (of \$57 million, 27% above the asking price) and thus have to walk away from the transaction when the markets took a dip?**
- (ii) Developer’s margin:** Again, with the benefit of hindsight, interest rates have held stable and the trade war is showing signs of being resolved. **Can management elaborate further if the group made another mistake by not completing the transaction and losing US\$5.2 million upfront? What is the minimum/projected developer’s margin by management?**
- (iii) Future investment:** The chairman ended his message to shareholders with a reference that the group “will continue to look for suitable opportunities for future development and investment”. **Would the board, especially the independent directors, consider it timely to carry out an independent review of the group’s track record and performance in property development?**

**Q2.** On 2 April 2019, the company made an rather opaquely-titled announcement “General Announcement:: Announcement Pursuant to Section 704(6) of SGX Listing Manual” when the actual title of the document is “Material variance between unaudited financial statements and audited financial statements for the financial year ended 31 December 2018”.

- (i) Would the board consider communicating clearly and concisely with the shareholders?** Other companies have given their announcements with titles such as “Financial Statements and Related Announcement:: Discrepancies between unaudited and audited accounts”.

On 2 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 28 February 2019) and the audited financial statements for FY2018 after the finalisation of audit.

As disclosed, the reason for the material variances in the Audited Financial Statements is attributable to certain taxes in the amount of US\$1.68 million found recoverable from the Government subsequent to the release of the unaudited results on 28 February 2019.”

- (ii) Did management carry out the proper due diligence to understand the laws and rules governing its investments?**
- (iii) Can management elaborate further on how US\$1.68 million could be “found recoverable”? What were the efforts by management to recover the sum prior to the finalisation of audit?**
- (iv) Has the board reviewed if the management team has been suitably advised and if the management team has the core competency and experience to execute and deliver on the strategic goals?**

**Q3.** On 3 June 2016, the company was informed by SGX-ST that it would be put on the watch-list after it had recorded pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts) and that its latest 6 month average daily capitalisation as at 5 April 2016 is S\$22.52 million (below the minimum average market capitalisation of \$40 million calculated based on 6-month volume weighted average price).

The company will have to fulfil the requirements under Rule 1314 of the SGX-ST Listing Manual for its removal from the watch-list within 36 months from 3 June 2016, failing which the SGX-ST would delist the Company or suspend trading of the Company’s shares with a view to delisting the Company.

The cure period will end on 2 June 2019.

- (i) Would the board update shareholders on the deliberations it has had with regard to exiting the watch-list?**

Given that the company’s loss before tax in FY2018 was US\$(10.85) million, the company seem unlikely to exit the watch-list.

- (ii) What are the options available to the company given that it has run out of time to turn around the company and restore its profitability?**
- (iii) Can the independent directors tell shareholders what are their plans to protect the interest of the minority shareholders?**



A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Lafe%20Corporation%20Ltd&cid=6671,4633>

The company's response could be found here: -----