Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Lafe Corporation Limited

Stock code: AYB

Meeting details:
Date: 30 July 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As disclosed in the Report on corporate governance, the board comprises four executive directors and three independent directors. The company has stated that the directors have the right core competencies and diversity of experience which enable them to effectively contribute to the company and that the board composition will enable the company to "*deliver product excellence for our customers and superior returns to its shareholders*".

However, shareholders equity decreased from US$155.2 million as at 1 January 2014 to just US$38.6 million as at the end of the financial year 31 December 2019.

There have been no dividends for shareholders since May 2012.

For FY2019, the group reported a loss for the year of US$(4.9) million after losing $(10.8) million in FY2018. In FY2018, the losses included the write-off of acquisition and other incidental costs of approximately US$5.23 million as a result 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.

(i) **Has the board reviewed the group's long-term performance? If so, what were the findings, especially on the ability of management to execute on the strategies and to deliver returns to shareholders?**

(ii) **Has the board held management accountable for the performance of the group?**

(iii) **What are the findings of the formal annual assessment of the board's effectiveness?**

(iv) **In particular, can the board, especially the individual independent directors, help shareholders understand how it has been effective at enabling the group to deliver "superior returns to its shareholders"?**

Q2. On 3 June 2016, the company was placed on the financial watchlist by the Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to Rule 1311 of the Listing Manual of the SGX-ST for recording pre-tax losses for three consecutive financial years in respect of the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015.

(i) **From 2016-2019, can the independent directors help shareholders understand their individual effort at helping the company to exit the watch-list so as to safeguard the interest of minority shareholders?**

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Subsequently, the company received a notification of delisting dated 4 June 2019 from SGX-ST.

As announced by the company, an offeror had presented a proposed exit offer to the directors on 27 May 2020 prior to the announcement of the formal exit offer.

On 10 June 2020, the company received an exit offer from Sansui Electric (China) Company Limited at $0.60 per share in cash for each share in the company. The offer price is 0.3x of the net asset value per share.

(ii) **What roles did the independent directors play to safeguard the interests of minority shareholders and to ensure that the offer is at least fair and reasonable?**

(iii) **Will the independent directors be appointing an independent financial adviser to advise on the exit offer, as required by the listing rules?**

(iv) **Have the independent directors self-assessed how they have safeguarded shareholders' interests in the exit offer?**

Q3. Provision 2.3 of the Code of Corporate Governance 2018 ("CG Code 2018") states the following:

Provision 2.3 -- Non-executive directors make up a majority of the board.

(i) **Would the company elaborate further on how the board's current composition complies with Provisions 2.3 of the CG Code 2018?**

Pursuant to Rule 710 of the SGX Listing Manual, where there are variations from the Provisions of the CG Code, the issuer must explicitly state the provision from which it has varied, provide the reason(s) for the variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

(ii) **Would the board elaborate with greater clarity how the deviation from Provision 2.3 is consistent with the intent of Principle 2?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)