

LAFE CORPORATION LIMITED
(Company Registration No. 26304)
(Incorporated in Bermuda)

NON-COMPLETION OF PROPOSED ACQUISITION

1. INTRODUCTION

The Board of Directors of Lafe Corporation Limited (“**Company**”) refers to the Company’s announcements dated 28 March 2018, 6 June 2018, 7 June 2018, 13 August 2018, 5 September 2018 and 11 October 2018 in relation to the proposed acquisition of Fairhaven, Singapore, a freehold 15-unit development located at Sophia Road. Unless otherwise defined, all capitalised terms used herein shall have the meanings ascribed in the aforesaid announcements.

2. FURTHER ELABORATION ON THE GROUNDS OF NON-COMPLETION

It was indicated in the Company’s announcement dated 11 October 2018 that the Board of Directors had considered various factors, including but not limited to:

- a. interest rates are generally forecasted to increase, which will result in an increase in the cost of borrowings of the Purchaser in connection with the Proposed Acquisition;
- b. impact on the global economy caused by the ongoing uncertainty, in part due to trade war between the United States and China; and
- c. recent property cooling measures announced by the Singapore Government in July 2018.

The Board of Directors wishes to elaborate further on each of the above factors for clarity purpose as follows:

a) As the Purchaser required to borrow funds from i) the majority Shareholder in the Company which is Sino Capital Resources Limited and ii) financing banks, both of these are affected by the bank lending rates which have increased and are projected to increase steadily over the borrowing period of the project. The borrowing required was to finance both the land acquisition and the redevelopment. The projected interest rates have an effect, inter alia, on the project financing costs, the potential return on the development and the ability of buyers to buy the apartments.

In September 2018, the US Federal Reserve raised interest rate again by 0.25% p.a., and reiterated that there would be additional increases in the remaining of 2018 and 2019.

Increases in interest rates are also reflected in the rise of US Government 30-Yr. Bond yield such as the 3rd October 2018 increase to 3.34% p.a. and the trend is for further interest rate rises with a projected rate forecast of 4% p.a. by the second half of next year, one in December 2018 and the next two in 2019 according to the US Treasury.

b) Since the commencement of the US-China trade war in July 2018, there has been growing uncertainty to the global economy with threats not only to the general consumer market, but also the financial and property markets. The Board has been watching closely on the collective impact of both the interest rate hikes and trade war on the property market, both domestically and worldwide. The Board is of the view that the market sentiment has been turning negative and the banking sector has been growingly conservative as well.

c) The surprise property cooling measures introduced in July 2018 have far-reaching impact on the ability of the property developer to sell the finished units over the next few years, not to

mention making any reasonable return. These measures have impact on both Singaporean as well as foreign buyers as investors or homebuyers. The Board is of the view that the property market will become very sluggish in the foreseeable future.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. The Company will make the necessary announcements when there are material developments on this matter. Shareholders of the Company and potential investors are advised to read all further announcements by the Company carefully and to consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Paul Francis Gregory Binney
Company Secretary

16 October 2018