Time for ‘fit and proper’ tests for directors of listed companies, not just for financial institutions

The example of DLF Holdings, which has not demonstrated much corporate governance and internal controls since its Catalist listing, raises the question of accountability.

by May Yuen Teen and Chew Yi Yong

N Feb 19, 2020, Catalist-listed DLF Holdings Ltd (DLF) was delisted, a move that it was selling a 68 per cent stake in its subsidiary, DLF (Pte) Pte Ltd, to an unrelated third party. The delisting was preceded by a series of corporate governance lapses: disclosure lapses; six sets of queries; a notice of compliance; a price fall of 65 per cent; and shareholders losing a total of S$73.9 million.

While all of the above-mentioned lapses were significant, it was the question of accountability that prompted the delisting. DLF had failed to disclose the cessation promptly, when it first became aware of it, which occurred in February 2019 - more than two months before the audited FY2018 financial statements were authorised for issue - should have been accounted for as an “adjustment event” in preparing the FY2018 financial statements. This also means that revenues had actually fallen by 24 per cent, as opposed to 15 per cent, between FY2017 and FY2018, while profit after tax had fallen from S$13.7 million to a loss of S$1.18 million, rather than a loss of S$21.4 million.

Over its 1.5 years on Catalist, DLF has seen three different sets of independent directors, the departures of a CEO, CFO, and two financial controllers; several disclosure lapses; six sets of queries; a notice of compliance; a price fall of 65 per cent; and shareholders losing a total of S$73.9 million.

The question of accountability is not just for financial institutions or listed companies. It is a test for all companies, especially those that have a public or social mandate.

CHEAP SALE

On Sep 30, 2019, the company announced a CFO who last served as CEO of another listed company, DLF said that QRCPte Ltd had agreed to buy 57.16 per cent of the company for a discount of 54.5 per cent from the one-month VWAP.

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