



AF Global Limited

Company Registration No. 197301118N
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF A 55 PER CENT. EQUITY INTEREST IN THE CAPITAL OF XUZHOU YINJIAN LUMCHANG REAL ESTATE DEVELOPMENT CO., LTD BY L.C. LOGISTICS PTE LTD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

1.1 Proposed Disposal. The Board of Directors (the “**Board**”) of AF Global Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly-owned subsidiary, L.C. Logistics Pte Ltd (the “**Vendor**”), has, on 5 June 2020, entered into an equity transfer framework agreement (the “**Agreement**”), pursuant to which it has agreed to sell an aggregate of 55 per cent. equity interest in Xuzhou Yinjian LumChang Real Estate Development Co., Ltd. (“**XZYJLC**”, and such equity interest, the “**Disposal Interest**”) to:

1.1.1 Beijing Jinyinjian Taxi Co., Ltd (who is buying a 25 per cent. equity interest in XZYJLC); and

1.1.2 Beijing Yinjian Automobile Repair Co., Ltd (who is buying a 30 per cent. equity interest in XZYJLC),

(collectively, the “**Purchasers**”). The Purchasers are affiliates of Beihai Yinjian Investment (China) Co., Ltd. (the “**JV Partner**”, and such a disposal, the “**Proposed Disposal**”).

1.2 Completion Date. Completion of the Proposed Disposal (“**Completion**”) is subject to and conditional upon various conditions precedent and the receipt of the Aggregate Consideration (as defined below) by the Vendor, as further described in paragraph 3. Following Completion, XZYJLC will cease to be a joint venture company of the Group.

2. INFORMATION ON THE VENDOR, XZYJLC AND THE PURCHASERS

2.1 Vendor. The Vendor is an indirect, wholly-owned subsidiary of the Company incorporated in the Republic of Singapore. Its principal activity is that of investment holding.

2.2 XZYJLC. XZYJLC is a joint venture between the Vendor and the JV Partner. XZYJLC is engaged in the development of an approximately 284,000 square metres of above ground gross floor area integrated mixed development comprising high rise residences, retail, offices and a hotel in the People’s Republic of China (“**PRC**”). The joint venture was established on 28 January 2010 and is a project legacy from the Company’s previous controlling shareholder when the Company was then known and listed as L.C. Development Ltd.

- 2.3 The Purchasers.** Based on information available to the Company, the Purchasers are incorporated in the PRC and are affiliates of the JV Partner. Following Completion, the Purchasers and the JV Partner will together hold 100 per cent. of the equity interest in XZYJLC.

The directors and/or shareholders of the Purchasers and the JV Partner are not related to any of the Company's controlling shareholders, Directors or their respective associates.

3. PRINCIPAL TERMS OF THE PROPOSAL DISPOSAL

- 3.1 Aggregate Consideration.** The aggregate consideration of RMB292.8 million (approximately S\$57.6 million) (the "**Aggregate Consideration**") was arrived at after taking into account, *inter alia*, the net asset value of XZYJLC attributable to the Disposal Interest (being approximately RMB259.5 million, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**") and the potential profit arising from the sale and/or lease of the office and retail components of the integrated mixed development which may be attributable to the Group.

In arriving at the Aggregate Consideration, the Company also took into consideration (i) the various costs relating to the ongoing disputes including but not limited to litigation costs, (ii) the potential costs and risks to the Group if the Vendor does not exit XZYJLC (including costs associated with the dissolution of XZYJLC); and (iii) the resources, time and effort needed in finding a third party buyer to acquire the Disposal Interest.

- 3.2 Conditions Precedent.** The transfer of the Disposal Interest is conditional upon the fulfilment of, *inter alia*, the following conditions:

- 3.2.1 the Purchasers having successfully procured financing for a sum equivalent to the Aggregate Consideration**, and such sum having been deposited in the Purchasers' bank accounts;
- 3.2.2** the amount of taxes payable being confirmed by the relevant tax authorities in relation to the Proposed Disposal, failing which, the total amount of taxes to be paid will be determined in accordance with the terms of the Agreement; and
- 3.2.3** all documents in relation to the cross-border payment of funds in relation to the Proposed Disposal having been prepared,

(collectively, the "**Conditions Precedent**"). The Disposal Interest will be transferred to the Purchasers within 10 business days upon fulfilment of the Conditions Precedent.

The Vendor will obtain a court order to prevent the withdrawal of the Aggregate Consideration from the bank accounts of the Purchasers, less the amount of taxes payable as a result of the Proposed Disposal. Upon payment of the taxes payable as a result of the Proposed Disposal, the Vendor will obtain a court order to release the funds in the Purchasers' bank accounts for remittance to the Vendor.

- 3.3 Mediation Agreement.** In connection with the Agreement, the Vendor and the Purchaser have, on 5 June 2020, also entered into a mediation agreement (the "**Mediation Agreement**") in relation to the disputes and litigation under court proceedings between the Group and the JV Partner regarding XZYJLC as previously disclosed by the Company in its announcement dated 6 August 2018. Pursuant to the terms and conditions of the Mediation Agreement, such disputes and litigation will be withdrawn, save for an outstanding litigation in relation to the dissolution of the XZYJLC that will be resolved upon the Vendor's receipt of the funds as set out in paragraph 3.2 above.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF NET PROCEEDS

- 4.1 Rationale for the Proposed Disposal.** As previously disclosed by the Company in its announcement dated 6 August 2018 and in the audited consolidated financial statements of the Group for FY2018, there are currently disputes and litigation under court proceedings between the Group and the JV Partner that affects XZYJLC. This has resulted in an irrevocable breakdown of the working relationship between the Group and the JV Partner in respect of XZYJLC. Accordingly, the Proposed Disposal represents a timely opportunity for the Group to monetise its investment.
- 4.2 Use of Net Proceeds.** The proceeds from the Proposed Disposal would strengthen the Group's cash flow. The Company will evaluate opportunities to deploy the net proceeds in order to maximise returns to the shareholders of the Company (the "Shareholders") including, considering the paying of dividends to Shareholders.

5. FINANCIAL INFORMATION

- 5.1 Book Value and Net Tangible Asset Value.** Based on the audited consolidated financial statements of the Group for its financial year ended 31 December 2019 ("FY2019", and such audited consolidated financial statements of the Group for FY2019, the "FY2019 Financial Statements"), the book value and net tangible asset value ("NTA") of the Disposal Interest is approximately S\$50.6 million.
- 5.2 Excess of Aggregate Consideration over NAV of the Disposal Interest.** Based on the book value of the Disposal Interest as set out in paragraph 5.1 above, the amount of excess of the Aggregate Consideration over the said book value is approximately S\$7.0 million.
- 5.3 Net Profit and Estimated Net Loss from Disposal.** Based on the FY2019 Financial Statements, the net profit (before income tax, minority interests and extraordinary items) attributable to the Disposal Interest for FY2019 is approximately RMB2.6 million (approximately S\$504,000 based on an average exchange rate of RMB1:S\$0.1976 for the financial year ended 31 December 2019). Based on the book value of the Disposal Interest as set out in paragraph 5.1 above, and after considering: (i) the estimated taxes payable to the PRC tax authorities; (ii) the estimated costs and expenses related to the Proposed Disposal; and (iii) realisation of accumulated translation loss on the disposal of the Disposal Interest, the estimated loss arising from the Proposed Disposal is approximately S\$425,000.

6. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Disposal on the net asset value ("NAV") per ordinary share in the capital of the Company ("Share"), NTA per Share and earnings per Share ("EPS") of the Group are set out below.

- 6.1 Bases and Assumptions.** The pro forma financial effects for the Proposed Disposal have been prepared based on the FY2019 Financial Statements, being the most recently completed financial year for which financial statements are publicly available as at the date of this Announcement. Such financial effects are theoretical in nature and are therefore not necessarily indicative of the future financial position and earnings of the Group following the Proposed Disposal.

- 6.2 EPS.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2019, being the beginning of FY2019, the pro forma financial effects on the EPS of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit after tax and non-controlling interests (before fair value adjustments and exceptional items) (S\$'000)	18,949	18,019
Earnings per Share (in Singapore cents)	1.80	1.71

- 6.3 NAV.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2019, being the end of FY2019, the pro forma financial effects on the consolidated NAV of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net Assets (S\$'000)	241,857	241,432
Number of Shares	1,055,639,464	1,055,639,464
NAV per Share (in Singapore cents)	22.91	22.87

- 6.4 NTA.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2019, being the end of FY2019, the pro forma financial effects on the consolidated NTA of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net Assets (S\$'000)	241,857	241,432
Less: Intangibles (S\$'000)	21	21
NTA (S\$'000)	241,836	241,411
Number of Shares	1,055,639,464	1,055,639,464
NTA per Share (in Singapore cents)	22.91	22.87

7. MAJOR TRANSACTION

7.1 **Major Transaction.** The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 (“**Rule 1006**”) of the listing manual of the SGX-ST (the “**Listing Manual**”) are as follows:

Rule 1006	Bases	Disposal (\$'000)	Group (\$'000)	Relative Figures (%)
(a)	Net asset value of the Disposal Interest, compared with the net asset value of the Group	50,627 ^{(1), (2)}	241,857 ⁽¹⁾	20.93
(b)	Net profit (before income tax, minority interests and extraordinary items) attributable to the Disposal Interest, compared with the Group's net profits (before income tax, minority interests and extraordinary items)	504 ^{(1), (3)}	21,479 ⁽¹⁾	2.35
(c)	Aggregate value of the Aggregate Consideration compared with the market capitalisation of the Company (based on the total number of issued shares excluding treasury shares)	57,652 ⁽⁴⁾	107,569 ⁽⁵⁾	53.60

Notes:

- (1) Based on the FY2019 Financial Statements.
- (2) Computed based on the book value of the Group's investment in XZYJLC of approximately RMB262,045,000 (S\$50,627,000 based on the closing exchange rate of RMB1:S\$0.1932 as at 31 December 2019).
- (3) The net profit (before income tax, minority interests and extraordinary items) attributable to the Disposal Interest has been computed based on the Group's share of the net profit of XZYJLC of RMB2,552,000 (approximately S\$504,000 using an average exchange rate of RMB1:S\$0.1976 for the financial year ended 31 December 2019).
- (4) Aggregate Consideration has been converted into S\$ using an exchange rate of RMB1:S\$0.1969, being the closing exchange rate on 4 June 2020, being the latest practicable date prior to the date of this Announcement.
- (5) The Company's market capitalisation is based on 1,055,639,464 Shares (excluding treasury shares) multiplied by the weighted average price of S\$0.1019 of each Share transacted on 4 June 2020, being the latest practicable date prior to the date of this Announcement.

As the relative figures computed based on Rule 1006(a) and Rule 1006(c) exceed 20 per. cent., the Proposed Disposal constitutes a “major transaction” for the Company under Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of Shareholders at an extraordinary general meeting to be convened (an “**EGM**”), unless a waiver is granted by SGX-ST.

8. WAIVER APPLICATION

8.1 Waiver from Requirement to Comply with Rule 1014(2) of the Listing Manual in relation to the Disposal. The Company had, prior to the date of the Announcement, made an application to the SGX-ST (the “**Waiver Application**”) for a waiver of the requirement under Rule 1014(2) of the Listing Manual for the Company to obtain approval of the Shareholders for the Proposed Disposal (the “**Waiver**”).

8.2 Grounds for seeking the Waiver. The Company’s grounds for the Waiver Application were as follows:

8.2.1 there are ongoing disputes and litigation between the Group and the JV Partner that affects XZYJLC, resulting in an irrevocable breakdown of the working relationship between the Group and the JV Partner. Additionally, it may require more resources, time and effort for the Vendor to dispose of its equity interest in XZYJLC given that the JV Partner has a pre-emption right over the transfer of the equity interest in XZYJLC held by the Vendor;

8.2.2 after the Proposed Disposal, the Group will continue to engage in its core businesses and there is no material change or alteration to the Group’s business or risk profile in an adverse fashion;

8.2.3 the majority Shareholders of the Company are in support of the Proposed Disposal and are prepared to provide an irrevocable undertaking to the Company to vote in favour of any shareholder resolution to approve the Proposed Disposal;

8.2.4 if the Proposed Disposal is made conditional upon prior shareholders’ approval, it would significantly increase the Vendor’s execution risk and delay the Vendor’s exit from the joint venture;

8.2.5 the terms of the Proposed Disposal will be negotiated between the Vendor and the Purchaser based on normal commercial terms and on an arm’s length basis. Accordingly, the Company is of the view that the Proposed Disposal will benefit Shareholders and will not prejudice the interests of the minority Shareholders;

8.2.6 the Company is of the view that the Proposed Disposal will not materially change the current risk profile of the Group. Based on the pro forma financial effects as set out in paragraph 6 of this Announcement:

(i) the Company does not expect the Proposed Disposal to have a significant adverse impact on the NTA or NAV of the Group; and

(ii) the Proposed Disposal would have a reduction in the earnings of the Group from 1.80 cents to 1.71 cents per Share. However, the Group considers the loss arising from the Proposed Disposal as a one-off non-operating item which would not materially change the risk profile of the Group.

8.3 SGX-ST Waiver. On 26 December 2019, the SGX-ST had advised that it has no objection to the Company’s application for the Waiver, subject to the following:

8.3.1 the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied, at the same time as the announcement of the entry into the definitive agreement(s) in relation to the Proposed Disposal. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;

- 8.3.2 unanimous approval from the Board of the Proposed Disposal;
- 8.3.3 submission of a written undertaking from the Company (the “**Company SGX-ST Undertaking**”) that it will seek Shareholders’ ratification of the Proposed Disposal within three months from the date of the Waiver; and
- 8.3.4 submission of a copy of the undertaking from each of Aspial Corporation Limited and Koh Wee Meng (the “**Shareholder Undertakings**”) to (a) vote in favour of the Proposed Disposal at the EGM and (b) not to dispose of its Shares until the EGM is conducted.

8.4 Extension of Time to Seek Shareholders’ Ratification. On 29 January 2020 and 23 April 2020, the Company made further applications to the SGX-ST to request for a collective six-month extension to seek Shareholders’ ratification of the Proposed Disposal (the “**Time Extension**”) (collectively nine months from the date of the Waiver), on the basis that the travel advisories issued by the Ministry of Health arising from the COVID-19 outbreak for travel to the PRC had caused delays in the execution of the definitive agreement(s) in respect of the Proposed Disposal.

On 30 January 2020 and 20 May 2020, the SGX-ST confirmed that it has no objection to the Time Extension, subject to the condition that when announcing the Waiver, the Company clearly segregates the initial three months deadline from the additional Time Extension.

The Company wishes to clarify that the Time Extension was granted by the SGX-ST on the exceptional circumstances arising from the COVID-19 outbreak.

8.5 Fulfilment of Waiver Conditions. Pursuant to the above, the Company wishes to announce that:

- 8.5.1 the Proposed Disposal was unanimously approved by the Directors of the Company;
- 8.5.2 the Company has submitted the Company SGX-ST Undertaking to the SGX-ST, with the Company undertaking that it will seek Shareholders’ ratification of the Proposed Disposal within nine months (being the initial three months granted by the SGX-ST and the Time Extension) from the date of the Waiver;
- 8.5.3 copies of the Shareholder Undertakings have been provided to the SGX-ST; and
- 8.5.4 the Company intends to convene an EGM to seek Shareholders’ ratification of the Proposed Disposal within nine months (being the initial three months granted by the SGX-ST and the Time Extension) from the date of granting of the Waiver.

9. FURTHER INFORMATION

9.1 Interests of Directors and Controlling Shareholders. As at the date of this Announcement, apart from their shareholdings in the Company and the Shareholder Undertakings, none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

9.2 Directors’ Service Contracts. No person is proposed to be appointed as a Director in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9.3 Documents for Inspection. Copies of the Agreement are available for inspection on an appointment basis during normal business hours at the registered office of the Company at Aspial One 55 Ubi Avenue 3, #04-01, Singapore 408864, for a period of three months commencing from the date of this Announcement.

10. CAUTIONARY NOTE

The Proposed Disposal is subject to the Conditions Precedent as set out in paragraph 3.2 above, and there is no certainty as at the date of this Announcement that the Conditions Precedent will be met. The Company will provide an update as and when Completion of the Proposed Disposal occurs. In the meantime, Shareholders are advised to exercise caution when dealing in the shares in the Company and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests.

BY ORDER OF THE BOARD

Lim Swee Ann
Company Secretary

8 June 2020