



AF Global Limited

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

XUZHOU JOINT VENTURE SHAREHOLDERS DISPUTE

The Board of Directors (the “**Board**”) of AF Global Limited (the “**Company**”) wish to inform that shareholders litigation is likely to take place in our property development joint venture (“**JV**”) in China.

This is our 55:45 JV in Xuzhou engaged in the development of an approximately 284,000 square meters of above ground gross floor area integrated mixed development comprising high rise residences, retail, offices and a hotel. The JV set up on 28 January 2010 is a project legacy from our previous controlling shareholder when our Company was then known and listed as L.C. Development Ltd.

Project Update

To date, the residential component of the project has been completed and other than 3 units, 1,203 units representing over 99% of all residential units have been sold.

Constructions are currently underway on the commercial components which comprise above ground gross floor area of approximately 42,000 square meters for retail, 37,000 square meters for office and 56,000 square meters for hotel.

Our investment in the JV currently stands at S\$55 million, which includes reserves of S\$13.5 million and after receiving a capital reduction amount of S\$5.5 million in 2017. As far as we are aware, we have no outstanding corporate guarantees to support borrowings of the said JV.

Shareholders Dispute Pending

The 45% local partner (namely our Chinese shareholder of the JV) has served legal summons on our senior executive and the Company alleging damage caused purportedly by us in notifying the hotel management company, which the local partner had recently proposed for the hotel under construction, that the board of directors of the JV had not approved of the JV to enter into the Letter of Intent for Hotel Management Agreement (“**LOI**”) with the hotel management company.

On our end, we have recently found certain payments made by the JV to local contractors which bypassed the usual payment procedures. The Chinese shareholder has also proceeded to sign the LOI, and to appoint a senior management post within the JV, which are in breach of our JV agreement.

Legal Advice

We have appointed Chinese lawyers to act for us in this matter including making counterclaim actions. As the matter is expected to be heard in Chinese courts, we are unable to provide more details other than the general outline above in this announcement. As the matter is under court proceedings and due discovery process, we are unable to quantify or estimate the financial impact on the carrying value of our investment in the JV.

Further Announcements

We shall be monitoring the situation closely and will make periodic updates publicly where and when appropriate.

Shareholders are advised to exercise caution when dealing in the shares of the Company.

BY ORDER OF THE BOARD

Lim Swee Ann
Company Secretary

6 August 2018