

AF Global Limited

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

DISPOSAL OF ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF L.C. (LONDON) LTD

1. INTRODUCTION

- 1.1 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 wholly-owned subsidiary, L.C. Hotels Pte Ltd (the “**Seller**”), has, on 14 December 2018, entered into a share sale and purchase agreement (the “**Agreement**”), pursuant to which it has agreed to sell the entire issued paid-up ordinary shares (the “**Sale Shares**”) in the capital of L.C. (London) Ltd. (“**LC London**”, and the transaction, the “**Disposal**”).
- 1.2 Completion Date.** There are no conditions precedent to the completion of the Disposal (“**Completion**”). The date for Completion is fixed at 11 April 2019, or such earlier date as the Buyer (as defined in paragraph 2.1 below) and the Seller may agree (the “**Completion Date**”). Following Completion, LC London will cease to be a subsidiary of the Seller and a member of the Group.

2. INFORMATION ON LC LONDON

- 2.1 Information on LC London.** LC London, a company incorporated in England and Wales, is a hotel investment company whose primary asset is the Crowne Plaza London Kensington hotel in London, United Kingdom. LC London is a wholly-owned subsidiary of the Seller.

The purchaser (“**Buyer**”) was selected by the Seller as the preferred bidder at the end of a competitive bid process for the Sale Shares, after an in-depth review and evaluation by the Seller of the proposals received from bidders (in consultation with the Seller’s external advisers). The directors of the Seller were of the view that the terms of the selected proposal were superior taking into account the bid’s price, deal certainty and timing to close. The Buyer is not related to the Company or its substantial shareholders.

3. PRINCIPAL TERMS OF THE DISPOSAL

- 3.1 Agreement.** Pursuant to the terms of the Agreement the Seller shall sell the Sale Shares with full title guarantee, free from any encumbrances, and together with all rights attached or accruing to the Sale Shares at Completion (including, the right to receive all dividends and distributions declared, made, accrued or paid at any time).

3.2 Aggregate Consideration.

- 3.2.1** Under the terms of the Agreement, the aggregate consideration payable by the Buyer to the Seller for the Sale Shares is approximately £84,361,000 (approximately S\$145,810,000¹) (the “**Aggregate Consideration**”), subject to adjustments on Completion.

¹ Unless otherwise stated, the Singapore dollar (S\$) equivalent of sterling pound (£) amounts in this Announcement are based on an exchange rate of £1:S\$1.7284.

3.2.2 The Aggregate Consideration is to be satisfied by the Buyer in the following manner:

- (i) an amount in cash equal to £8,300,000 (approximately S\$14,346,000) (the “**Deposit**”) (less the amount of the exclusivity fee of £200,000 (approximately S\$346,000) already paid to the Seller by the Buyer), payable to the Seller on the date of the Agreement; and
- (ii) an amount in cash equal to £76,061,000 (approximately S\$131,464,000), payable to the Seller on Completion.

3.2.3 The Aggregate Consideration payable to the Seller was arrived at after arm’s length negotiations, on a willing-buyer, willing-seller basis, and was determined after taking into account the following considerations:

- (i) the rationale and benefit of the Disposal to the Seller, as set out in paragraph 4 below; and
- (ii) by reference to the enterprise value and the net current assets of LC London as at Completion.

Completion. Pursuant to the terms of the Agreement, Completion shall take place on the Completion Date.

3.3 Termination. If at any time before Completion (i) the Seller is in breach of its obligations to comply with certain provisions relating to the conduct of the business of LC London prior to Completion; (ii) there is a breach of a fundamental warranty (as set out in the Agreement); or (iii) there is a breach of any other warranty involving fraud on the part of the Seller, in each case where the Seller has failed to rectify such breach before the Completion Date, the Buyer shall be entitled to (without prejudice to any other rights or remedies it may have), on the Completion Date and by notice in writing to the Seller, terminate the Agreement with immediate effect. In such event, the Seller shall immediately return the Deposit to the Buyer.

4. RATIONALE AND USE OF PROCEEDS

4.1 Rationale. The Company believes that the Disposal is an opportunity for the Company to realise the value of the Sale Shares at a premium to its investment costs.

4.2 Use of Proceeds. Part of the Aggregate Consideration will be used to make full repayment of banking facilities which are secured by the hotel and for the settlement of an inter-company loan owing from LC London to the Company. The remaining proceeds (the “**Proceeds**”) from the Disposal would be used to further strengthen the Group’s balance sheet, enhance the Group’s financial flexibility and facilitate any plans by the Group to enhance shareholder value.

5. FINANCIAL INFORMATION

5.1 Book Value and Net Tangible Asset Value. Based on the unaudited consolidated financial statements of the Group for the nine-month period ended 30 September 2018 (“**3Q 2018 Results**”), the book value and net tangible asset value of the Sale Shares is approximately S\$65,219,000.

5.2 Excess of Proceeds over Book Value. Based on the book value of the Sale Shares as set out in paragraph 5.1 above, the Proceeds represent an excess of approximately S\$14,767,000 over the book value of the Sale Shares.

5.3 Net Profit and Estimated Net Gain from Disposal. Based on the 3Q 2018 Results, the net profit before income tax, non-controlling interests and extraordinary items for the Sale Shares is approximately S\$1,974,000. Based on the book value of the Sale Shares as set out in paragraph 5.1 above, the estimated net gain in relation to the disposal of the Sale Shares, after taking into account the estimated transaction costs and realisation of exchange difference, is approximately S\$14,367,000.

6. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the Disposal on the net asset value (“NAV”) per ordinary share in the capital of the Company (“Share”), net tangible asset value (“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 Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“FY 2017”), 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 Disposal.

6.2 NAV. For illustrative purposes only and assuming that the Disposal had been completed on 31 December 2017, the pro forma financial effects on the consolidated NAV of the Group for FY 2017 are as follows:

| | Before the Disposal | After the Disposal |
|---|---------------------|--------------------|
| Net Assets (S\$'000) | 295,605 | 309,972 |
| Number of Shares | 1,055,639,464 | 1,055,639,464 |
| NAV per Share (in Singapore cents) | 28.00 | 29.36 |

6.3 NTA. For illustrative purposes only and assuming that the Disposal had been completed on 31 December 2017, the pro forma financial effects on the consolidated NTA of the Group for FY 2017 are as follows:

| | Before the Disposal | After the Disposal |
|---|---------------------|--------------------|
| Net Assets (S\$'000) | 295,605 | 309,972 |
| Less: Intangibles (S\$'000) | 24 | 24 |
| NTA (S\$'000) | 295,581 | 309,984 |
| Number of Shares | 1,055,639,464 | 1,055,639,464 |
| NTA per Share (in Singapore cents) | 28.00 | 29.36 |

6.4 EPS. For illustrative purposes only and assuming that the Disposal had been completed on 1 January 2017, being the beginning of FY 2017, the pro forma financial effects on the consolidated earnings of the Group for FY 2017 are as follows:

| | Before the Disposal | After the Disposal |
|---|---------------------|--------------------|
| Profit after tax and non-controlling interests (before fair value adjustments and exceptional items) (S\$'000) | 8,333 | 20,974 |
| Earnings per Share (in Singapore cents) | 0.79 | 1.99 |

7. MAJOR TRANSACTION

7.1 Major Transaction. The relative figures in relation to the 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 (S\$'000) | Group (S\$'000) | Relative Figures (%) |
|-----------|---|---------------------------|------------------------|----------------------|
| (a) | NAV of the Sale Shares, compared with the Group's NAV | 65,219 ^{(1),(2)} | 300,370 ⁽¹⁾ | 21.71 |
| (b) | Net profit (before income tax, non-controlling interests and extraordinary items) attributable to the Sale Shares, compared with the Group's net profits (before income tax, non-controlling interests and extraordinary items) | 1,974 ^{(1),(3)} | 8,229 ⁽¹⁾ | 23.99 |
| (c) | Value of the Aggregate Consideration compared with the market capitalisation of the Company (based on the total number of issued Shares excluding treasury shares) | 145,810 | 179,459 ⁽⁴⁾ | 81.25 |

Notes:

- (1) Based on the 3Q 2018 Results.
- (2) The sterling pound (£) amounts have been converted using the closing exchange rate of £1:S\$1.79 as at 30 September 2018.
- (3) The sterling pound (£) amounts have been converted using an average exchange rate of £1:S\$1.8106 for the nine months ended 30 September 2018.
- (4) The Company's market capitalisation is based on 1,055,639,464 Shares in issue (excluding treasury shares) multiplied by the volume weighted average price of S\$0.17 of each Share as at 13 December 2018, being the last market day prior to the entry into the Agreement.

As the relative figures computed based on Rule 1006(a), Rule 1006(b) and Rule 1006(c) exceed 20 per. cent., the Disposal constitutes a "major transaction" for the Company under Chapter 10 of the Listing Manual. Accordingly, the Disposal is subject to the approval of shareholders of the Company (the "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 Disposal (the "Waiver").

8.2 Grounds for seeking the Waiver. The Company's grounds for the Waiver Application are as follows:

8.2.1 Opportunity to Realise Value. The Company believes that the Disposal is an opportunity for the Company to realise the value of the Sale Shares at a premium to its investment costs, and the proceeds from the Disposal would further strength the Group's balance sheet, enhance the Group's financial flexibility and facilitate any plans by the Group to enhance shareholder value.

- 8.2.2 No material change to nature of the Group's business.** The principal activities of the Company are investment holding and provision of management services to its subsidiary companies. After the Disposal, the Group will continue to be engaged in the hospitality business through its holding of other hotels (the Holiday Inn Resort Phuket and the Phuket Rawai Beach Resort) and the Group (together with the associated companies and joint venture companies of the Company) will also continue to engage its other core businesses of property investment, property development, real estate consultancy services and owning and operating serviced residences. Accordingly, the Company does not see the Disposal as a material change to the nature of the Group's business.
- 8.2.3 Voting undertaking/majority shareholder's support.** The majority shareholder of the Company, being AF Corporation Pte Ltd (which holds approximately 83.49 per cent. interest in the Company) is in support of the Disposal and is prepared to provide an irrevocable undertaking to the Company to vote in favour of any resolution to approve the Disposal. Accordingly, there is no uncertainty in securing shareholders' approval for the Disposal.
- 8.2.4 Time-Sensitive Nature of the Disposal.** If the Company is required to seek prior shareholder approval of the Disposal, the preparation of the circular to Shareholders and the convening of an EGM would normally take at least two months. Speed and deal certainty are also important considerations for many of the bidders. Accordingly, if the Disposal is made conditional upon prior shareholders' approval, this would adversely affect the Seller's ability to receive competitive bids and significantly increase the Seller's execution risk. Given that the majority shareholder of the Company is supportive of the Disposal and the resolution to approve the Disposal would, in any event, be approved as a matter of course at an EGM, it would, on balance, be in the interests of the Company and the Shareholders, to allow the Seller to proceed with the Disposal without the requirement for an EGM to be held prior to Completion.
- 8.2.5 Not Prejudicial to Interests of Minority Shareholders.** The interests of the minority Shareholders will not be prejudiced, as the terms of the Disposal will be negotiated between the Seller and the Buyer based on normal commercial terms and on an arm's length basis.
- 8.2.6 No material change in risk profile of the Group.** The Company is of the view that the Disposal will not materially change the current risk profile of the Group as there is no adverse impact on the operations of the Group. Based on the pro forma financial effects (set out in paragraph 6 above), the Company does not expect the Disposal to have a significant adverse impact on the earnings, NTA or NAV of the Group.
- 8.2.7 Disclosure.** The Company will announce the Disposal upon the signing of the Agreement and disclose all material information relating thereto in compliance with the requirements of the Listing Manual.
- 8.3 Grant of Waiver.** The Company has obtained the Waiver from the SGX-ST, subject to the following conditions:
- 8.3.1** confirmation from the Board that there will be no material change in the risk profile of the Company arising from the Disposal, including the basis for their opinion;
- 8.3.2** the Disposal not being an interested person transaction; and
- 8.3.3** 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. 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.

- 8.4 Board Opinion.** The Board has carefully considered the implications of the Disposal, including pro forma financial effects of the Disposal on the Group, and is of the opinion that there will be no material change in the risk profile of the Group arising from the Disposal.

In arriving at its opinion, the Board has taken into account all relevant facts and circumstances, including the matters set out in paragraph 8.2.6 above.

- 8.5 Fulfilment of Waiver Conditions.** Pursuant to the above, the Company wishes to announce that all the Waiver conditions have been satisfied. As SGX-ST has granted the Waiver, the Company will not be convening an EGM to seek Shareholders' approval for the Disposal and accordingly, will not be despatching a circular to Shareholders in relation thereto.

9. FURTHER INFORMATION

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

- 9.2 Interests of Directors and Controlling Shareholders of the Company.** None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal, save for their shareholdings in the Company.

- 9.3 Documents for Inspection.** Copies of the Agreement are available for inspection during normal business hours at the registered office of the Company at 55 Ubi Avenue 1, #07-11 Ubi 55 Building, Singapore 408935, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Lim Swee Ann
Company Secretary

17 December 2018