

Issuer: AF Global Limited

Security: AF Global Limited

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: 55 Ubi Avenue 1, #06-05 Ubi 55 Building, Singapore 408935

Company Description

AF Global Limited, an investment holding company, invests in, develops, and sells properties. The company operates through Property, Hotel and Serviced Residence, and Leisure and Others segments. The Property segment provides project and property management, as well as real estate consultancy services; and invests in properties, and develops properties for sale. The Hotel and Serviced Residence segment owns and operates hotels and serviced residences. The Leisure and Others segment owns and operates family entertainment centers. The company is also involved in resorts business. AF Global Limited has operations in Singapore, Thailand, Vietnam, Lao People's Democratic Republic, and the United Kingdom. The company was formerly known as LCD Global Investments Ltd. and changed its name to AF Global Limited in April 2016. The company was founded in 1973 and is based in Singapore. AF Global Limited is a subsidiary of AF Corporation Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=L38)

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) **Strategic overview:** For the benefit of both new and old shareholders, can the board restate/clarify the group’s strategic growth plans? How will the group further grow its investment portfolio of hotels and serviced apartments? What are the types and geographical distribution of real estate development projects that the group will be carrying out?
- (ii) **Property development (Gulou Square):** Can management confirm that the residential component of the development have been completed and just the 23-storey hotel, the contemporary 23-storey Grade A office tower and the family theme shopping mall left to be completed? Is the group going to manage the hotel, sell the office units and lease out the retail mall?
- (iii) **Property development (Rawai):** With the appointment of architects and consultants as well as an international hotel operator for the Rawai project, and with the restructuring of the holding company completed, when is the resort expected to open its doors? Can the group also disclose the identity of the international hotel operator?

2. In Note 35 (page 106 – Capital management), the group disclosed that it is guided by prudent financial policies and seeks to maintain a gearing ratio of not more than 0.75 times. In FY2017, the group’s gearing improved to 0.15x from 0.2x a year ago.

The group reported net cash flows from operating activities of \$11.5 million and the cash and cash equivalent as at end of the year was \$24.4 million.

The company has declared and paid an interim dividend of 1.00 Singapore cent per ordinary share for FY2017, totaling \$10.56 million for FY2017.

	12 months 31 December		12 months 31 December	18 months 31 December	12 months 30 June	12 months 30 June
	2017 \$'000	2016 \$'000	2015* \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Dividends:						
Final Dividend (Note 3)	–	–	1.00¢	1.00¢	1.00¢	0.50¢
Interim Dividends (Note 3)	1.00¢	1.25¢	2.50¢	2.50¢	–	–
Special Dividend	–	–	–	–	–	0.15¢

(Source: Company annual report)

Would the board elaborate further on the deliberations the directors had regarding dividends at board meetings? After an increased dividend payout in 2015, the dividends have returned to a more sustainable level of 1 cents and 1.25 cents. **Would the board further consider establishing a formal dividend policy that is flexible enough to cater to the needs of the group but provides shareholders with the assurance that the company is committed to stable dividend pay outs?**

3. Would the audit committee (AC) comment on the following related party transactions?

- (i) **Corporate service fee:** What is the “Corporate service fee” and how is the amount of fees determined?
- (ii) **Quoted debt securities:** The group purchased \$5 million of debt securities in FY2017 and \$3 million in FY2016. These appear to be the bonds issued by Aspial Corporation. **Can the board and the AC help shareholders understand why the group allocated its capital to purchase fixed income securities? How would the purchase align with the strategic goals of the group? Has management estimated the company’s cost of capital?**