



## AF Global Limited

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

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### Response to Questions from the Securities Investors Association (Singapore) ("SIAS") on the Company's Annual Report 2019

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The Board of Directors of AF Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the various questions raised by the SIAS on 1 June 2020 ("**Questions**"). The Questions are being suggested by SIAS for retail shareholders to raise. Accordingly, our Board has responded below to the Questions to the extent possible and appropriate. Meanwhile, our Board would like to recap the general response context.

#### COVID-19 Is Trying Times

In such trying global pandemic when retail investors and boards alike strive to follow all host governments' guidelines, the Group is doing its best on social distancing, staggered work hours, business continuity plans and work from home arrangements, where possible. Our Board and management are committed to carrying out our usual day-to-day running and operations to the best interest of shareholders as a body. We would use our discretion and judgment to adjust strategies, new or current, our financial resourcing, from funding, investing and resource allocation, to capital structure and dividend policies as adaptably as possible to the COVID-19 situation.

#### SIAS's Questions

**Q1.** As noted in the chairman's statement, the group will be negatively affected by the COVID-19 pandemic. Although the group completed the refurbishment of Holiday Inn Resort Phuket in November 2019, the hotel will be affected by the measures put in place by governments to stop the pandemic. The group's serviced apartments are expected to perform relatively better given their long-stay business model.

In addition, in April 2019, the group had also completed the disposal of Crowne Plaza London Kensington hotel, realising an estimated gain on disposal of \$20.4 million.

The group's other main business is the real estate consultancy business under Knight Frank Singapore.

(i) **What business continuity measures or new tools and services (such as online/3D viewing) did management put in place to enable its colleagues to continue to offer their services in a safe and non-contact manner?**

#### Company's Response :

In general, the real estate consultancy business continues to operate following Government guidelines such as social distancing, staggered work hours, business continuity plans and work from home arrangements, where possible. The business has adopted online marketing tools available for agency business.

- (ii) **How are the different services, such as advisory/valuation, auction, fit-out, special projects, impacted differently during this period?**

Company's Response :

Shareholders following the Group over time would know that the joint venture is in real estate brokerage, advisory, services business with their own management and established processes. Based on our knowledge, the agency and fit-out businesses are affected by the Circuit Breaker measures, whereas professional services and facility management services are less affected.

- (iii) **Is the group a strong player in the “new launch” segment? Does it have a pipeline of “new launch” projects?**

Company's Response :

Based on our knowledge, residential new launch is not the primary focus of the real estate consultancy business but nevertheless, there are some new launch projects under instruction.

- (iv) **What are some of the opportunities that management sees in this crisis?**

Company's Response :

This crisis has given the business the opportunity to quicken the adoption of technology in its operations.

**Q2.** In addition, for the group's property development business in Xuzhou, Jiangsu Province, the group is engaged in court proceedings involving a dispute with the local Chinese joint venture partner. The company has also disclosed that it is presently in advanced negotiations with the local joint venture partner regarding a possible disposal of the entire shareholdings in the joint venture company to them.

- (i) **Can the board help shareholders understand how the discussion on the possible disposal was initiated? Would the negotiation weaken the group's position in the court proceedings?**
- (ii) **Does management prefer to dispose of the joint venture even before concluding the court proceedings?**

The “Accounting for non-current asset held for sale investment in Xuzhou YinJian LumChang Real Estate Development Co., Ltd (“XZYJLC”)” is a key audit matter (“KAM”) highlighted by the independent auditor's in their report on the audit of the financial statements.

As noted in the KAM:

*The group has a 55% equity stake in a joint venture, XZYJLC, that is engaged in property development in the People's Republic of China... The carrying value of XZYJLC as at 31 December 2019 amounted to \$50,627,000, representing 14% of the group's total assets... Due to the ongoing disputes and litigation, the group engaged in negotiations to sell its 55% equity stake in XZYJLC to the joint investor at a consideration above the carrying amount of the investment.... Management has assessed that the recoverable amount of the Group's investment in XZYJLC as at 1 October 2019 and 31 December 2019 exceeds its carrying amount and no impairment loss has been recorded. [Emphasis added].*

(iii) **How did management assess the recoverable amount?**

Company's Responses to Q2 (i), (ii) and (iii) :

Please refer to the Company's announcement dated 8 June 2020 for the disposal of the Group's 55% equity interest in XZYJLC, subject to conditions being fulfilled in accordance with the equity transfer framework agreement as mentioned in the announcement.

- Q3.** On 20 March 2020, the company announced that it had entered into Interested person transactions with Aspial Corporation Limited, Aspial Corporate Services Pte Ltd ("**ACS**") and Aspial Capital (Ubi) Pte Ltd ("**ACU**").

The details of the IPTs are as follows:

| <b>Name of Interested Person(s)</b> | <b>Details of IPTs</b>  | <b>Aggregate value of the IPTs in the financial year ending 31 December 2020 ("FY2020") (\$'000)</b> |
|-------------------------------------|---|--|
| Aspial                              | Subscription of 3-year 6.5 per cent. bonds due March 2023 inclusive of interest receivable over the term of the bonds                 | 9,548  |
| ACS                                 | Corporate service contract  | 432  |
| ACU                                 | Rental of office, and service charges for the lease term commencing from 1 January 2020 to 31 December 2020 (" <b>Office Lease</b> ") | 281  |
| <b>Total</b>                        |   | 10,261   |

- (i) **Can the company elaborate further on the purchase and subscription of bonds issued by Aspial? As these are pure financial investments that do not appear to be strategic to the group's goals, would the board consider returning excess capital to shareholders to allow them to make their own investment decisions?**

Company's Response :

The Group is always committed to explore ways to ensure shareholders' value. Whilst the Group continues to seek growth and investment opportunities, excess funds will be deployed to earn income from passive source such as the investment in bonds.

The Company had also on 4 June 2020 announced the payment of an interim dividend of 1.00 Singapore cent per ordinary share in the capital of the Company to its shareholders.

- (ii) **Can the independent directors help shareholders understand the “corporate services” offered to the group by ACS?** In FY2019, the amount paid was \$360,000 and it has increased to \$432,000. **How did the audit committee determine that the transaction is on normal commercial terms and are not prejudicial to the interests of the company and its minority shareholders?**
- (iii) **Similarly, can the company elaborate further on the rental of office from ACU? Is this a new office since this was not in the list of IPT in FY2019? How big is the office and what are the comparable market rates?**

Company’s Responses to Q3 (ii) and (iii) :

The corporate services, as interested party matters, have been ongoing for a number of years. It pertains to the provision of corporate support services such as human resource, internal audit, IT services, corporate tax and finance, which the Group can leverage on to the benefit and for the best interest of the Group. The rental of office from ACU was in respect of the Group’s new head office which commenced on 1 January 2020. The office area is approximately 5,000 square feet and the rental rate for the furnished office space and the use of office facilities, was supported by an independent valuation.

**BY ORDER OF THE BOARD**

**Lim Swee Ann**  
**Company Secretary**

11 June 2020