WORLD CLASS GLOBAL LIMITED

(Company Registration No: 201329185H)
(Incorporated in the Republic of Singapore)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

Table of Contents

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
2. STATEMENTS OF FINANCIAL POSITION
3. CONSOLIDATED STATEMENT OF CASH FLOWS
4. STATEMENTS OF CHANGES IN EQUITY
5. CHANGES IN SHARE CAPITAL
6. CHANGES IN TREASURY SHARES
7. CHANGES IN SUBSIDIARY HOLDINGS
8. GROUP BORROWINGS AND DEBT SECURITIES
9. AUDITOR'S REPORT
10. ACCOUNTING POLICIES
11. EARNINGS PER SHARE
12. NET ASSET VALUE PER SHARE
13. VARIANCE FROM FORECAST STATEMENT
14. REVIEW OF CORPORATE PERFORMANCE
15. BUSINESS OUTLOOK
16. INTERESTED PERSON TRANSACTIONS
17. DIVIDEND
18. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE SGX-ST LISTING MANUAL SECTION B: RULES OF CATALIST ("CATALIST RULES")
19. PROCURED UNDERTAKINGS BY THE BOARD AND EXECUTIVE OFFICERS PURSUANT TO RULE 720(1) OF THE CATALIST RULES
20. UPDATE ON AUSTRALIA'S FOREIGN INVESTMENT REGIME

This announcement has been prepared by World Class Global Limited (the "Company") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income For The Financial Period Ended from 1 January 2019 to 31 March 2019 ("1Q 2019")

	Group		
	1Q 2019 (Unaudited) S$'000	1Q 2018 (Unaudited) S$'000	Change %
Revenue	96,739	80,710	**20%**
Cost of sales	(71,942)	(69,319)	**4%**
Employee benefits	(1,089)	(614)	**77%**
Depreciation	(35)	(20)	**75%**
Net foreign exchange gain/(loss)	1,627	(3,699)	**n.m**
Finance costs	(473)	(176)	**169%**
Other operating expenses	(10,185)	(5,816)	**75%**
Interest income	782	434	**80%**
Rental income	230	234	**-2%**
Other income	261	6	**4,250%**
Profit before tax	**15,915**	**1,740**	**815%**
Income tax expense	(6,052)	(1,409)	**330%**
Profit for the period	**9,863**	**331**	**2,880%**
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation, representing other comprehensive income for the period	(335)	(6,872)	**-95%**
Total comprehensive income for the period	**9,528**	**(6,541)**	**n.m**
Profit/(loss) for the period attributable to:			
Owners of the Company	10,178	341	**2,885%**
Non-controlling interests	(315)	(10)	**3,050%**
	9,863	**331**	**2,880%**
Total comprehensive income attributable to:			
Owners of the Company	9,843	(6,195)	**n.m**
Non-controlling interests	(315)	(346)	**-9%**
	9,528	**(6,541)**	**n.m**
Earnings per share (cents)			
Basic	**1.11**	**0.04**	**2,675%**
Diluted	**1.11**	**0.04**	**2,675%**

Other information:-

	1Q 2019 S$'000	1Q 2018 S$'000	Change %
Marketing and selling expenses	6,173	4,926	25%
Net fair value loss on derivatives	624	-	n.m

n.m - Not meaningful

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CON'T)

NOTES:

1a. Revenue for 1Q 2019 was primarily in relation to the settlements by purchasers of *Australia 108*, with the balance in relation to the settlements by purchasers of *AVANT*. Revenue for 1Q 2018 was in relation to the settlements by purchasers of *AVANT*.

1b. Cost of sales comprise mainly costs directly associated with the acquisition and development of properties, which include land costs, related stamp duties on land purchase, construction costs, project management costs and interest expense incurred on project-related loans and borrowings. The increase in cost of sales for 1Q 2019 (as compared to 1Q 2018) was mainly due to the increase in settlements by purchasers of *Australia 108* and *AVANT*.

1c. The increase in employee benefits expenses for 1Q 2019 (as compared to 1Q 2018) was mainly due to the increase in number of employees and higher provision for performance bonus.

1d. Depreciation expenses relate to depreciation of building, renovations, electrical fittings, furniture and fittings, computers, office equipment and motor vehicles, which were insignificant in 1Q 2019 and 1Q 2018.

1e. Foreign exchange gain or loss recorded in profit or loss arises from period-end revaluation of the Company's loans to its subsidiaries.

The Group recorded a net foreign exchange gain in 1Q 2019 (as compared to a net foreign exchange loss in 1Q 2018) mainly due to the strengthening of Australian Dollars ("AUD") and Ringgit Malaysia ("MYR") against Singapore Dollars ("SGD") (the Group's reporting currency) between 1 January 2019 and 31 March 2019.

1f. The increase in finance costs for 1Q 2019 (as compared to 1Q 2018) was mainly due to higher interest expenses incurred for properties held for sale and investment properties.

1g. The increase in other operating expenses in 1Q 2019 (as compared to 1Q 2018) was mainly due to (i) recognition of sales commission upon the settlements by purchasers of *Australia 108* and *AVANT*; (ii) higher holding costs incurred for properties held for sale; and (iii) net fair value loss on derivatives (forward currency contracts).

1h. The increase in interest income in 1Q 2019 (as compared to 1Q 2018) was mainly due to higher interest-bearing deposits at bank, and interest earned from deposits held in escrow account upon settlement by purchasers of *Australia 108* and *AVANT*.

1i. The increase in other income in 1Q 2019 (as compared to 1Q 2018) was mainly due to the hotel room revenue contributed by the Group's hotels in Georgetown, Penang.

1j. Income tax expense recorded in 1Q 2019 was mainly due to recognition of deferred tax liabilities and payment of withholding tax.

2. STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-Mar-19 (Unaudited) S$'000	31-Dec-18 (Audited) S$'000	31-Mar-19 (Unaudited) S$'000	31-Dec-18 (Audited) S$'000
Non-current assets				
Property, plant and equipment	2,323	2,276	61	70
Investment properties	27,035	25,219	-	-
Investment in subsidiaries	-	-	168,011	236,700
Deferred tax assets	400	325	400	325
	29,758	27,820	168,472	237,095
Current assets				
Development properties	563,426	602,357	-	-
Properties held for sale	37,494	41,674	-	-
Trade and other receivables	4,052	5,546	681	716
Prepayments	545	849	46	26
Due from subsidiaries (non-trade)	-	-	290,598	235,470
Derivatives	855	1,479	855	1,479
Cash and bank balances	46,989	16,970	2,841	5,615
	653,361	668,875	295,021	243,306
Total assets	683,119	696,695	463,493	480,401
Current liabilities				
Trade and other payables	17,872	21,877	3,830	4,112
Interest-bearing loans and borrowings	116,581	130,342	-	-
Due to immediate holding company (non-trade)	166,705	175,618	166,188	175,103
Due to fellow subsidiaries (non-trade)	185,512	192,810	185,512	192,810
Provision for taxation	431	397	431	397
	487,101	521,044	355,961	372,422
Net current assets/(liabilities)	166,260	147,831	(60,940)	(129,116)
Non-current liabilities				
Other payables	6,056	3,047	-	-
Interest-bearing loans and borrowings	53,732	51,775	-	-
Deferred tax liabilities	13,328	7,455	-	-
	73,116	62,277	-	-
Total liabilities	560,217	583,321	355,961	372,422
Net assets	122,902	113,374	107,532	107,979
Equity attributable to owners of the Company				
Share capital	142,556	142,556	142,556	142,556
Other reserves	(19,843)	(19,508)	-	-
Revenue reserves	(7,264)	(17,442)	(35,024)	(34,577)
	115,449	105,606	107,532	107,979
Non-controlling interests	7,453	7,768	-	-
Total equity	122,902	113,374	107,532	107,979
Total equity and liabilities	683,119	696,695	463,493	480,401
Net asset value per ordinary share (cents)	12.61	11.53	11.74	11.79

2. STATEMENTS OF FINANCIAL POSITION (CON'T)

2a. Review of Financial Position

Equity attributable to owners of the Company increased from S$105.6 million as at 31 December 2018 to S$115.4 million as at 31 March 2019, due to increase in revenue reserves, partially offset by decrease in other reserves. The increase in revenue reserves was due to profit generated in 1Q 2019 attributable to owners of the Company. The decrease in other reserves was mainly due to foreign currency translation loss.

The Group's total assets of S$683.1 million as at 31 March 2019 was S$13.6 million lower than that as at 31 December 2018, mainly due to decrease in development properties, properties held for sale, trade and other receivables, and derivatives, partially offset by an increase in property, plant and equipment, investment properties and cash and bank balances. The decrease in development properties and properties held for sale was mainly due to partial recognition of *Australia 108* and *AVANT* to cost of sales, partially offset by on-going construction costs, interest costs and development expenditures for *Australia 108* and other projects. The decrease in trade and other receivables was mainly a result of settlements by purchasers. The decrease in derivatives (forward currency contracts) was mainly due to the net fair value loss at the end of the financial period. The increase in investment properties was due to the enhancement works incurred for a property in Georgetown, Penang. The increase in cash and bank balances was mainly due to the sales proceeds from the handovers of *Australia 108* and *AVANT*, partially offset by the (i) partial repayment of the construction loan for the *Australia 108* project; (ii) partial repayment of amount due to immediate holding company and a fellow subsidiary (non-trade); and (iii) payment of development expenditures for on-going projects.

The Group's total liabilities of S$560.2 million as at 31 March 2019 was S$23.1 million lower than that as at 31 December 2018, mainly due to decrease in trade and other payables, interest-bearing loans and borrowings, and amount due to immediate holding company and a fellow subsidiary (non-trade). The decrease in trade and other payables was mainly due to the payment of construction costs and accrued interest expenses. The decrease in interest-bearing loans and borrowings was mainly due to (i) partial repayment of the construction loan for the *Australia 108* project; and (ii) repayment of term loans for other projects, partially offset by proceeds of term loans for some projects in Georgetown, Penang. The decrease in amounts due to immediate holding company and a fellow subsidiary (non-trade) were due to partial repayments.

3. CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	1Q 2019 (Unaudited) S$'000	1Q 2018 (Unaudited) S$'000
Operating activities		
Profit before tax	15,915	1,740
Adjustments for:		
Depreciation of plant and equipment	35	20
Interest income	(782)	(434)
Interest expense	473	176
Net fair value loss on derivatives	624	-
Unrealised foreign exchange (gain)/loss	(4,582)	3,699
Operating cash flows before changes in working capital	**11,683**	**5,201**
Changes in working capital		
Decrease/(increase) in development and investment properties	45,917	(1,464)
Decrease/(increase) in trade and other receivables	1,420	(1,281)
Decrease/(increase) in prepayments	304	(397)
Increase in trade and other payables	841	9,215
Cash flows generated from operations	**60,165**	**11,274**
Interest received	782	434
Interest paid	(17,691)	(5,414)
Income taxes paid	(49)	(15)
Net cash flows generated from operating activities	**43,207**	**6,279**
Investing activity		
Purchase of plant and equipment	(66)	(9)
Net cash flows used in investing activity	**(66)**	**(9)**
Financing activities		
Proceeds from interest-bearing loans and borrowings	6,915	88,260
Repayment of interest-bearing loans and borrowings	(19,136)	(2,152)
(Decrease)/increase in amounts due to immediate holding company (non-trade)	(3,991)	3,427
Increase in amounts due to fellow subsidiaries (non-trade)	3,055	13,917
Net cash flows (used in)/ from financing activities	**(13,157)**	**103,452**
Net increase in cash and cash equivalents	29,984	109,722
Effect of exchange rate changes on cash and cash equivalents	35	(200)
Cash and cash equivalents at beginning of period	16,970	12,506
Cash and cash equivalents at end of period	**46,989**	**122,028**

3. CONSOLIDATED STATEMENT OF CASH FLOWS (CON'T)

Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statements comprise the following amounts:-

	1Q 2019 S$'000	1Q 2018 S$'000
Cash at banks and on hand	20,208	19,964
Fixed deposits	26,781	102,064
Cash and cash equivalents	**46,989**	**122,028**

3a. Cash Flows Analysis

1Q 2019

Net cash generated from operating activities for 1Q 2019 was S$43.2 million (1Q 2018: S$6.3 million). This was mainly attributable to operating cash flows before changes in working capital of S$11.7 million, as well as changes in working capital due to decrease in development and investment properties of S$45.9 million and trade and other receivables of S$1.4 milllion, as well as interest received of S$0.8 million, partially offset by the interest expenses paid of S$17.7 million.

Net cash used in investing activity was for the purchase of plant and equipment, which was insignificant in 1Q 2019.

Net cash used in financing activities for 1Q 2019 was S$13.2 million, as compared to net cash generated from financing activities of S$103.5 million in 1Q 2018. This was mainly due to (i) repayment of advances from the Company's immediate holding company (non-trade); and (ii) net repayment of interest-bearing loans and borrowings, partially offset by interest charged on loan obtained previously from a fellow subsidiary (non-trade).

As a result of the above, cash and cash equivalents balance increased to S$47.0 million as at 31 March 2019, from S$17.0 million as at 31 December 2018.

4. STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share Capital S$'000	Other reserves S$'000	Revenue reserves S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
Group						
At 1 January 2019	142,556	(19,508)	(17,442)	105,606	7,768	113,374
Profit/(loss) for the period	-	-	10,178	10,178	(315)	9,863
Other comprehensive income						
Foreign currency translation	-	(335)	-	(335)	-*	(335)
Total comprehensive income for the period	-	(335)	10,178	9,843	(315)	9,528
At 31 March 2019	142,556	(19,843)	(7,264)	115,449	7,453	122,902
At 1 January 2018	142,556	(3,829)	(40,602)	98,125	9,023	107,148
Profit/(loss) for the period	-	-	341	341	(10)	331
Other comprehensive income						
Foreign currency translation	-	(6,536)	-	(6,536)	(336)	(6,872)
Total comprehensive income for the period	-	(6,536)	341	(6,195)	(346)	(6,541)
At 31 March 2018	142,556	(10,365)	(40,261)	91,930	8,677	100,607

* Represents less than S$1,000

	Attributable to owners of the Company					
	Share Capital S$'000	Other reserves S$'000	Revenue reserves S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
Company						
At 1 January 2019	142,556	-	(34,577)	107,979	-	107,979
Loss for the period	-	-	(447)	(447)	-	(447)
At 31 March 2019	142,556	-	(35,024)	107,532	-	107,532
At 1 January 2018	142,556	-	(16,523)	126,033	-	126,033
Loss for the period	-	-	(3,806)	(3,806)	-	(3,806)
At 31 March 2018	142,556	-	(20,329)	122,227	-	122,227

5. CHANGES IN SHARE CAPITAL

	No. of shares '000	Issued and fully paid-up share capital S$'000
Balance at 31 December 2018 and 31 March 2019	915,875	142,556

The Company does not have any treasury shares, subsidiary holdings or convertible instruments as at 31 March 2019 and 31 March 2018.

6. CHANGES IN TREASURY SHARES

Not applicable. The Company does not have any treasury shares.

7. CHANGES IN SUBSIDIARY HOLDINGS

Not applicable. The Company does not have any subsidiary holdings.

8. GROUP BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 31-Mar-19		As at 31-Dec-18	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
116,581	- [1]	130,342	- [1]

Amount repayable after one year

As at 31-Mar-19		As at 31-Dec-18	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
53,732	-	51,775	-

Details of collateral:

The Group's borrowings and debt securities are secured as follows:-

i) corporate guarantees by the Company and Aspial Corporation Limited (controlling shareholder of the Company);
ii) guarantees by non-controlling interests of a subsidiary;
iii) legal mortgages over the Company's subsidiaries' development properties, investment properties and properties held for sale; and
iv) fixed and floating charge on all assets of certain of the Company's subsidiaries.

[1] As at 31 March 2019, an aggregate amount of S$349.8 million (31 December 2018: S$355.9 million) owing to the Company's immediate holding company and a fellow subsidiary remained outstanding and had not been included in the table. This outstanding amount of S$349.8 million consists of (i) S$100.0 million (31 December 2018: S$100.0 million) under a fixed loan of up to an aggregate principal sum of S$100.0 million; and (ii) S$249.8 million (31 December 2018: S$255.9 million) under a revolving credit facility of up to an aggregate principal sum of S$400.0 million. The fixed loan and the revolving credit facility are interest-bearing and unsecured, and matures on 14 June 2019 and 28 February 2021, respectively.

9. AUDITOR'S REPORT

The figures have not been audited or reviewed by the auditors.

10. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the financial period ended 31 March 2019 as those of the audited financial statements for the financial year ended 31 December 2018, as well as adopted all applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for financial years beginning on or after 1 January 2019. The adoption of these new and revised SFRS(I) have no material effect on the financial statements.

11. EARNINGS PER SHARE

	Group	
	1Q 2019	1Q 2018
i) Basic earnings per share (cents)	1.11	0.04
ii) Diluted earnings per share (cents)	1.11	0.04
- Weighted average number of ordinary shares ('000)	915,875	915,875

Basic earnings per share is calculated by dividing the profit for the respective financial periods attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the respective financial periods. Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective financial periods.

12. NET ASSET VALUE PER SHARE

	Group		Company	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Net asset value per ordinary share (cents)	12.61	11.53	11.74	11.79
Number of ordinary shares in issue ('000)	915,875	915,875	915,875	915,875

13. VARIANCE FROM FORECAST STATEMENT

No forecast for the financial period ended 31 March 2019 was previously provided.

14. REVIEW OF CORPORATE PERFORMANCE

In 1Q 2019, the Group recorded a profit before tax of S$15.9 million (1Q 2018: S$1.7 million). This was mainly due to the recognition of revenue of S$96.7 million from the settlement by the purchasers of *Australia 108* and *AVANT* in 1Q 2019, increase in interest income and net foreign exchange gain, partially offset by an increase in sales commission and employee benefits.

15. BUSINESS OUTLOOK

The table below provides an overview of the ongoing projects of the Group in Australia:

Project	Type	Total units	Launch date	No. of units launched	% sold based on no. of units launched[1]
Australia 108 (Melbourne)	Residential	1,103	4Q2014	1,103	88
Nova City Tower 1 (Cairns)	Mixed use development	187	4Q2016	101	61

The Group continues to make good progress with the construction of the *Australia 108* project in 1Q 2019. As at the date of this announcement, the construction of *Australia 108* has progressed to level 75 out of 101 levels and is ahead of contracted schedule.

In the next twelve months, the Group will continue with the sale of the *Nova City* project in Cairns and plans to award the construction of Tower 1 of the project.

The Group has started hotel operations at some of the completed properties in Georgetown, Penang since FY 2018 and is currently planning to add approximately 300 keys (total approximately 320 rooms) by the end of 2021. Overall, the business and occupancy of its hotels has been encouraging.

Going forward, the Group expects to make profits from its *Australia 108* project in Australia. The *Australia 108* project is expected to contribute significantly to the Group's revenue and profitability for FY 2019 to FY 2020 due to the following reasons:

(i) the Group has locked in about S$520 million of unbilled contracts from *Australia 108* project;

(ii) the Group expects the profit margin of the subsequent stages of *Australia 108* project to be higher than the earlier ones as the average price per square metre for higher floors are better than those for the lower ones; and

(iii) the Group expects to book revenue and profit from *Australia 108* project progressively as the construction completes progressively from 2019 to 2020.

Barring unforeseen circumstances such as unfavorable changes in Australian and Malaysian currencies, the Group expects to be profitable in 2019.

[1] Computed based on the number of sale and purchase agreements that have been entered into and still subsisting (less any sale and purchase agreements for those completed units that have been rescinded) or fully settled as at the date of this announcement.

16. INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules.

17. DIVIDEND

(i) Any dividend declared for the current financial period reported on?
No.

(ii) Any dividend declared for the previous corresponding financial period?
No.

(iii) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.
No dividend has been declared or recommended as the Board of Directors deemed it more appropriate to utilise the Group's cash to reduce its borrowings, improve working capital and for its future growth.

18. NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE SGX-ST LISTING MANUAL SECTION B: RULES OF CATALIST ("CATALIST RULES")

On behalf of the Board of Directors of the Company (the "Board"), we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 31 March 2019 to be false or misleading in any material aspect.

19. PROCURED UNDERTAKINGS BY THE BOARD AND EXECUTIVE OFFICERS PURSUANT TO RULE 720(1) OF THE CATALIST RULES

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

20. UPDATE ON AUSTRALIA'S FOREIGN INVESTMENT REGIME

For the purposes of the Australian *Foreign Acquisitions and Takeovers Act 1975 (Cth)*, as amended by the *Foreign Acquisitions and Takeovers Legislation Amendment Act 2015 (Cth)* (the "FATA"), the Company would like to inform shareholders that, as at 31 March 2019:

(a) Approximately 17% of the Company's and its subsidiaries' total assets consist of interests in Australian land assets (based on the exchange rate as at 31 March 2019 of A$1.00 : S$0.9620). Accordingly, the Company is not an Australian Land Corporation (as defined in Appendix A);

(b) the Company holds an interest in 100.0% of the shares in World Class Land (Australia) Pty Ltd, in which gross Australian assets have a carrying value of approximately A$493.1 million. Accordingly, World Class Land (Australia) Pty Ltd, is a Prescribed Australian Entity (as defined in Appendix A); and

(c) the Company is an offshore company with respect to Australia, and the Company's Australian subsidiaries' aggregate assets in Australia amounted to approximately A$493.1 million. Accordingly, the Company is an Offshore Corporation (as defined in Appendix A).

Please refer to Appendix A for information relating to the relevant FATA requirements.

On behalf of the Board,

NG SHENG TIONG
CEO

KOH WEE SENG
NON-EXECUTIVE CHAIRMAN

7 May 2019

WORLD CLASS GLOBAL

Appendix A

Foreign persons acquiring interests in an Australian Land Corporation

An Australian Land Corporation (or ALC) is a corporation where the sum of the values of its and its subsidiaries' interests in Australian land assets exceeds 50% of the sum of the values of their total assets.

Under the FATA, a foreign person who proposes to acquire an interest in an ALC is required to notify the Treasurer of Australia (the "**Australian Treasurer**") (through the Foreign Investment Review Board (the "**FIRB**")) and obtain a statement of no objections ("**FIRB Approval**") prior to such investment.

A 'foreign person' is:

(a) a natural person not ordinarily resident in Australia ("**Non-Australian Resident**");

(b) a corporation in which a Non-Australian Resident, a foreign corporation (being a corporation incorporated in a country other than Australia) ("**Non-Australian Corporation**"), or a foreign government holds a substantial interest (an interest of at least 20%);

(c) a corporation in which two or more persons, each of whom is either a Non-Australian Resident, a Non-Australian Corporation, or a foreign government hold in aggregate a substantial interest (an aggregate interest of at least 40%);

(d) the trustee of a trust in which a Non-Australian Resident, a Non-Australian Corporation, or a foreign government holds a substantial interest (an interest of at least 20%);

(e) the trustee of a trust in which two or more persons, each of whom is either a Non-Australian Resident, a Non-Australian Corporation, or a foreign government hold in aggregate a substantial interest (an aggregate interest of at least 40%);

(f) a foreign government;

(g) a general partner of a limited partnership who is a Non-Australian Resident, a Non-Australian Corporation, or a foreign government who holds an interest of at least 20% in the partnership; or

(h) a general partner of a limited partnership in which two or more persons each of whom is a Non- Australian Resident, a Non-Australian Corporation, or a foreign government hold an aggregate interest of at least 40% in the partnership.

Pursuant to the FATA, an acquisition of shares by a foreign person in an ALC will not require pre-notification if all of the following conditions are satisfied:

(a) the acquisition is of an interest in Australian land that is an acquisition of an interest in shares or units in a land entity;

(b) the land entity is or will be listed for quotation in the official list of a stock exchange (whether or not in Australia);

(c) after the acquisition, the foreign person, alone or together with one or more associates, holds an interest of less than 10% in the land entity; and

(d) the foreign person is not in a position:

  (i) to influence or participate in the central management and control of the land entity; or

  (ii) to influence, participate in or determine the policy of the land entity.

In the event the Company is an ALC:

- conditions (a) and (b) above will be satisfied; and
- conditions (c) and (d) above will be satisfied so long as (i) the foreign person (alone or together with one or more associates), holds an interest of less than 10% in the Company; and (ii) such foreign person is not in a position to influence or participate in the central management and control of the Company or influence, participate in or determine the policy of the Company.

As such, an acquisition of Shares by a foreign person who satisfies conditions (c) and (d) will not be required to pre-notify and obtain FIRB Approval prior to such acquisition.

However, an acquisition of Shares by a foreign person who does not satisfy conditions (c) and (d) will be required to pre-notify and obtain FIRB Approval prior to such acquisition.

The obligation to notify and obtain FIRB Approval is imposed upon the acquirer of the interest (i.e. any persons who acquire shares in an ALC). The failure to notify and obtain FIRB Approval is an offence under the FATA by the acquirer of such interest which, if the acquirer is convicted, could result in a fine to, or imprisonment of, the acquirer of the shares, or both. The failure by an acquirer to notify and obtain FIRB Approval does not have a direct impact on the ALC as the requirement to notify is, and any penalties for not doing so are, only imposed on the acquirer of the shares.

While the acquisition of an interest in an ALC without prior notification and FIRB Approval is an offence, a failure to notify does not make such acquisition invalid or illegal. However, if the Australian Treasurer considers the proposed acquisition by a foreign person of an interest in an ALC to be contrary to Australia's national interest, the Australian Treasurer has powers to make adverse orders on the foreign person, including prohibition of the acquisition, if such acquisition has not occurred, or ordering the disposal of the interest acquired, if such acquisition has already occurred.

Under the FATA, in the event an acquirer of an interest in an ALC fails to notify the FIRB and obtain FIRB Approval for the acquisition, and the Australian Treasurer orders the disposal of the interest acquired, the disposal of such interest must be made within such period as specified in the disposal order.

The Australian Government's foreign investment policy ("**Policy**") states that the Australian Government's policy is to channel foreign investment into new dwellings and that all applications for FIRB Approval are considered in light of the overarching principle that proposed investment should increase Australia's housing stock.

Notification to the FIRB can be made online via the FIRB's website at www.firb.gov.au. A fee is payable for all foreign investment applications. The notification requires information to be provided about the applicant, including, among other things, its structure and financial information, about the relevant Australian Land Corporation and the proposed acquisition.

The Australian Treasurer has a period of 30 days in which to make a decision on an application. This period may be extended for a further period of up to 90 days if the Australian Treasurer is of the view that additional time is required to assess the application.

Foreign persons acquiring interests in a company whose Australian subsidiaries or gross Australian assets (whether represented by interests in Australian land or otherwise) are valued above A$266 million (or such other amount as is prescribed by the Australian Government regulation)

When such action is a notifiable action

As highlighted above, an action is a notifiable action, if, amongst other things, a foreign person acquires a substantial interest in an Australian entity, being an entity incorporated in Australia, whose Australian subsidiaries or gross Australian assets (whether represented by interests in Australian land or otherwise) are valued above A$266 million or such other amount as is prescribed by the Australian Government regulation (a "**Prescribed Australian Entity**").

As the Company is not incorporated in Australia, acquisitions of Shares in the Company will not be considered an acquisition of an interest in an Australian entity. As such, an acquisition of a substantial interest in the Company will not be a notifiable action and thus will not require pre-notification and FIRB approval before such an acquisition, unless the acquisition results in the acquirer being able to exercise or control the exercise of a right attaching to shares in any Australian subsidiaries of the Company which are Prescribed Australian Entities.

Any foreign person who proposes to enter into a transaction or arrangement that would entitle the foreign person to potentially exercise control over rights attaching to shares in an Australian entity or an Australian Land Corporation should satisfy themselves as to their compliance with Australia's foreign investment regime before entering into the transaction or arrangement.

When such action is a significant action

Under the FATA, if an action is a significant action, a foreign person may voluntarily pre-notify and obtain FIRB Approval for such significant action. In the context of acquisitions of shares, an action is a significant action, if:

(i) the action is to acquire interests in securities in an entity;

(ii) the threshold test is met in relation to the entity (that is, the entity has gross Australian assets or Australian subsidiaries valued at more than A$266 million or such other amount as is prescribed by Australian Government regulation);

(iii) the entity is a holding entity of a corporation that is a relevant entity that carries on an Australian business, whether alone or together with one or more other persons;

(iv) the action is taken by a foreign person; and

(v) there would be or has been change in control of the entity as a result of the action.

This means that an action is a significant action if a foreign person (i) acquires an interest in an offshore company whose Australian subsidiaries or gross Australian assets (whether represented by interests in Australian land or otherwise) are valued above A$266 million or such other amount as is prescribed by Australian Government regulation (the **"Offshore Corporation"**), and (ii) such acquisition results in there being a 'change of control' of the Offshore Corporation.

Generally, there will be a 'change of control' under the FATA if, amongst other things, a foreign person acquires a substantial interest[2] in the entity as a result of the acquisition.

Whilst a proposed acquisition of an interest in an Offshore Corporation by a foreign person which gives rise to a change in control in the Offshore Corporation (i) does not require mandatory pre-notification under the FATA (as the Offshore Corporation is an offshore company) and (ii) does not expose the acquirer to potential penalties for breach of the FATA, as the failure to notify prior to acquisition is not a breach of the FATA, if the Australian Treasurer forms the view that the proposed acquisition of an interest in an Offshore Corporation is contrary to the national interest, the Australian Treasurer may make an order blocking the proposed acquisition, if such acquisition has not occurred, or ordering a disposal of the interest acquired, if such acquisition has already occurred. The timelines for approval of an acquisition of an interest in an Offshore Corporation and for disposal of that interest in the event that a disposal order is made by the Australian Treasurer are the same as set out above in relation to the acquisition of interests in ALCs.

The Offshore Corporation provisions operate independently of the ALC provisions. Both regimes may apply to a proposed acquisition - for example, in relation to the proposed acquisition of a substantial interest in a company with Australian assets greater than A$266 million (and of which more than 50% of its assets constitute interests in Australian land in circumstances where a relevant exemption does not apply).

If both the ALC provisions and the Offshore Corporation provisions apply, only one (1) FIRB notification is required. The FATA provides that any approval of the Australian Treasurer for the purposes of the provisions of the FATA dealing with ALCs will also be an approval for the purposes of the provisions of the FATA dealing with Offshore Corporations.

It is the responsibility of any persons who wish to acquire Shares in the Company to satisfy themselves as to their compliance with Australia's foreign investment regime which is set out in the FATA and the Policy before acquiring Shares in the Company.

[2] An interest of at least 20% in an entity.