

# 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 2018

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*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.*

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## 1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1(i) Consolidated Statements of Comprehensive Income For The Financial Period from 1 January 2018 to 31 March 2018 ("1Q 2018")

	Group		Change %
	1Q 2018 S\$'000	1Q 2017 S\$'000	
Revenue	80,710	-	n.m
Cost of sales	(69,319)	-	n.m
Employee benefits	(614)	(813)	-24%
Depreciation	(20)	(14)	43%
Net foreign exchange (loss)/gain	(3,699)	4,133	n.m
Finance costs	(176)	(158)	11%
Other operating expenses	(5,816)	(1,471)	295%
Interest income from bank balances	434	183	137%
Rental income	234	134	75%
Other income	6	-	n.m
<b>Profit before tax</b>	<b>1,740</b>	<b>1,994</b>	<b>-13%</b>
Income tax expense	(1,409)	(129)	992%
<b>Profit for the period</b>	<b>331</b>	<b>1,865</b>	<b>-82%</b>
<b>Other comprehensive income:</b> <i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, representing other comprehensive income for the period	(6,872)	4,075	n.m
<b>Total comprehensive income for the period</b>	<b>(6,541)</b>	<b>5,940</b>	<b>n.m</b>
<b><u>Profit for the period attributable to:</u></b>			
Owners of the Company	341	1,886	-82%
Non-controlling interests	(10)	(21)	-52%
	<b>331</b>	<b>1,865</b>	<b>-82%</b>
<b><u>Total comprehensive income attributable to:</u></b>			
Owners of the Company	(6,195)	5,715	n.m
Non-controlling interests	(346)	225	n.m
	<b>(6,541)</b>	<b>5,940</b>	<b>n.m</b>
<b>Earnings per share (cents)</b>			
Basic	0.04	0.23	-83%
Diluted	0.04	0.23	-83%

### Other information:-

	1Q 2018 S\$'000	1Q 2017 S\$'000	Change %
Marketing and selling expenses	4,926	282	n.m
Listing expenses	-	494	-100%

n.m - Not meaningful

## 1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CON'T)

### NOTES:

- 1a. Revenue of S\$80.7 million was recognized upon the settlements by purchasers of 151 completed residential units of *AVANT*. These units account for 74% of the 203 completed residential units handed over in late February 2018 by the main contractor.
- 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. In 1Q 2018, cost of sales of S\$69.3 million was recognised correspondingly upon the settlements by purchasers of 151 completed residential units.
- 1c. The decrease in employee benefits expenses for 1Q 2018 (as compared to 1Q 2017) was a result of lower provision for performance bonus.
- 1d. Depreciation expenses relate to depreciation of renovations, electrical fittings, furniture and fittings, computers and office equipment, which were insignificant in 1Q 2018 and 1Q 2017.
- 1e. Foreign exchange loss or gain 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 loss in 1Q 2018 (as compared to a net foreign exchange gain in 1Q 2017) mainly due to the weakening of Australian Dollars against Singapore Dollars ("SGD") (the Group's reporting currency) between 1 January 2018 and 31 March 2018. The loss was partially offset by the strengthening of Malaysian Ringgit against SGD during the same period.
- 1f. The increase in finance costs for 1Q 2018 (as compared to 1Q 2017) was mainly due to higher interest expenses incurred for properties held for sales and investment properties.
- 1g. The increase in other operating expenses in 1Q 2018 (as compared to 1Q 2017) was mainly due to higher holding costs incurred for properties held for sale and amortisation of sales commission based on settlements by purchasers of *AVANT*.
- 1h. The increase in interest income in 1Q 2018 (as compared to 1Q 2017) was mainly due to higher quantum of interest-bearing deposits at banks.
- 1i. The increase in rental income in 1Q 2018 (as compared to 1Q 2017) was mainly due to an increase in rental income from properties held for sale and investment properties.
- 1j. Income tax expense recorded in 1Q 2018 was mainly due to reversal of deferred tax assets recognized in previous financial year.

## 2. STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-Mar-18 S\$'000	31-Dec-17 S\$'000	31-Mar-18 S\$'000	31-Dec-17 S\$'000
<b>Non-current assets</b>				
Plant and equipment	214	223	112	129
Investment properties	12,207	11,836	-	-
Investments in subsidiaries	-	-	236,042	236,042
Deferred tax assets	3,261	5,102	-	-
	15,682	17,161	236,154	236,171
<b>Current assets</b>				
Development properties	731,714	753,305	-	-
Properties held for sale	32,032	21,676	-	-
Trade and other receivables	5,531	4,404	5,330	43
Prepayments	1,310	942	46	49
Due from subsidiaries (non-trade)	-	-	277,789	269,714
Cash and bank balances	122,028	12,506	944	791
	892,615	792,833	284,109	270,597
<b>Total assets</b>	908,297	809,994	520,263	506,768
<b>Current liabilities</b>				
Trade and other payables	37,975	30,050	2,472	2,425
Interest-bearing loans and borrowings	249,193	216,550	-	-
Due to immediate holding company (non-trade)	243,124	239,697	242,595	239,184
Due to a fellow subsidiary (non-trade)	152,895	138,978	152,895	138,978
	683,187	625,275	397,962	380,587
<b>Net current assets/(liabilities)</b>	209,428	167,558	(113,853)	(109,990)
<b>Non-current liabilities</b>				
Other payables	2,918	2,468	-	-
Interest-bearing loans and borrowings	121,511	74,955	-	-
Deferred tax liabilities	74	148	74	148
	124,503	77,571	74	148
<b>Total liabilities</b>	807,690	702,846	398,036	380,735
<b>Net assets</b>	100,607	107,148	122,227	126,033
<b>Equity attributable to owners of the Company</b>				
Share capital	142,556	142,556	142,556	142,556
Other reserves	(10,365)	(3,829)	-	-
Revenue reserves	(40,261)	(40,602)	(20,329)	(16,523)
	91,930	98,125	122,227	126,033
Non-controlling interests	8,677	9,023	-	-
<b>Total equity</b>	100,607	107,148	122,227	126,033
<b>Total equity and liabilities</b>	908,297	809,994	520,263	506,768
<b>Net asset value per ordinary share (cents)</b>	10.04	10.71	13.35	13.76

## 2. STATEMENTS OF FINANCIAL POSITION (CON'T)

### 2a. Review of Financial Position

Equity attributable to owners of the Company decreased from S\$98.1 million as at 31 December 2017 to S\$91.9 million as at 31 March 2018, due to decrease in other reserves, partially offset by an increase in revenue reserves. The decrease in other reserves was mainly due to foreign currency translation loss. The increase in revenue reserves was due to profit incurred for 1Q 2018 attributable to owners of the Company.

The Group's total assets of S\$908.3 million as at 31 March 2018 was S\$98.3 million higher than that as at 31 December 2017, mainly due to an increase in properties held for sale and cash and bank balances. The increase was partially offset by a decrease in development properties. The increase in properties held for sale was due to the completion of some projects in Malaysia. The increase in cash and bank balances was mainly due to (i) the issuance of *AVANT* Notes, partially offset by the payment of development expenditures for on-going projects; and (ii) the sales proceeds from the first stage completion of *AVANT* (74% of the 203 completed residential units). The decrease in development properties was mainly due to the first stage completion of *AVANT* and the reclassification of completed properties in Malaysia to properties held for sale, partially offset by on-going construction costs, interest costs and development expenditures for *Australia 108* and other projects.

The Group's total liabilities of S\$807.7 million as at 31 March 2018 was S\$104.9 million higher than that as at 31 December 2017, mainly due to an increase in trade and other payables, amount due to immediate holding company (non-trade), amount due to a fellow subsidiary (non-trade) as well as interest-bearing loans and borrowings. The increase in trade and other payables was due to accrued expenses mainly in relation to the GST payable from *AVANT* sales proceeds and interest expense. The increase in interest-bearing loans and borrowings (non-current) was mainly due to the issuance of the third tranche of the *AVANT* Notes with total principal amount of A\$40.0 million, and the drawdown of construction loan for *Australia 108* project. The increase in amount due to immediate holding company (non-trade) and amount due to a fellow subsidiary (non-trade) was due to more funding required for working capital purposes.

### 3. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Group	
	1Q 2018 S\$'000	1Q 2017 S\$'000
<b>Operating activities</b>		
Profit before tax	1,740	1,994
<u>Adjustments for:</u>		
Depreciation of plant and equipment	20	14
Interest income	(434)	(183)
Interest expense	176	158
Listing expenses	-	494
Unrealised foreign exchange loss/ (gain)	3,699	(4,133)
<b>Operating cash flows before changes in working capital</b>	<b>5,201</b>	<b>(1,656)</b>
<u>Changes in working capital</u>		
Increase in development properties	(1,464)	(46,870)
(Increase)/decrease in trade and other receivables	(1,281)	11
(Increase)/decrease in prepayments	(397)	10,513
Increase in trade and other payables	9,215	5,876
<b>Cash flows generated from/(used in) operations</b>	<b>11,274</b>	<b>(32,126)</b>
Interest received	434	183
Interest paid	(5,414)	(7,694)
Income taxes paid	(15)	(576)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>6,279</b>	<b>(40,213)</b>
<b>Investing activities</b>		
Purchase of plant and equipment	(9)	(5)
<b>Net cash flows used in investing activities</b>	<b>(9)</b>	<b>(5)</b>
<b>Financing activities</b>		
Proceeds from interest-bearing loans and borrowings	48,004	7,049
Repayment of interest-bearing loans and borrowings	(2,152)	(912)
Proceeds from term notes	40,256	64,386
Increase/(decrease) in amounts due to immediate holding company (non-trade)	3,427	(5,076)
Increase/(decrease) in amounts due to a fellow subsidiary (non-trade)	13,917	(3,322)
Listing expenses paid	-	(581)
<b>Net cash flows generated from financing activities</b>	<b>103,452</b>	<b>61,544</b>
<b>Net increase in cash and cash equivalents</b>	<b>109,722</b>	<b>21,326</b>
Effect of exchange rate changes on cash and cash equivalents	(200)	(147)
Cash and cash equivalents at beginning of period	12,506	29,290
<b>Cash and cash equivalents at end of period</b>	<b>122,028</b>	<b>50,469</b>

### 3. CONSOLIDATED STATEMENTS 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 2018 S\$'000	1Q 2017 S\$'000
Cash at banks and on hand	19,964	6,431
Fixed deposits	102,064	44,038
<b>Cash and cash equivalents</b>	<b>122,028</b>	<b>50,469</b>

#### 3a. Cash Flows Analysis

##### 1Q 2018

Net cash generated from operating activities for 1Q 2018 was S\$6.3 million as compared to net cash used in operating activities of S\$40.2 million for 1Q 2017. This was mainly from the increase in trade and other payables of S\$9.2 million, partially offset by the increase in trade and other receivables of S\$1.3 million, as well as interest expenses and income taxes paid of S\$5.4 million and the increase in development properties of S\$1.5 million.

Net cash used in investing activities was for the purchase of plant and equipment, amount of which was insignificant in 1Q 2018.

Net cash generated from financing activities for 1Q 2018 was S\$103.5 million (1Q 2017: S\$61.5 million). This was mainly from (i) increase in advances from the Company's immediate holding company (non-trade) and fellow subsidiary (non-trade); and (ii) net proceeds from interest-bearing loans and borrowings.

As a result of the above, cash and cash equivalents balance increased to S\$122.0 million as at 31 March 2018, from S\$50.5 million as at 31 March 2017.

#### 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
<b>Group</b>						
At 1 January 2018	142,556	(3,829)	(40,602)	98,125	9,023	107,148
Profit for the period	-	-	341	341	(10)	331
Other comprehensive income	-	(6,536)	-	(6,536)	(336)	(6,872)
Foreign currency translation	-	(6,536)	-	(6,536)	(336)	(6,872)
<b>Total comprehensive income for the period</b>	-	(6,536)	341	(6,195)	(346)	(6,541)
At 31 March 2018	142,556	(10,365)	(40,261)	91,930	8,677	100,607
At 1 January 2017	115,000	(4,235)	(31,568)	79,197	9,241	88,438
Profit for the period	-	-	1,886	1,886	(21)	1,865
Other comprehensive income	-	3,829	-	3,829	246	4,075
Foreign currency translation	-	3,829	-	3,829	246	4,075
<b>Total comprehensive income for the period</b>	-	3,829	1,886	5,715	225	5,940
At 31 March 2017	115,000	(406)	(29,682)	84,912	9,466	94,378

	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
<b>Company</b>						
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
At 1 January 2017	115,000	-	(17,947)	97,053	-	97,053
Profit for the period	-	-	4,402	4,402	-	4,402
At 31 March 2017	115,000	-	(13,545)	101,455	-	101,455



## 5. CHANGES IN SHARE CAPITAL

	No. of shares '000	Issued and fully paid-up share capital S\$'000
Balance at 31 December 2017 and 31 March 2018	915,875	142,556

The Company does not have any treasury shares, subsidiary holdings or convertible instruments as at 31 March 2018 and 31 March 2017.

## 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-18		As at 31-Dec-17	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
249,193	- (1)	216,550	-

Amount repayable after one year

As at 31-Mar-18		As at 31-Dec-17	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
121,511	-	74,955	-

### 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.

<sup>1</sup> As at 31 March 2018, an aggregate amount of S\$370.0 million (31 December 2017: S\$356.4 million) owing to the Company's immediate holding company and a fellow subsidiary remained outstanding and had been excluded from the table. This amount is interest-bearing and unsecured under a revolving credit facility which matures on 28 February 2021.

## 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 2018 as those of the audited financial statements for the financial year ended 31 December 2017, as well as adopted Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework equivalent to the International Financial Reporting Standards, and all applicable new and revised Financial Reporting Standards ("FRSs") which became effective for financial years beginning on or after 1 January 2018. The adoption of SFRS(I) and these new and revised FRSs have no material effect on the financial statements.

## 11. EARNINGS PER SHARE

	Group	
	1Q 2018	1Q 2017
	cents	cents
i) Basic earnings per share	0.04	0.23
ii) Diluted earnings per share	0.04	0.23
- Weighted average number of ordinary shares ('000)	915,875	805,000

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. For comparative and illustrative purposes, the basic earnings per share for 1Q 2017 was computed based on the number of ordinary shares in issue of 805,000,000 which had been retrospectively adjusted to reflect the sub-division of every one issued ordinary share into seven issued ordinary shares.

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-18	31-Dec-17	31-Mar-18	31-Dec-17
Net asset value per ordinary share (cents)	10.04	10.71	13.35	13.76
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 2018 was previously provided.

### 14. REVIEW OF CORPORATE PERFORMANCE

The Group recorded revenue of S\$80.7 million upon the settlement and handover of 151 completed residential units of AVANT. These units account for 74% of the 203 completed residential units that have been handed over in late February 2018 by the main contractor.

In 1Q 2018, the Group recorded a profit before tax of S\$1.7 million, a decrease of S\$0.3 million or 13% from S\$2.0 million in 1Q 2017. Excluding net foreign exchange loss/gain, the Group would have recorded profit before tax of S\$5.4 million and loss before tax of S\$2.1 million in 1Q 2018 and 1Q 2017 respectively.

### 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
Australia 108 (Melbourne)	Residential	1,103	4Q2014	1,103	98
AVANT (Melbourne)	Residential	456	2Q2015	456	97
Nova City Tower 1 (Cairns)	Mixed use development	187	4Q2016	101	39

The Group has locked in more than S\$1.1 billion of sales revenue which has yet to be recognised as at the date of this announcement.

As at the date of this announcement, construction of *Australia 108* and *AVANT* is ahead of the planned structure completion schedule of which:-

1. *Australia 108* has been constructed up to level 47 out of 101; and
2. first stage of *AVANT* was handed over in late February 2018.

According to the latest construction schedules, we expect to complete the following in the rest of 2018:

1. 3 out of the 6 stages for *Australia 108*; and
2. the second and final stage for *AVANT*.

The Group expects to receive more than S\$620 million of sales proceeds in the rest of 2018 when these completed development units are handed over to the purchasers. Part of these sales proceeds will be used to repay outstanding loans and cover the remaining development costs for the projects. Accordingly, the Group expects its equity and cash positions to strengthen and debt position to improve, in 2018.

In the next twelve months, the Group will continue with the sale of *Nova City* project and intends to launch Albert Street project in Brisbane, Australia, subject to market conditions in Brisbane then.

In Penang, Malaysia, the Group has completed the refurbishment, upgrading and building works of 15 properties and will continue the refurbishment, upgrading and building works of some of the remaining properties.

## 16. INTERESTED PERSON TRANSACTIONS

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

## 18. USE OF PROCEEDS

The Company raised total net proceeds of approximately S\$24,516,000 (“Net Proceeds”) from the issue of (i) 100,000,000 new shares in connection with the IPO; and (ii) 10,174,500 new shares in connection with the partial exercise of an over-allotment option by the stabilising manager granted by the Company to the stabilising manager in connection with the IPO.

As at 31 March 2018, the Net Proceeds have been fully utilised as follows:

Use of Net Proceeds	Amount allocated for use as disclosed in the Company’s announcement dated 24 July 2017 S\$’000	Amount utilised as at 31 March 2018 S\$’000	Balance of the Net Proceeds as at 31 March 2018 S\$’000
Acquisition of properties and construction and other related costs (including marketing, corporate, administrative and finance expenses) in connection with the development properties	18,800	18,800	-
Working capital	5,716	5,716 <sup>(1)</sup>	-
Net Proceeds	24,516	24,516	-

Note:

- (1) Utilised mainly for staff salaries, rental expenses, travelling expenses and professional fees.

**19. 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 2018 to be false or misleading in any material aspect.

**20. 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.

**21. 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 2018:

- (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 2018 of A\$1.00 : S\$1.0064). 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\$717.3 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\$717.3 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

07 May 2018

**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](http://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\$252 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\$252 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\$252 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\$252 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<sup>1</sup> 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\$252 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.**

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<sup>1</sup> An interest of at least 20% in an entity.