



WORLD CLASS GLOBAL
(Incorporated in the Republic of Singapore)
(Company Registration No. 201329185H)

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of World Class Global Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 December 2019 (“**Annual Report 2019**”). The Company wishes to provide its responses to the queries from SIAS below:

SIAS Query 1:

As noted in the chairman’s statement, construction of the group’s “Australia 108” was 94% completed and it is expected that the project will contribute positively to the group’s revenue and profitability for the current financial year ending 31 December 2020 (“FY2020”).

Completion of the development is targeted to take place in the third quarter of FY2020.

(i) Has the project experienced any delays due to the disruption caused by the pandemic?

Company’s response:

As construction has been designated as an essential service in Australia, to date, the Group has not experienced a material impact to construction progress on Australia 108 arising from the COVID-19 pandemic.

In the fourth quarter of FY2019, the group recognised \$9.7 million in revenue. This was due to the lower number of settlements made by purchasers of Australia 108 units that were sold and handed over. As at 31 December 2019, the group has outstanding sales contracts amounting to about \$400.0 million (unbilled sales) from on-going projects.

(ii) What is the expected number of settlements at the Australia 108 project in the last phase?

Company’s response:

The number of settlements is subject to many factors which are beyond the Company’s control. Any forecast of future settlement rates is commercially sensitive, will be a judgment call and have an element of uncertainty. We do not believe it is appropriate for the Company to make such forecast and for such information to be shared in such a forum. The Company will, consistent with prior practice, be providing its shareholders and investors factual information on the total amount of unbilled sales (signed sales contracts) and the total amount of billed sales (recognised revenue) for the financial period, on a consolidated basis in our upcoming results announcement.

(iii) Can management help shareholders understand the state of the Melbourne real estate market given the pandemic and the overall condition of the Australian economy?

Company’s response:

Based on CoreLogic’s Home Value Index published on 1 June 2020, Melbourne dwelling value in Melbourne has decreased 0.9% in May 2020 (as compared to April 2020) but this represents an increase of 11.7% as compared to the same period last year.

Please refer to <https://www.corelogic.com.au> for further details.

- (iv) **Is there evidence that the default and non-completion risks are higher due to the headwinds in the economy? Has management received requests from some buyers to delay the handover?**

Company's response:

While COVID-19 may affect general economic sentiment in the short term, home purchase remains driven by the long-term needs and financial capacity of purchasers. As of now, we have not seen any significant impact of COVID-19 on the settlement rates of Australia 108 as credit remains generally available under current market conditions. The settlement rates of Australia 108 for the stages completed between February 2020 to May 2020 remain largely in line with the previous stages.

- (v) Other than a brief mention that the group has “successfully launched Nova City in Cairns” in the corporate profile (page 1), there is no further update in the annual report. **Would management provide an update on the project which is slated as an integrated seven-tower development?**

Company's response:

At this time, we are reviewing the building design and plans, and are in discussions with various potential contractors for the project.

SIAS Query 2:

As disclosed in Note 29 (page 101 – Capital management), the group has total indebtedness amounted to \$591.8 million as at 31 December 2019. With equity attributable to owners of the company standing at \$116.4 million, the gearing ratio is 5.1x.

As noted earlier, the group has approximately \$400 million in unbilled sales that will be progressively recognised upon the completion of the projects.

- (i) **Can the board elaborate further on its capital management framework, especially on the maximum gearing of the group?**

Company's response:

The Group's business is capital intensive in nature and relies on (i) bank and project financing; (ii) equity; and (iii) shareholder's borrowings. The Group reviews its gearing ratio on a regular basis to ensure that it is in compliance with its loan covenants, if any.

- (ii) **In particular, what is the optimal capital structure that can best support the group's growth trajectory?**

Company's response:

As stated above, the Group's capital structure comprises (i) bank and project financing; (ii) equity; and (iii) shareholder's borrowings. Depending on market conditions, business opportunities, funding availability, financing cost and other considerations, the Group may also consider options to minimise capital outlay including joint ventures with other partners, issuance of debt securities or structured finance arrangements.

- (iii) **Has the board explored different sources of financing to evaluate how it could reduce the financing costs?** In FY2019, the group capitalized approximately \$28.6 million in borrowing costs. The weighted average interest rate of 6.66% per annum was the actual borrowing costs of the loans used to finance the projects.

Company's response:

Depending on market conditions, business opportunities, funding availability, financing cost and other considerations, the Group may also consider options to minimise capital outlay including joint ventures with other partners, issuance of debt securities or structured finance arrangements.

SIAS Query 3:

The group disclosed the interested person transactions on pages 31 and 32 of the annual report. An extract is produced below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during FY2019 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Aspial Corporation Limited ("Aspial")	Controlling Shareholder		
(i) Corporate charges		780	–
(ii) Loan interest		7,134	–
Aspial Treasury Pte. Ltd. ⁽¹⁾	A wholly-owned subsidiary of Aspial		
– Loan interest		15,074	–
WCL (QLD) Margaret St Pty. Ltd.	a 65%-owned subsidiary of the Company		
– Project management fee income		137	–
8G Investment Australia Pty Ltd	Associate of Mr Koh Wee Seng (Non-Executive Chairman and controlling Shareholder)		
– Real estate nomination		3,714	–

(Source: adapted from company annual report)

Would the board, especially the independent directors, provide shareholders with better clarity on the following interested person transactions? Specifically:

- (i) The group has loans owing to Aspial Treasury Pte. Ltd. of \$365.0 million as at 31 December 2019, which is interest-bearing at 6.37% to 7.14% per annum. **How are the interest rates determined? Why does the group rely on loans from fellow subsidiaries to fund its long-duration projects?**

Company's response:

Prior to listing of the Company on the Singapore Exchange in 2017 ("Listing"), the Company entered into loan agreements with Aspial Corporation Limited (its parent company) and its subsidiary, Aspial Treasury Pte Ltd (collectively, "Lenders") with interest rate at prevailing Lenders' cost of funds plus 0.5%. Please refer to the Company's offer document dated 6 June 2017 in relation to the Listing for further information.

- (ii) In addition, on 6 September 2019, the company announced that 8G Investment Australia Pty Ltd, an associate of the controlling shareholder, bought units #6607 and #3708 at Australia 108 from two purchasers that had bought the units earlier. It was also disclosed that the two purchasers are not related to the directors, the substantial shareholders of the company or their respective associates. **Would the board elaborate further on the transaction and help shareholders understand if the transacted prices are in line with the current market prices?** The total consideration for the two units is \$3.71 million.

Company's response:

*The Group wishes to clarify that the total consideration for units #6607 and #3708 at Australia 108 ("**Relevant Units**") was S\$1.3 million instead of S\$3.71 million.*

*As stated in the Company's announcement dated 6 September 2019, 8G Investment Australia Pty Ltd has entered into two (2) real estate nominations ("**Nominations**") with two (2) purchasers ("**Purchasers**") of the Relevant Units, whereby the Purchasers nominated the Nominee as substituted purchasers to take a transfer or conveyance in lieu of the Purchasers. For the avoidance of doubt, (i) the Nominee will take over all rights and obligations of the Purchasers under the Contracts pursuant to the Nominations; (ii) the purchase price for each of the Relevant Units remains unchanged as per the Contracts, being the purchase price of the Relevant Units at the time of their respective purchases; and (iii) no discounts and no special or preferential terms were accorded to the Nominee for the Nominations. Accordingly, upon completion of the Nominations, the Contracts are considered to be entered into between WCL-SB and the Nominee.*

Please refer to the Company's announcement dated 6 September 2019 released on the SGXNet for further information.

By Order of the Board
WORLD CLASS GLOBAL LIMITED

Lim Swee Ann / Yip Chee Kwang
Joint Company Secretaries
10 June 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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.