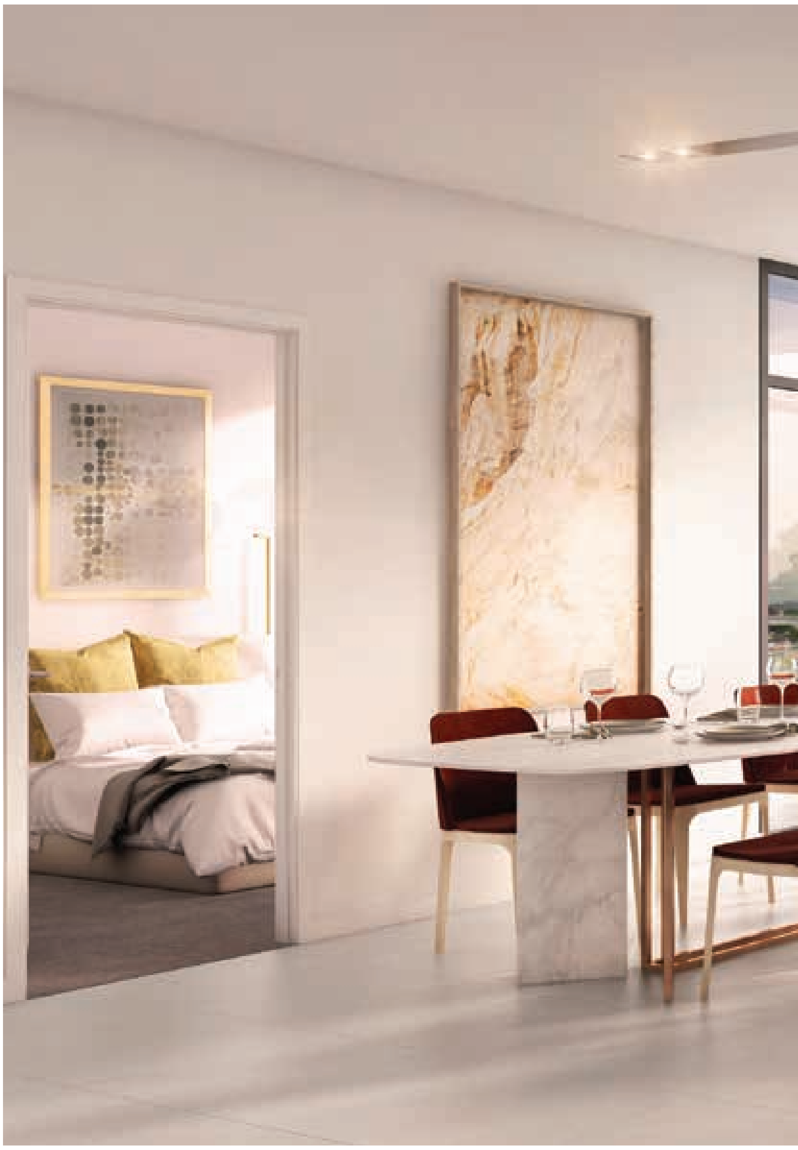
WORLD CLASS GLOBAL

# ANNUAL REPORT 2019

# CONTENTS



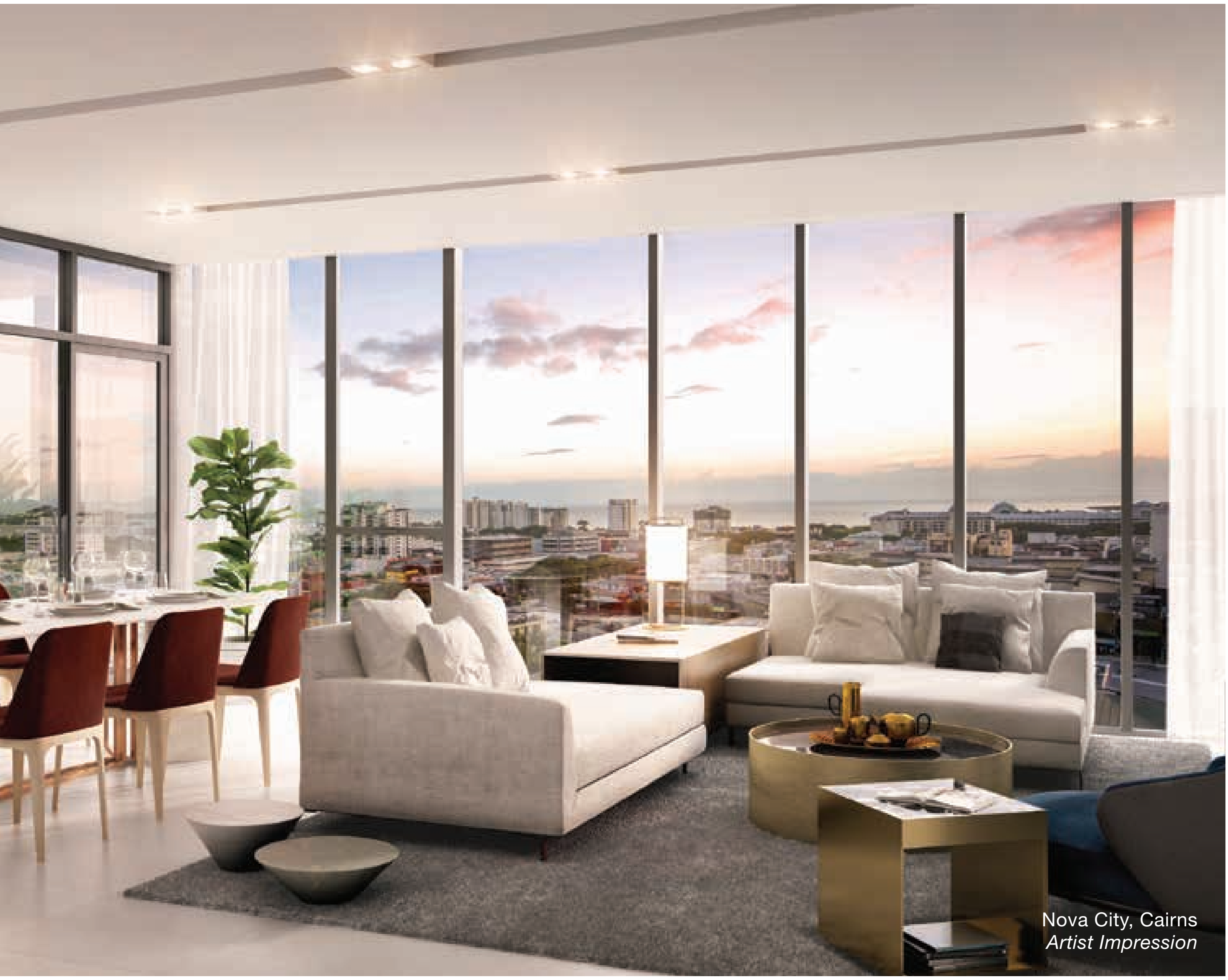


This annual report has been prepared by World Class Global Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing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

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

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.

# ABOUT US



Nova City, Cairns
*Artist Impression*

World Class Global Limited is a real estate company that undertakes property development and property investment in major cities in Australia and Malaysia. In Australia, our Melbourne development projects include *Australia 108* (which is targeted to complete in 2020) and *AVANT* (completed in 2018). We have also successfully launched *Nova City* in Cairns.

We hold various land parcels in Penang, Malaysia, which comprise mainly shophouses within UNESCO sites. We have completed the refurbishment, upgrading and building works of the existing properties on some of these land parcels and we currently have seven hotels in operation. We expect four more sites to be completed in the next eighteen months, and the Group's hotel portfolio in Penang will increase from the present 72 keys to about 350 keys. We will also continue with the construction of other developments in Penang, Malaysia.

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

2019 had been a fulfilling year for the Group as we continued to grow from strength to strength with the positive construction progress of our projects and new business developments.

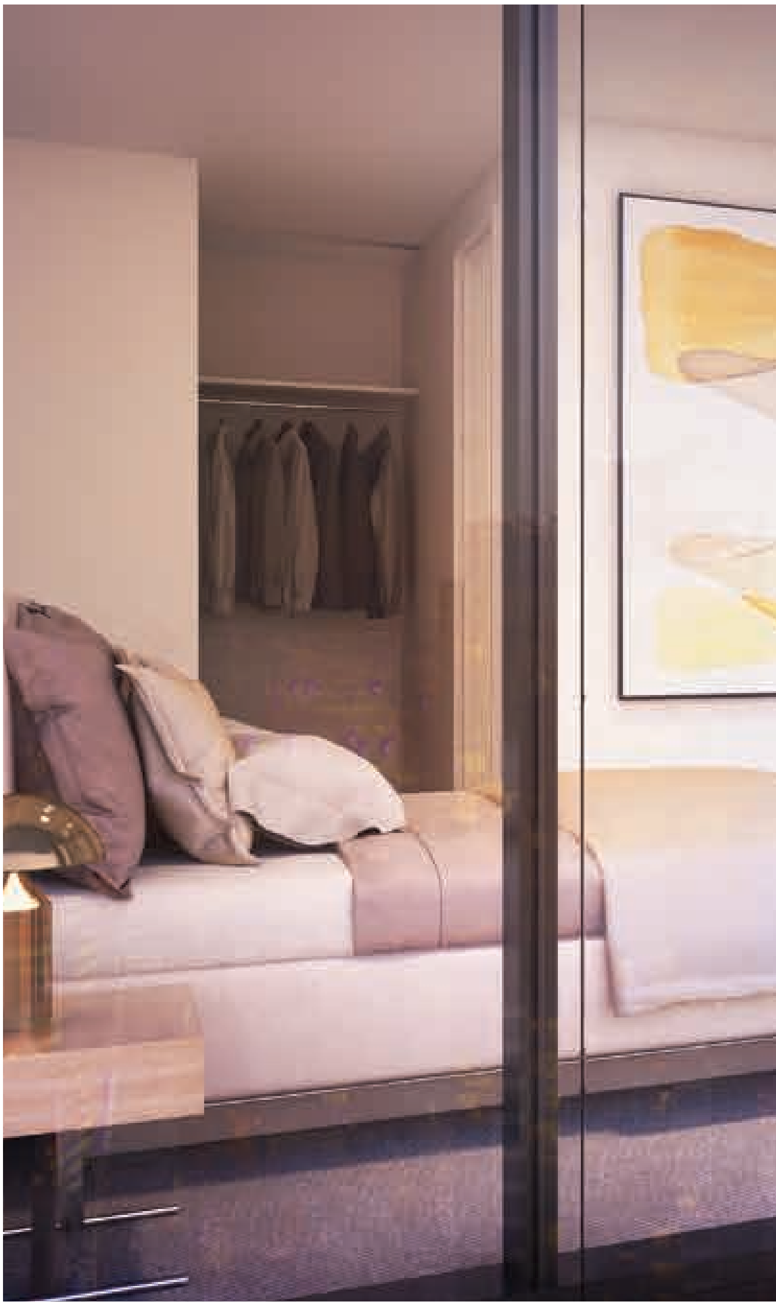
For the financial year ended 31 December 2019 ("**FY2019**"), the Group recognised revenue of S$205.4 million and remained profitable with a profit before tax of S$22.9 million. As at 31 December 2019, the Group entered into sales contracts amounting to about S$400.0 million (unbilled sales) from our on-going projects, which is expected to be translated into revenue contribution for the Group progressively upon completion of the projects and settlement by the purchasers.

In FY2019, we also made headway with the construction of our *Australia 108* project. We completed 94% of the construction undertaking to-date with construction on site progressing all the way to the top of the development. As such, the Group expects the *Australia 108* project to contribute positively to the Group's revenue and profitability for the current financial year ending 31 December 2020 ("**FY2020**") with the completion of the development targeted to take place in the third quarter of FY2020.

Hailed as the tallest residential tower in the Southern Hemisphere, *Australia 108* is a coveted 101-level freehold luxury residence that is strategically located in Southbank, Melbourne. It features an unique cantilevering architectural masterpiece befittingly named Starburst. Protruding from levels 70 and 71, Starburst engages engineering virtuosity to pay tribute to the Commonwealth Star on the Australian flag and delivers a new icon to Melbourne's skyline.

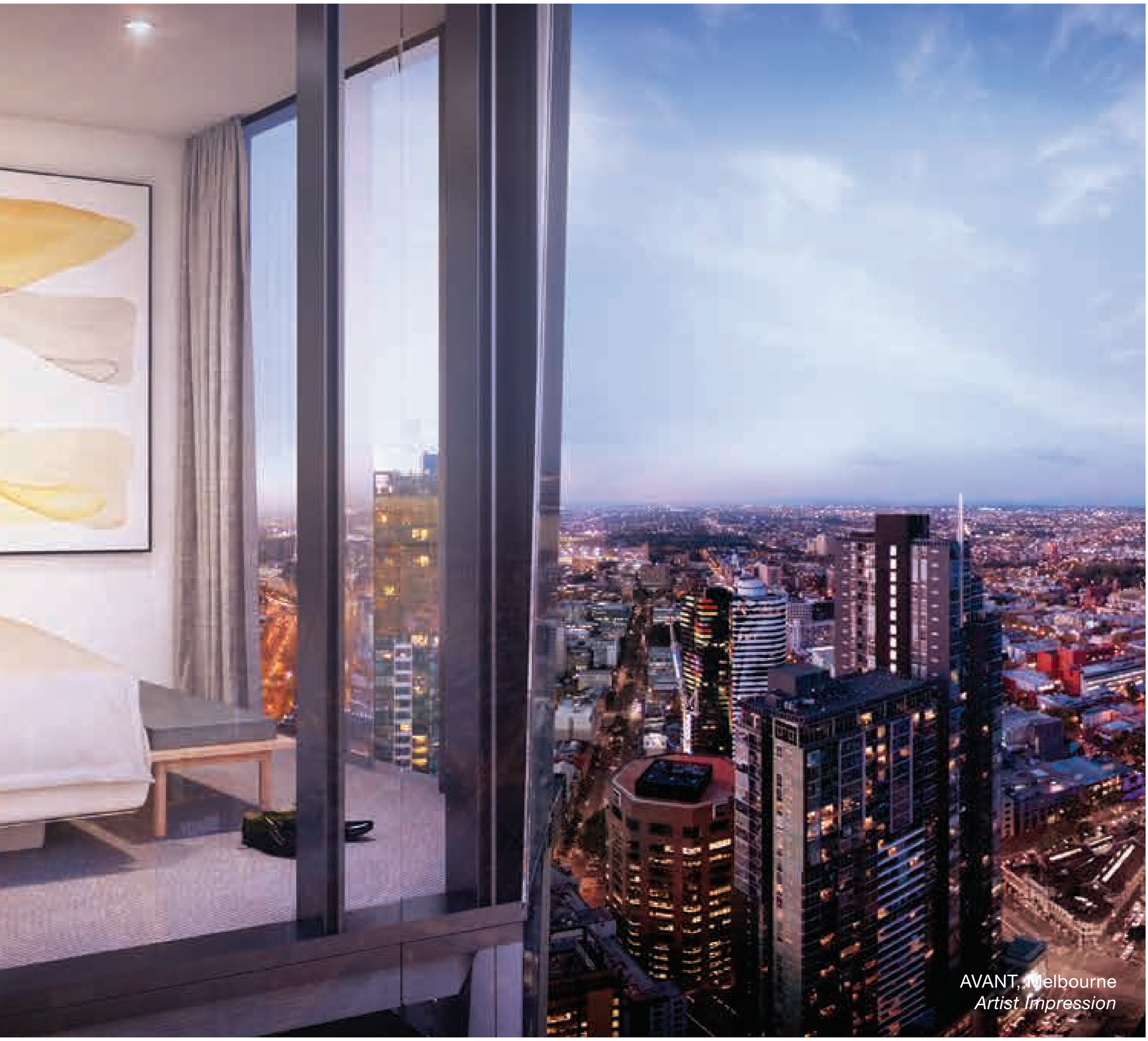
Where our Malaysia properties are concerned, the Group currently holds 72 keys across various assets and we have plans to increase to about 350 keys in the next eighteen months, which will see us completing the building works for four more of our properties in Penang.

Going forward, we expect travel demand to be negatively affected by the COVID-19 outbreak. In view of this, we anticipate our Penang hotel business to be impacted by the evolving situation. Nevertheless, we expect the fundamental prospects for the hotel industry in Penang to remain sound in the long term.



With uncertainty taking centre stage in 2020, we will focus on building our fundamentals and using this opportunity to consolidate our portfolio. We are committed to deliver on our promise of sustainable growth to our stakeholders.

## CHAIRMAN'S STATEMENT



AVANT, Melbourne
*Artist Impression*

On this note, we would like to thank our Board of Directors, management and staff for their hard work and dedication towards World Class Global. We would also like to express our appreciation to our shareholders, who have placed their unwavering faith and trust in us.

We look forward to meeting you at our upcoming Annual General Meeting.

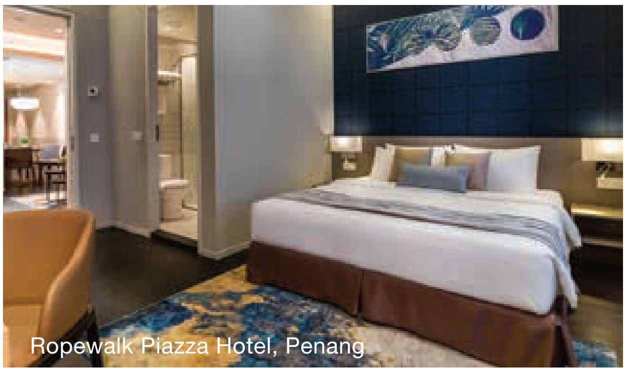
**KOH WEE SENG**
*Non-Executive Chairman*

# OPERATING AND FINANCIAL REVIEW

For the financial year ended 31 December ("**FY**") 2019, the Group reported a 54% decrease in revenue, from S$442.0 million in FY2018 to S$205.4 million in FY2019. This was mainly due to a significant decrease in settlements by purchasers of *AVANT* in FY2019 (as compared to FY2018) as construction for *AVANT* was fully completed in FY2018, and hence most of the revenue for this project was recognised in FY2018 upon settlements by purchasers. The aforementioned was partially offset by a slight increase in revenue contribution from the settlements by purchasers of *Australia 108*.

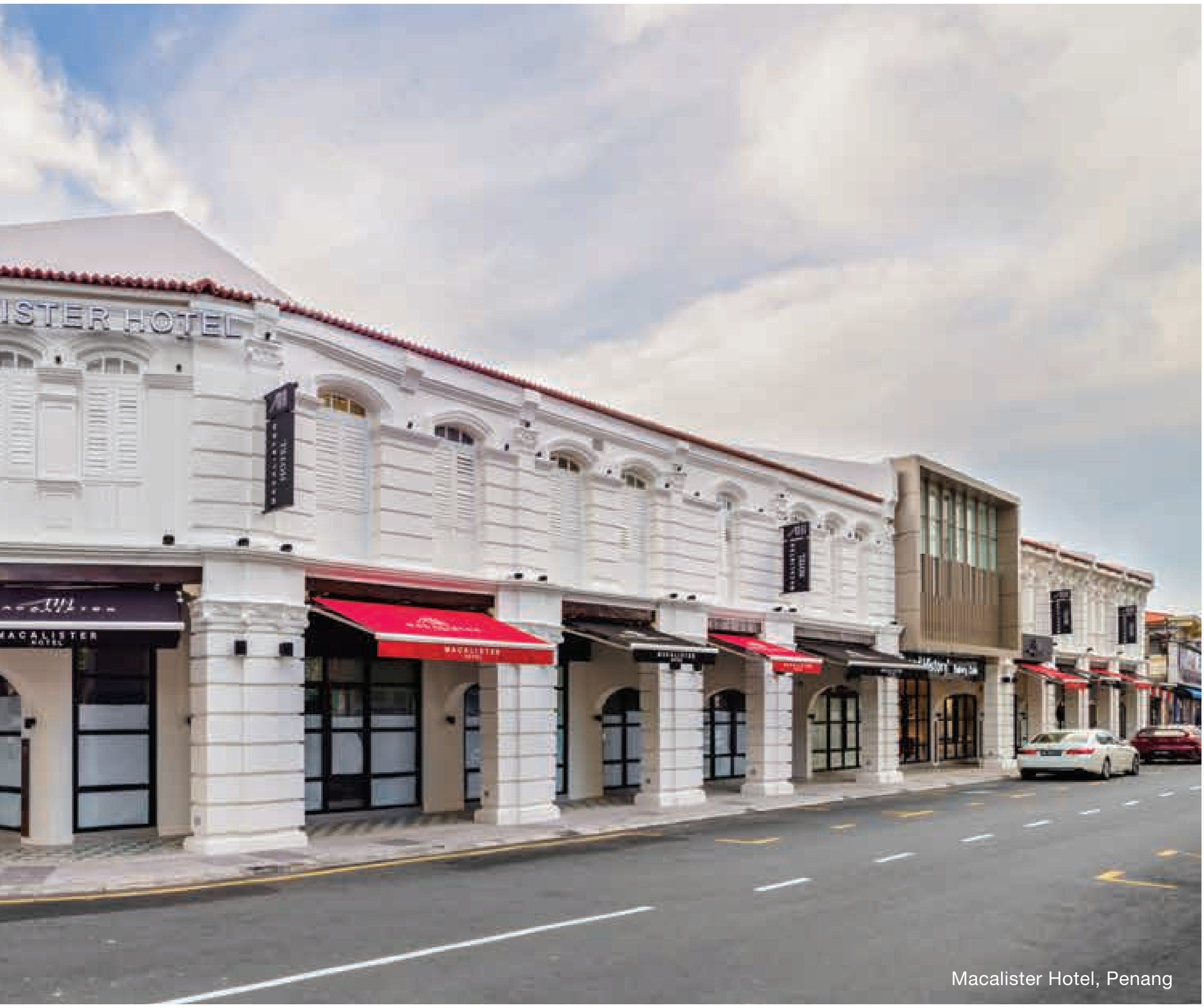
The Group recorded cost of sales of S$151.3 million, comprising mainly project development costs upon settlement by purchasers. In FY2019, the Group registered a net foreign exchange loss of S$1.4 million, as compared to S$14.0 million in FY2018, mainly due to the weakening of Australian Dollars against Singapore Dollars (the Group's reporting currency). Other operating expenses decreased to S$28.6 million in FY2019, from S$32.5 million in FY2018, mainly due to lower marketing and selling expenses, partially offset by write down of net realisable value for development properties, net fair value loss on investment properties, provision for impairment loss on property, plant and equipment and higher hotel operating costs. Employee benefits decreased to S$3.9 million in FY2019, from S$5.1 million in FY2018, mainly due to lower provision for performance bonus, partially offset by an increase in number of employees. Interest income decreased to S$2.4 million in FY2019, from S$4.8 million in FY2018. Other income increased from S$2.1 million in FY2018 to S$2.9 million in FY2019, mainly due to an increase in the hotel room revenue contributed by the Group's hotels in Georgetown, Penang.

In view of the above, the Group registered a profit before tax of S$22.9 million in FY2019, which translated to a 36% decrease as compared to S$35.8 million in FY2018. Consequently, net profit attributable to shareholders stood at S$13.6 million in FY2019 as compared to S$23.2 million in FY2018.

Ropewalk Piazza Hotel, Penang

## OPERATING AND FINANCIAL REVIEW



Macalister Hotel, Penang

The Group continued to achieve construction milestones of the *Australia 108* project in FY2019. To-date, we have completed 94% of the project construction with the skyscraper's towering lift core reaching level 101. Melbourne's tallest building would hit full height in second quarter of FY2020 and is expected to be fully completed by third quarter of FY2020. The Group expects the *Australia 108* project to contribute positively to the Group's revenue and profitability for FY2020 with the progressive completion of its construction and settlement by the purchasers.


Australia 108, Melbourne
*Artist Impression*

# BUILDING ASPIRATIONS, BROADENING HORIZONS

At World Class Global, our practices are constantly developed and perfected to heighten quality and sustainability, enabling us to build on our strengths and create value. We are also actively seeking new investment opportunities to continuously enhance our presence and pursue endeavours to synergise greater growth.


Australia 108, Melbourne

# BOARD OF DIRECTORS

### MR. KOH WEE SENG | Non-Executive Chairman

Mr. Koh is our Non-Executive Chairman and was appointed to the Board on 29 October 2013. Mr. Koh is the chief executive officer and executive director of Aspial Corporation Limited ("**Aspial**", the controlling shareholder of the Company), which is listed on the SGX-ST, and is responsible for the strategic planning, overall management and business development of Aspial and its subsidiaries (excluding our Group) (the "**Aspial Group**").

Since late 1994, when the new management team, led by Mr. Koh, took over the reins, the Aspial Group has overcome the challenges posed by changing consumer demand by implementing wide-ranging and fundamental changes to its jewellery business. Mr. Koh has also successfully led the Aspial Group's diversification into the property sector (in Singapore and other countries) and the financial services sector. Mr. Koh is also the non-executive chairman of Maxi-Cash Financial Services Corporation Ltd ("**Maxi-Cash**") and AF Global Limited, both of which are listed on the SGX-ST.

Mr. Koh holds a Bachelor's degree in Business Administration from the National University of Singapore.

### MR. NG SHENG TIONG | Executive Director and Chief Executive Officer

Mr. Ng is our Executive Director and Chief Executive Officer and was appointed to the Board on 29 October 2013. Mr. Ng is responsible for overseeing the overall management and development of our property development and property investment business.

Prior to his appointment as Chief Executive Officer of our Company, Mr. Ng was the vice president of the Aspial Group, where he headed the Aspial Group's property business, overseeing the strategic planning, overall management and business development of the property business. Mr. Ng has more than ten years of experience in the property industry. Before heading the property development business, Mr. Ng was the Aspial Group's information technology director.

Mr. Ng holds a Master of Business in Information Technology from the Royal Melbourne Institute of Technology.

### MS. KOH LEE HWEE | Non-Executive Director

Ms. Koh is our Non-Executive Director and was appointed to the Board on 29 October 2013. Ms. Koh is an executive director of Aspial and a non-executive director of Maxi-Cash. As an executive director of Aspial, Ms. Koh has executive responsibilities over the Singapore property business of Aspial, and assists in the jewellery business of the Aspial Group.

Ms. Koh was previously the chief executive officer of Maxi-Cash and was responsible for the strategic planning, overall management and business development of the Maxi-Cash group of companies. Prior to her appointment as the chief executive officer of Maxi-Cash, Ms. Koh was the vice president (manufacturing) of the Aspial Group, where she oversaw and spearheaded the growth of the manufacturing division and was responsible for the overall production plans, technology, management and development. Ms. Koh has more than 20 years of experience in the jewellery industry.

Ms. Koh holds a Bachelor of Arts degree from the National University of Singapore.

### MR. ONG TUEN SUAN | Lead Independent Director

Mr. Ong is our Lead Independent Director and was appointed to the Board on 1 June 2017. Mr. Ong has more than 20 years of working experience in finance and accounting.

Mr. Ong joined Neptune Orient Lines Limited ("**NOL**"), a company which was previously listed on the SGX-ST, in 1991 as an accountant and subsequently took on various finance and commercial leadership positions progressively within NOL. Over a 23-year career with NOL, Mr. Ong had been based in Singapore, United Arab Emirates and the United States of America, covering finance, compliance and control, financial planning and analysis, as well as commercial and operational activities. His last appointment in NOL was as the regional financial officer for the Americas, where he was responsible for, among others, the financial reporting, compliance and control, investment and divestment management and special projects support activities for the company's operations in the Americas. Mr. Ong left NOL in 2015 and is currently managing a consultancy practice covering management advisory services primarily for small and medium-sized enterprises in Singapore.

Mr. Ong graduated from Monash University with a Bachelor of Economics and is a Fellow of CPA Australia.

# BOARD OF DIRECTORS

### MR. YEOH SENG HUAT GEOFFREY | Independent Director

Mr. Yeoh is our Independent Director and was appointed to the Board on 1 June 2017. Mr. Yeoh has more than 30 years of working experience in finance.

Mr. Yeoh was working in the banking industry for 16 years until 1996; after which he took on senior management positions in certain companies which are listed on the SGX-ST until 2014. Mr. Yeoh is an independent director of Global Testing Corporation Limited, which is listed on the SGX-ST.

Mr. Yeoh holds a Bachelor of Science (Economics) (First Class Honours) from the London School of Economics and Political Science and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

### MR. TAN SENG CHUAN | Independent Director

Mr. Tan is our Independent Director and was appointed to our Board on 1 June 2017. Mr. Tan has more than 37 years of working experience in civil, structural and environmental engineering. Mr. Tan is currently the managing director of TEMBUSU Asia Consulting Pte Ltd ("**TAC**"), where he is responsible for the TAC group's business strategy and development.

Prior to joining TAC in 2018, Mr. Tan was with Ramboll Environ Singapore Pte Ltd from 2015 to 2017 holding the position of Regional Managing Director (Asia Pacific) and CH2M HILL Singapore from 2000 to 2015. His last position with CH2M HILL Singapore was as Regional Director (Asia Pacific) of the environmental services business group for CHM2M HILL Singapore Consulting Pte. Ltd., where he was responsible for the development and operation of the business in the Asia Pacific region. From 1988 to 2000, Mr. Tan was with Jurong Engineering Ltd, where he undertook several positions, including as assistant general manager of the design department, overseeing the operations, project execution and management. From 1983 to 1988, Mr. Tan was with Hock Chuan Ann Construction Pte Ltd, where he undertook several responsibilities including, amongst other things, civil and structural design and project management.

Mr. Tan graduated with a Bachelor in Engineering (Civil) from the National University of Singapore and holds a Diploma in Building Science and a Master in Science (Building Science), both from the National University of Singapore. Mr. Tan is a Professional Engineer registered with the Professional Engineers Board, Singapore, Chartered Engineer for Environmental and Water, an Honorary Fellow of the Institution of Engineers, Singapore and an Honorary Fellow of the Institution of Engineers, Australia.

# KEY EXECUTIVE OFFICERS

## MR. NG SHENG TIONG | Executive Director and Chief Executive Officer

Mr. Ng is our Executive Director and Chief Executive Officer and was appointed to the Board on 29 October 2013. Mr. Ng is responsible for overseeing the overall management and development of our property development and property investment business.

Please refer to the profile of Mr. Ng set out in the section entitled “Board of Directors” of this Annual Report for more information.

## MR. YIP CHEE KWANG | Chief Financial Officer and Joint Company Secretary

Mr. Yip is the Chief Financial Officer of our Group. He is responsible for the overall accounting and finance functions of our Group.

Prior to his appointment as Chief Financial Officer, Mr. Yip was the finance director of the property development business of the Aspial Group and was responsible for the overall accounting and finance functions of the Aspial Group’s property development business. Before joining the Aspial Group in 2007, Mr. Yip was a finance manager with Libra 2002 Pte Ltd. From 2004 to 2005, Mr. Yip was a manager (corporate accounting) with YHI Corporation Pte Ltd and from 2001 to 2004, he was an accountant with Matex International Limited. Prior to this, Mr. Yip was an audit senior and audit assistant with P G Wee Partnership LLP (formerly known as PG Wee & Partners), Singapore and Chew & Associates, Malaysia, respectively.

Mr. Yip holds an ACCA qualification from the Association of Chartered Certified Accountants, and is a non-practising member of the Institute of Singapore Chartered Accountants.

## MR. CHOW KIM GHEE | Senior Project Director

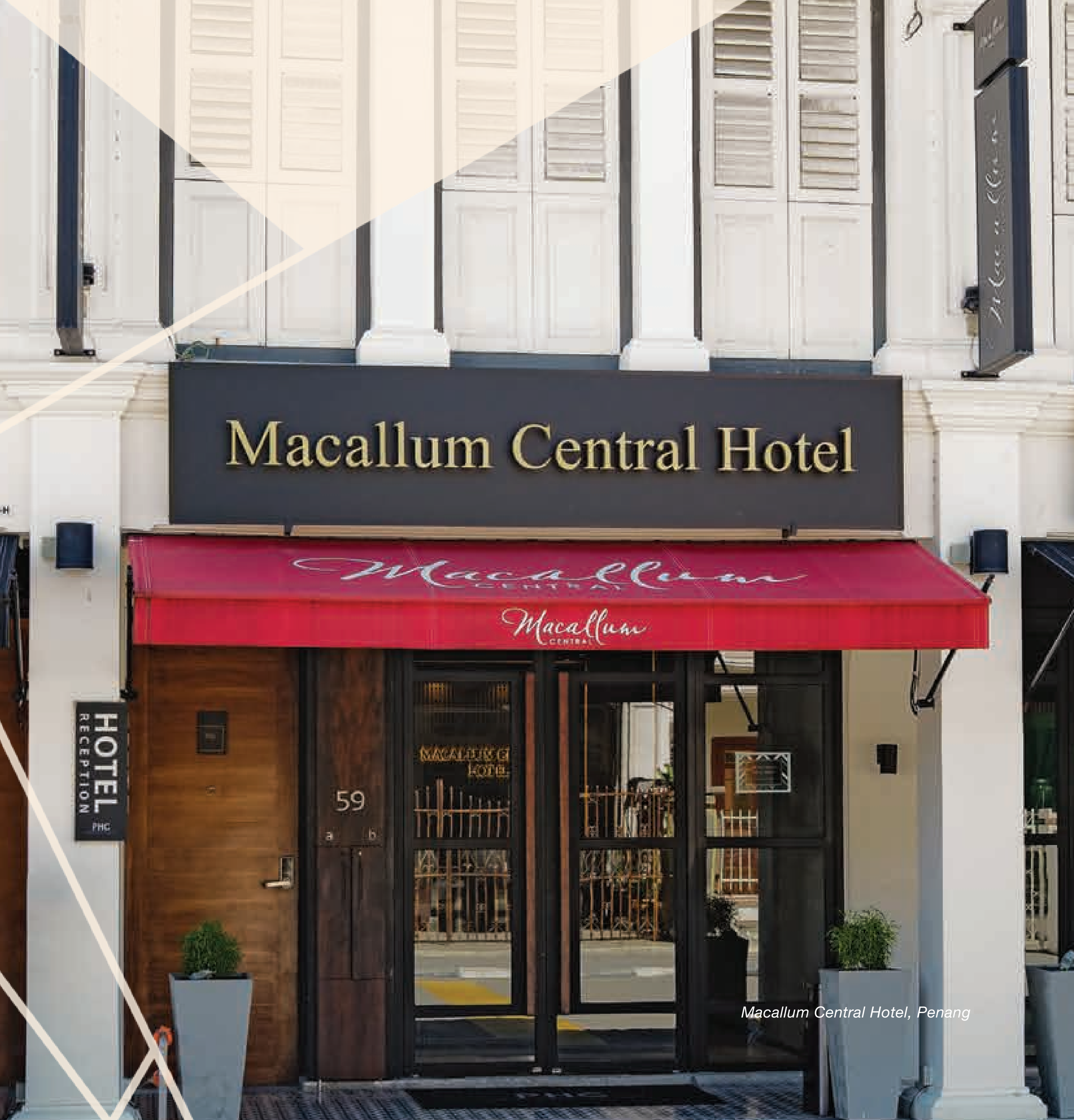
Mr. Chow Kim Ghee is the Senior Project Director of our Group. He is responsible for managing and overseeing the development works of our projects.

Prior to his appointment as Senior Project Director of our Group, Mr. Chow was the senior project director of the property development business of the Aspial Group and was responsible for managing and overseeing development works of the Aspial Group’s projects, assisting in execution of sales and marketing activities as well as contract negotiation and construction management. Before joining the Aspial Group in 2006, Mr. Chow was a partner with Quadfort Design and Construction Pte. Ltd. from 2004 to 2006 and a project manager with SLF Management Services Pte Ltd from 2000 to 2004. From 1997 to 1999, Mr. Chow was a project executive with C.J. Management and Development Pte Ltd.

Mr. Chow holds a Bachelor of Applied Science (Construction Management) with Honours from the Royal Melbourne Institute of Technology and a Master of Business Administration from Queen Margaret University.

# BUILDING SUSTAINABLE DEVELOPMENTS

**Moving forward, we strive to further grow our extensive portfolio of property investment and development projects, bringing long-term sustainable value to our shareholders. With our established track record and commitment to excellence, we continually challenge ourselves to reach higher aspirations.**




*Macallum Central Hotel, Penang*

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Mr. Koh Wee Seng
*(Non-Executive Chairman)*

Ms. Koh Lee Hwee
*(Non-Executive Director)*

Mr. Ng Sheng Tiong
*(Executive Director and Chief Executive Officer)*

Mr. Ong Tuen Suan
*(Lead Independent Director)*

Mr. Yeoh Seng Huat Geoffrey
*(Independent Director)*

Mr. Tan Seng Chuan
*(Independent Director)*

**COMPANY SECRETARIES**
Mr. Lim Swee Ann (CPA, ACIS)
Mr. Yip Chee Kwang (CA)

**REGISTERED OFFICE**
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: +65 6850 0188
Fax: +65 6841 7905
Email: investors@wcg.com.sg
Website: https://wcg.com.sg

**SHARE REGISTRAR**
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

**SPONSOR**
ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

**AUDITOR**
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner-in-charge: Mr. Max Loh Khum Whai
(Chartered Accountant, a member of
the Institute of Singapore Chartered Accountants)
(Since the financial year ended 31 December 2017)

**PRINCIPAL BANKERS**
United Overseas Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited

# CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") of World Class Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to observing and maintaining high standards of corporate governance within the Company and the Group which is essential to the long-term sustainability of the Group's business and performance. This Corporate Governance Report describes the Group's corporate governance practices for the financial year ended 31 December 2019 ("**FY2019**") with specific reference made to the Principles and Provisions of the Code of Corporate Governance 2018 (the "**Code**") issued in August 2018, which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Board is pleased to report that for FY2019, the Company has adhered to the Principles of the Code, and the Provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any Provisions of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

**BOARD MATTERS (PRINCIPLES 1, 2 AND 3)**

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

**THE BOARD'S CONDUCT OF ITS AFFAIRS**

The Board's role is to:

- provide entrepreneurial leadership, set strategic directions, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed;
- review the performance of the management of the Company (the "**Management**"); and
- set the Group's corporate values and ensure that obligations to shareholders of the Company (the "**Shareholders**") and other stakeholders are understood and met.

The Company has adopted internal guidelines setting forth matters that require the Board's approval and clear directions have also been given to the Management that the following matters, amongst others, must be approved by the Board under such guidelines:

- Half year and full year results announcements;
- Annual reports (including Directors' statements) and financial statements for each financial year;
- Declaration of interim dividends and proposal for final dividends;
- Convening of Shareholders' meetings;
- Appointment and remuneration packages, as well as cessation of Directors and key management personnel;
- Authorisation of fund-raising activities;
- Authorisation of merger and acquisition transactions; and
- Authorisation of major transactions.

While matters relating to the Group's strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operations and administration of the Group.

# CORPORATE GOVERNANCE REPORT

## THE BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has, without abdicating its responsibilities, delegated certain matters to specialised committees of the Board. These committees include the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**"), the Conflicts Resolution Committee (the "**CRC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). The Board Committees assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. The majority of the members of the Board Committees, including the respective Chairmen, are independent. The Board Committees function within clearly defined terms of references and operating procedures. The effectiveness of the Board is also reviewed by the Board on an annual basis.

The Board will meet on a quarterly basis as warranted. Ad hoc meetings may also be convened to discuss and deliberate on urgent substantive matters or issues, as and when necessary. The Constitution of the Company provides for the Board and the Board Committees to convene meetings via telephone conferencing and video conferencing. The details of the number of Board and Board Committees meetings held in FY2019 and the attendance of each Director at those meetings are disclosed below:

| | Board | | Audit Committee | | Nominating Committee | | Conflicts Resolution Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of Director | No. of meeting held | No. of meeting attended | No. of meeting held | No. of meeting attended | No. of meeting held | No. of meeting attended | No. of meeting held | No. of meeting attended | No. of meeting held | No. of meeting attended |
| Koh Wee Seng | 4 | 4 | 4 | 4* | 1 | 1 | 1 | 1* | 1 | 1 |
| Ng Sheng Tiong | 4 | 4 | 4 | 4* | 1 | 1* | 1 | 1* | 1 | 1* |
| Koh Lee Hwee | 4 | 4 | 4 | 4 | 1 | 1* | 1 | 1* | 1 | 1* |
| Ong Tuen Suan | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| Yeoh Seng Huat Geoffrey | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tan Seng Chuan | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |

* By invitation

While the Board considers Directors' attendance at Board meetings important, it should not be the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other forms, including periodic reviews and the provision of guidance and advice on various matters relating to the Group.

To enable the Board to fulfill its responsibilities, the Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to the Board meetings. Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of the meeting and information on major operational, financial and corporate issues. During each Board meeting, progress reports of the Group's business operations are also presented to the Board by the Management. The Board also has separate and independent access to the Company Secretary and the Management.

The Company Secretary attends all Board meetings and ensures that Board procedures are followed. The Company Secretary also ensures that the requirements under the Companies Act (Chapter 50 of Singapore) and all regulations of the SGX-ST are complied with.

The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole.

In the furtherance of their duties, the Directors, whether individually or as a group, may obtain professional advice and assistance from the Company Secretary or independent professionals, if necessary, and the cost of such advice and assistance will be borne by the Company.

# CORPORATE GOVERNANCE REPORT

### THE BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)

Upon appointment of a new Director, the Company will provide a formal letter to the Director setting out, amongst others, his duties and obligations. Newly appointed Directors will be briefed on the Group's business, its strategic directions and corporate governance policies. Familiarisation visits can be organised, if necessary, to facilitate a better understanding of the Group's business operations. For new appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend relevant training courses organised by the Singapore Institute of Directors as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to accounting, legal and industry-specific knowledge, where appropriate, organised by other training institutions, in connection with their duties, and such training will be funded by the Company. During FY2019, no new Director was appointed to the Board.

Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2019, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards by the Company's external auditors, Ernst & Young LLP; (ii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings; and (iii) the revised Code and changes to the Catalist Rules by the Company's sponsor, ZICO Capital Pte. Ltd., so as to enable them to make well-informed decisions and to properly discharge their duties as Board or Board Committee members.

As at 31 December 2019, the composition of the Board is as follows:

| Name of Director | Appointment Position | First Appointment Date | Last Re-appointment Date | Length of Service | Board Committee(s) served on | Directorships or chairmanships both present and past held over the last three (3) years in other listed companies | Academic and professional qualifications/ experience |
|---|---|---|---|---|---|---|---|
| Koh Wee Seng[(1)] | Non-Executive Chairman | 29 October 2013 | 25 April 2019 | 6 years 5 months | – Nominating Committee<br>– Remuneration Committee | – Aspial Corporation Limited<br>– AF Global Limited<br>– Maxi-Cash Financial Services Corporation Ltd | Bachelor of Business Administration, National University of Singapore |
| Ng Sheng Tiong[(1)] | Executive Director and CEO | 29 October 2013 | –<br>(shall retire and be subject to re-election at the upcoming AGM) | 6 years 5 months | Nil | Nil | Master of Business in Information Technology, Royal Melbourne Institute of Technology |
| Koh Lee Hwee[(1)] | Non-Executive Director | 29 October 2013 | 25 April 2019 | 6 years 5 months | Audit Committee | – Aspial Corporation Limited<br>– Maxi-Cash Financial Services Corporation Ltd | Bachelor of Arts, National University of Singapore |
| Ong Tuen Suan | Lead Independent Director | 1 June 2017 | 25 April 2018 (shall retire and be subject to re-election at the upcoming AGM) | 2 years 10 months | – Audit Committee<br>– Nominating Committee (Chairman)<br>– Remuneration Committee<br>– Conflicts Resolution Committee (Chairman) | – AF Global Limited | – Bachelor of Economics, Monash University<br>– Fellow, CPA Australia |

**THE BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)**

| Name of Director | Appointment Position | First Appointment Date | Last Re-appointment Date | Length of Service | Board Committee(s) served on | Directorships or chairmanships both present and past held over the last three (3) years in other listed companies | Academic and professional qualifications/ experience |
|---|---|---|---|---|---|---|---|
| Yeoh Seng Huat Geoffrey | Independent Director | 1 June 2017 | 25 April 2018 | 2 years 10 months | – Audit Committee (Chairman)<br>– Nominating Committee<br>– Remuneration Committee<br>– Conflicts Resolution Committee | – Global Testing Corporation Limited<br>– Hoe Leong Corporation Limited (past) | – Bachelor of Science (Economics), London School of Economics and Political Science<br>– Fellow, Association of Chartered Certified Accountants, United Kingdom |
| Tan Seng Chuan | Independent Director | 1 June 2017 | 25 April 2018 | 2 years 10 months | – Audit Committee<br>– Nominating Committee<br>– Remuneration Committee (Chairman)<br>– Conflicts Resolution Committee | Nil | – Bachelor in Engineering (Civil), National University of Singapore<br>– Master in Science (Building Science), National University of Singapore<br>– Professional Engineer (Civil)<br>– Chartered Engineer for Environment and Water<br>– Honorary Fellow, Institution of Engineers, Australia and Singapore |

Note:

(1) Mr Koh Wee Seng and Ms Koh Lee Hwee are siblings. Mr Ng Sheng Tiong is the husband of Ms Koh Lee Hwee and the brother-in-law of Mr Koh Wee Seng.

The Board has considered the current Board size of six (6) members and the current size of each of the Board Committees and is satisfied that the current size of the Board and each of the Board Committees facilitates effective decision-making, after taking into account the nature and scope of the Group's operations, as well as the wide spectrum of skills and knowledge of the Directors.

In identifying the need for any new Director, the Board's primary consideration is to ensure that the Board consists of an appropriate mix of members with complementary skills, core competencies and experience that could contribute effectively to the Group, regardless of gender.

To maintain or enhance the balance and diversity of the Board and the Board Committees, the composition of the Board and each of the Board Committees is reviewed by the NC to ensure that the Board and the Board Committees have the appropriate mix of expertise and experience. The NC is of the view that the current Board and each of the Board Committees comprise persons who as a group provides an appropriate balance and diversity of skills, experience and knowledge to the Company, as well as provides a diversity of gender with one (1) female Director who is a Non-Executive Director. The Board members collectively possess the necessary core competencies such as accounting, finance, investment, business and management experience, corporate governance, industry knowledge and strategic planning experience for the effective functioning of the Board and an informed decision-making process.

# CORPORATE GOVERNANCE REPORT

**THE BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)**

The roles of the Chairman and the Chief Executive Officer ("**CEO**") are separate and distinct, each having their own areas of responsibilities.

The key responsibilities of the Chairman include:

- leading the Board to ensure its effectiveness;
- setting agenda for Board meetings and ensuring adequate time for discussion;
- promoting openness and discussion during Board meetings;
- ensuring that Directors receive complete, adequate and timely information;
- ensuring effective communication with Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management;
- facilitating effective contributions of the Non-Executive Directors; and
- promoting high standards of corporate governance.

The key responsibilities of the CEO include overseeing the day-to-day management of the Group, leading and implementing all major initiatives (such as expansion related strategies, acquisitions and capital investments) of the Group, and playing an instrumental role in the sustainable development and growth of the Group's business.

The Company believes that a distinctive separation of responsibilities between the Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity for the Board to exercise independent decision-making. For FY2019, the positions of the Chairman and the CEO are held by Mr Koh Wee Seng and Mr Ng Sheng Tiong respectively. Mr Ng Sheng Tiong is the brother-in-law of Mr Koh Wee Seng.

Provision 2.2 of the Code recommends that independent directors make up a majority of the Board where the Chairman is not independent. In the case of the Company, the Chairman is not independent as he is related to the CEO. The Board currently comprises six (6) Directors, three (3) of whom are Independent Directors. In order to address the issue of independence given that the Chairman is not independent, the Independent Directors make up half of the Board and the majority of each of the Board Committees. Further, the Chairman has undertaken not to exercise his casting vote rights as provided for in the Company's Constitution. Taking into account the above, the Board is of the view that the Company complies with Principle 2 of the Code as there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or small group of individuals exercising any considerable concentration of power or influence.

*Lead Independent Director*

For good corporate governance and taking into account the Chairman is not independent, the Board has appointed Mr Ong Tuen Suan as the Lead Independent Director of the Company. The Lead Independent Director is available to Shareholders and employees in the event that interactions with the Non-Executive Chairman, CEO or Chief Financial Officer ("**CFO**") cannot satisfactorily resolve their concerns or where such channel of communications is considered inappropriate. The Lead Independent Director also assists the Board in ensuring effective corporate governance in managing the affairs of the Board and the Company. Where necessary, the Lead Independent Director, together with the other Independent Directors, will meet without the presence of the other non-Independent Directors, and the Lead Independent Director will provide feedback to the Chairman, if it is necessary.

The Independent Directors have the necessary experience and expertise to assist the Board in decision-making and provide greater balance to the Board as they do not participate in the day-to-day running of the Group. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management. Non-Executive Directors have been actively participating in discussions and decision-making at the Board and the Board Committees meetings, and had open discussions with the Management. Where necessary, the Non-Executive Directors meet and discuss on the Group's affairs without the presence of the Management.

## THE BOARD'S CONDUCT OF ITS AFFAIRS (CONT'D)

There is no alternate Director on the Board.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related corporations, its 5% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. None of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment.

## BOARD MEMBERSHIP & PERFORMANCE (PRINCIPLES 4 AND 5)

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

## NOMINATING COMMITTEE

The NC comprises four (4) Directors, all of whom are Non-Executive Directors, and a majority of whom, including the NC Chairman, are independent. The Lead Independent Director is a member of the NC.

The members of the NC are as follows:

| | | |
|---|---|---|
| Ong Tuen Suan | Chairman | Lead Independent Director |
| Yeoh Seng Huat Geoffrey | Member | Independent Director |
| Tan Seng Chuan | Member | Independent Director |
| Koh Wee Seng | Member | Non-Executive Director |

The NC will meet at least once a year. In FY2019, the NC has met once.

The NC carries out its duties in accordance with a set of terms of reference which includes, the following key terms:

- making recommendations to the Board on all board appointments (including alternate directors, if any), including re-nominations, having regard, to the Director's competencies, commitment, contribution and performance;

- reviewing the structure, size and composition (balance of skills, knowledge, experience, independence, and diversity) of the Board and the Board Committees;

- making recommendations to the Board in respect of its review of Board succession plans for Directors training and professional development programmes for the Board and the Directors, and the process and criteria for evaluation of the performance of the Board, the Board Committees and the Directors;

- determining on an annual basis, whether or not a Director is independent and providing its views to the Board for the Board's consideration;

- reviewing the performance of Directors having multiple board representations on various listed companies and other principal commitments, deciding whether or not such Director is able to and/or has been adequately carrying out his or her duties as Director;

- assessing the performance and effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman of the Board and each individual Director to the Board, including the proposal of the objective performance criteria; and

- generally undertaking such other functions and duties as may be required by statute, the Catalist Rules and/or the Code as may be amended, varied or supplemented from time to time.

# CORPORATE GOVERNANCE REPORT

**NOMINATING COMMITTEE (CONT'D)**

*Process for Selection, Appointment and Re-appointment of Directors*

In its selection of new Directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. The Board conducts an initial assessment to review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment. For re-appointment of existing Directors to the Board, the Board will take into consideration, amongst others, the Director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour).

*Assessment of Performance and Effectiveness of the Board, as a whole, and that of each of the Board Committees, and Individual Directors*

The NC determines the criteria on which Board performance is to be evaluated and, subject to the approval of the Board, proposes objective performance criteria which address how the Board has enhanced long-term Shareholders' value.

The Board has implemented a formal annual process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board. For FY2019, the Directors participated in the evaluation by providing feedback to the NC in the form of completing (i) a Board Performance Evaluation checklist which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management and internal control, measuring and monitoring performance as well as communication with Shareholders; (ii) an Individual Director Performance Evaluation checklist which covers several parameters such as the Director's interactive skills, industry knowledge, contribution and workload requirements, sense of independence and preparation at the Board and Board Committees meetings, and (iii) Board Committees Performance Evaluation checklist. To ensure confidentiality, the evaluation checklists completed by the Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the performance and the effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board for the financial year. The NC has reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that, based on the results collated from the evaluation checklists, (i) the performance and effectiveness of the Board as a whole has been satisfactory; (ii) the Board Committees have consistently performed well and effectively; and (iii) each individual Director has discharged his/her roles and responsibilities effectively and has contributed towards the effectiveness of the Board for the financial year.

No external facilitator was engaged for the above assessment.

The NC will continue to review formal assessment processes for evaluating the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

*Independence of Directors*

The independence of each Director will be reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review and determines whether the Director falls under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The NC has reviewed and determines that Mr Ong Tuen Suan, Mr Yeoh Seng Huat Geoffrey, and Mr Tan Seng Chuan are independent.

*Directors' Time Commitments and Multiple Board Representations*

As the ability to commit time and attention to the Group's affairs is essential for the individual Director's contribution and performance, the Board has considered the number of listed directorship each of its Directors can hold after taking into considerations factors such as the expected and/or competing time commitments of the Directors, the size and composition of the Board as well as the nature and scope of the Group's operations and size. As a guide, Directors should not have more than six (6) listed company board representations.

## NOMINATING COMMITTEE (CONT'D)

The NC has reviewed and is satisfied that in FY2019, where Directors had other listed company board representations, each of these Directors does not have more than six (6) listed company board representations and these Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately carry out their duties as Directors of the Company.

*Re-election of Directors*

In accordance with Rule 720(4) of the Catalist Rules, all Directors need to submit themselves for re-nomination and re-appointment at least once every three (3) years. Article 97 of the Company's Constitution provides that at least one-third of its Directors shall retire from office and are subject to re-election at every Annual General Meeting of the Company ("**AGM**"). In addition, Article 103 of the Company's Constitution provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. This will enable all Shareholders to exercise their rights in selecting all the Board members of the Company.

The NC has recommended to the Board that the following Directors be nominated for re-election as Directors, at the forthcoming AGM:

(1) Mr Ng Sheng Tiong who is retiring pursuant to Article 97 of the Company's Constitution; and

(2) Mr Ong Tuen Suan who is retiring pursuant to Article 97 of the Company's Constitution.

Please refer to the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report as well as page 9 of this Annual Report for more information on the abovementioned Directors. The NC has reviewed and is satisfied that both Mr Ng Sheng Tiong and Mr Ong Tuen Suan, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, are properly qualified for re-election by virtue of their skills, experience and contributions.

The Board has accepted the NC's recommendation and the re-election of the abovementioned Directors shall be subject to Shareholders' approval at the forthcoming AGM.

The NC also determines, on an annual basis, the independence of Directors. For FY2019, the NC has assessed and affirmed the status of each Director as follows:

| | |
|---|---|
| Koh Wee Seng | Non-Independent |
| Ng Sheng Tiong | Non-Independent |
| Koh Lee Hwee | Non-Independent |
| Ong Tuen Suan | Independent |
| Yeoh Seng Huat Geoffrey | Independent |
| Tan Seng Chuan | Independent |

The key information of the Directors, including their academic and professional qualifications, shareholding interests in the Group, Board Committees served on, first appointment dates, last re-appointment dates, directorships or chairmanships both present and those held over the past three (3) years in other listed companies, and their principal commitments, are set out on pages 9, 10, 16 and 17 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

**REMUNERATION MATTERS (PRINCIPLES 6, 7 AND 8)**

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

**REMUNERATION COMMITTEE**

The RC comprises four (4) Directors, all of whom are Non-Executive Directors, and a majority of whom, including the RC Chairman, are independent. The members of the RC are as follows:

| | | |
|---|---|---|
| Tan Seng Chuan | Chairman | Independent Director |
| Ong Tuen Suan | Member | Lead Independent Director |
| Yeoh Seng Huat Geoffrey | Member | Independent Director |
| Koh Wee Seng | Member | Non-Executive Director |

The RC will meet at least once a year. In FY2019, the RC has met once.

The RC carries out its duties in accordance with a set of terms of reference which includes, the following key terms:

- recommending to the Board for endorsement, a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each Director and the Chief Executive Officer (or executive of equivalent rank);

- reviewing and considering the service contracts/agreements of the Executive Director(s), Chief Executive Officer and key management personnel, including incentive bonus, and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

- reviewing all long-term and short-term incentive schemes/plans for approval by the Board and Shareholders, including the administration of such incentive schemes/plans (including share schemes) as may be implemented in accordance with their respective terms;

- performing an annual review of the remuneration packages of employees related to the Directors and substantial shareholders of the Company;

- considering the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances, including for example, misstatement of financial results, or misconduct resulting in financial loss to the Group; and

- generally undertaking such other functions and duties as may be required by statute, the Catalist Rules and/or the Code as may be amended, varied or supplemented from time to time.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Each member of the RC and the Board abstains from voting on any resolutions in respect of his remuneration package.

## REMUNERATION COMMITTEE (CONT'D)

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review.

No remuneration consultants were engaged by the Company in FY2019. The RC will engage professional advice in relation to remuneration matters as and when the need arises. The RC will ensure that existing relationships between the Company and its appointed remuneration consultants, if any, will not affect the independence and objectivity of the remuneration consultants. Where remuneration consultants are appointed, the Company will disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the Company.

The Company's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise.

The Executive Director does not receive Directors' fees but is remunerated as a member of the Management. The remuneration package of each of the Executive Director and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The performance-related component of the remuneration package is designed to align the interests of the Executive Director and the key management personnel with those of Shareholders and link rewards to the Group's financial performance. Service agreements for the Executive Director and the key management personnel are for a fixed appointment period and do not contain onerous removal clauses. The RC reviews the fairness and reasonableness of the termination clauses contain in the service agreements of the Executive Director and the key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

There were no termination or retirement benefits and post-employment benefits that are granted to the Executive Director and key management personnel in FY2019. The Company does not intend to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Director in the event of such breach of fiduciary duties.

The Independent Directors and the Non-Executive Directors do not have any service agreement with the Company. They are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities on the Board and Board Committees. They do not receive any other form of remuneration from the Company. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

Directors' fees are endorsed by the RC and recommended by the Board for Shareholders' approval at the AGM. At the forthcoming AGM, Shareholders' approval will be sought for the payment of Directors' fees of S$240,000 for FY2019 (FY2018: S$240,000).

*Service Agreement*

The Company has entered into a service agreement ("**Agreement**") with Mr Ng Sheng Tiong on 1 March 2017 ("**Commencement Date**") in respect of his employment as an Executive Director and CEO of the Company. The Agreement is for a term of two (2) years from the Commencement Date, and is thereafter renewable automatically for a period of two (2) years (or such shorter periods as Mr Ng Sheng Tiong and the Company may agree) for each subsequent term on such terms which shall be subject to the review by the Board and the RC, such renewal being subject to the confirmation of the Board at least three (3) months before the renewal date. Under the terms of the Agreement, either party may terminate the Agreement by giving to the other party not less than six (6) months' written notice, or in lieu of such notice an amount equal to six (6) months' salary.

# CORPORATE GOVERNANCE REPORT

**REMUNERATION COMMITTEE (CONT'D)**

*WCG Share Option Scheme*

The Company uses the WCG Share Option Scheme to provide an opportunity for employees of the Group and Directors who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company and inculcate in all participants a stronger and more lasting sense of identification with the Company. The WCG Share Option Scheme seeks to attract, retain and provide incentives to participants to encourage greater dedication and loyalty by enabling the Company to provide recognition for past contributions and services. The Company believes that this, in turn, will help to motivate participants generally to contribute towards the Company's long-term success. The WCG Share Option Scheme is administered by the Remuneration Committee of the Company. No option were granted by the Company under the WCG Share Option Scheme in FY2019.

The Board has not included a separate annual remuneration report to Shareholders in this Annual Report on the remuneration of the Directors and the key management personnel (who are not Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Annual Report and in the financial statements of the Company.

Provision 8.1 of the Code recommends that the Company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual Director and the CEO; and (b) at least the top five (5) key management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel, while Provision 8.2 of the Code recommends that the Company discloses the names and remuneration of employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report, and such disclosure to state clearly the employee's relationship with the relevant Director or the CEO or substantial Shareholder. The Company has not fully adhered to the aforesaid Provisions 8.1 and 8.2 of the Code with respect to the disclosure of remuneration of the Directors (including the CEO), the key management personnel (who are not Directors or the CEO) and related employees. The Board has reviewed the disclosure of the remuneration of the Directors (including the CEO), the key management personnel (who are not Directors or the CEO) and related employees, and has decided not to disclose (i) the amount and breakdown of the remuneration of each individual Directors (including the CEO); (ii) the names and the breakdown of the remuneration of the key management personnel (who are not Directors or the CEO); and (iii) the remuneration of related employees in bands no wider than S$100,000. The Board believes that such disclosure may be prejudicial to the Group's businesses given the competitive business environment that the Group operates in and the disadvantages that such disclosure may bring. The Board is of the view that the current disclosure of the remuneration presented herein in this Annual Report, which states (a) the level of remuneration (in remuneration bands of S$250,000) as well as the mix of remuneration (in percentage terms) for each Director (including the CEO); (b) the level of remuneration (in remuneration bands of S$250,000) for the key management personnel (who are not Directors or the CEO), the number of key management personnel (who are not Directors or the CEO) in each of the remuneration bands as well as the total remuneration paid to the key management personnel (who are not Directors or the CEO); and (c) the names and the level of remuneration (in remuneration bands of S$250,000) for each related employees, is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

The Board has reviewed the disclosure of the remuneration of the Directors and the key management personnel (who are not Directors or the CEO) and has decided not to fully disclose their remuneration, as well as the names of the key management personnel (who are not Directors or the CEO) as the Board believes that such disclosure may be prejudicial to its businesses given the competitive business environment and the disadvantages that it may bring.

**REMUNERATION COMMITTEE (CONT'D)**

*Remuneration of Directors*

A breakdown showing the level and mix of the remuneration of each individual Director for FY2019 is set out below:

| Remuneration Bands | Name of Director | Salary[1] (%) | Bonus, Performance Bonus (%) | Directors' Fees[2] (%) |
|---|---|---|---|---|
| Between S$750,000 and S$1,000,000 | Ng Sheng Tiong | 33.76 | 66.24 | – |
| S$250,000 and below | Koh Wee Seng | – | – | 100.00 |
| | Koh Lee Hwee | – | – | 100.00 |
| | Ong Tuen Suan | – | – | 100.00 |
| | Yeoh Seng Huat Geoffrey | – | – | 100.00 |
| | Tan Seng Chuan | – | – | 100.00 |

**Notes:**

(1) Inclusive of salary, allowances and Central Provident Fund contributions.

(2) Directors' fees are subject to the approval of Shareholders at the forthcoming AGM.

*Remuneration of Key Management Personnel (who are not Directors or the CEO)*

The Group has only four (4) key management personnel (who are not Directors or the CEO) during FY2019. The remuneration of the four (4) key management personnel comprises fixed component and variable component. Fixed component is in the form of fixed salary whereas variable component is linked to the performance of the Group's business and individual performance.

A breakdown of the level and mix of the remuneration payable to each of the top four (4) key management personnel (who are not Directors or the CEO) for FY2019 is as follows:

| Remuneration Band | No. of Key Management Personnel | Salary[1] (%) | Bonus (%) |
|---|---|---|---|
| Between S$250,000 and S$500,000 | 2 | 86.34 | 13.66 |
| S$250,000 and below | 2 | 86.89 | 13.11 |

**Note:**

(1) Inclusive of salary, allowances and Central Provident Fund contributions.

The total remuneration paid to the aforesaid four (4) key management personnel (who are not Directors or the CEO) for FY2019 was approximately S$1,128,000.

*Remuneration of Employees who are Substantial Shareholders or are Immediate Family Members of a Director, CEO or Substantial Shareholder*

Save for Mr Koh Wee Seng (Non-Executive Chairman) and Ms Koh Lee Hwee (Non-Executive Director) who are siblings, as well as Mr Ng Sheng Tiong (Executive Director and CEO), who is the husband of Ms Koh Lee Hwee and brother-in-law of Mr Koh Wee Seng, there is no employee of the Group who is a substantial shareholder of the Company or an immediate family member of a Director, CEO or the substantial shareholder and was paid more than S$100,000 during FY2019.

# CORPORATE GOVERNANCE REPORT

**RISK MANAGEMENT AND INTERNAL CONTROLS (PRINCIPLE 9)**

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company's internal control systems serve as the key in identifying and managing risks that are significant to the achievement of its business objectives. The process of risk management has been integrated into the Group's business planning and monitoring process. The Company regularly reviews the Group's business and operational activities to identify areas of significant business risks. Appropriate measures are taken to assess, control and mitigate these risks.

The internal audit function of the Group performs risk assessment and conducts review on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews and endorses the internal audit plan and internal audit reports of the Group.

The internal control systems maintained by the Management throughout the year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. The adequacy and effectiveness of the Group's risk management and internal control systems and procedures will be reviewed by the AC annually.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at 31 December 2019.

The Board has received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the CEO and other key management personnel that they have evaluated the adequacy and effectiveness of the Group's risk management and internal control systems and assessed the internal auditors' reports on the Group's operations and external auditors' report on the financial statements and management letter of the Group, and noted that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process, summarise or report financial information.

**AUDIT COMMITTEE (PRINCIPLE 10)**

**Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

The AC comprises four (4) Directors, all of whom are Non-Executive Directors, and a majority of whom, including the AC Chairman, are independent and two (2) of whom have recent and related accounting or financial management expertise or experience. The members of the AC are as follows:

| | | |
|---|---|---|
| Yeoh Seng Huat Geoffrey | Chairman | Independent Director |
| Ong Tuen Suan | Member | Lead Independent Director |
| Tan Seng Chuan | Member | Independent Director |
| Koh Lee Hwee | Member | Non-Executive Director |

The AC will meet on a semi-annual basis during the year. In FY2019, the AC has met four (4) times.

**AUDIT COMMITTEE (PRINCIPLE 10) (CONT'D)**

The AC carries out its duties in accordance with a set of terms of reference which includes, the following key terms:

- assisting the Board in the discharge of its responsibilities on financial and reporting matters;

- reviewing, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls and results of the audits compiled by the internal and external auditors;

- reviewing the quarterly or half yearly (where applicable) and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

- reviewing at least annually the effectiveness and adequacy of the Group's internal control and procedures addressing financial, operational, compliance and information technology risks, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the Management where necessary);

- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

- making recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- reviewing significant financial reporting issues and judgements with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

- reviewing and approving transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

- reviewing reports prepared by the internal auditors on compliance with the guidelines and procedures for interested person transactions and any other potential conflicts of interest;

- based on the computation prepared by the CFO on a quarterly basis for (i) the ratio of the sum of the values of the Company's Australian land assets and of each of its subsidiaries against the sum of the values of the total assets of the Group on a quarterly basis (the "**Ratio**"); (ii) the value of the Group's gross Australian assets to determine if the Group is a Offshore Corporation (as defined in this Annual Report under the section entitled "Notice to Shareholders") (the "**OC Value**"); and (iii) the value of each of the Group's Australian subsidiaries' gross Australian assets to determine if each of the Group's Australian subsidiaries is a Prescribed Australian Entity (as defined in this Annual Report under the section entitled "Notice to Shareholders") (the "**PAE Value**"), (a) review the Ratio, the OC Value and the PAE Value; (b) ensure that the Group will disclose whether the Group is an Australian Land Corporation (as defined in this Annual Report under the section entitled "Notice to Shareholders") and/or a Offshore Corporation and/or each of the Group's Australian subsidiaries is a Prescribed Australian Entity when the Group releases periodic announcements of the Group's financial statements and to include in the Group's annual reports, a statement of whether the Group is an Australian Land Corporation and/or a Offshore Corporation and/or each of the Group's Australian subsidiaries is a Prescribed Australian Entity, based on the Group's Australian land assets or gross Australian assets (as the case may be) at the end of the relevant financial year; and (c) review the relevant requirements of the Foreign Investment Review Board and applicable laws under the FATA (as defined in this Annual Report under the section entitled "Notice to Shareholders") that are relevant to the Company;

- reviewing on a periodic basis the framework and processes established by the Group for entry into joint ventures with the Aspial Group on projects outside Australia, Indonesia, Malaysia, New Zealand and the Philippines;

# CORPORATE GOVERNANCE REPORT

**AUDIT COMMITTEE (PRINCIPLE 10) (CONT'D)**

- reviewing and approving, with input from the Management, whether the Company is in a position to make any repayments under the Fixed Loan Agreement (as defined in the Company's initial public offering (the "**IPO**") offer document dated 6 June 2017) prior to the Maturity Date (as defined in the Company's IPO offer document dated 6 June 2017); and

- generally undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference and has been given full access to and co-operation by the Management and reasonable resources to enable it to discharge its function properly. The AC has full discretion to invite any Director or key management personnel to attend its meetings.

The AC is guided by its terms of reference which stipulate its principal functions. In performing its functions, the AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit function of the Group to ensure that an effective system of control is maintained in the Group. The AC has full access to the external auditors and the internal auditors and has met with them at least once in FY2019 without the presence of the Management. On a quarterly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval. The AC is kept abreast by the Management and the external auditors of changes to accounting standards, the Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

In FY2019, the AC carried out its duties that include, amongst others, the following:

- reviewed the quarterly and full year financial statements announcements of the Group, and recommended to the Board for approval and release via the SGXNet;

- reviewed interested persons transactions of the Group;

- reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;

- met up with the Group's internal and external auditors without the presence of the Management to discuss their findings set out in their respective reports to the AC. Both the internal and external auditors had confirmed that they had access to and received full cooperation and assistance from the Management and no restrictions were placed on the respective scope of work of the internal and external auditors;

- reviewed and approved the consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated cash flows and auditors' reports;

- reviewed the Ratio, the OC Value and the PAE Value on a quarterly basis;

- reviewed the independence, adequacy and effectiveness of the Group's internal audit function;

- reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems; and

- conducted a review of the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination.

**AUDIT COMMITTEE (PRINCIPLE 10) (CONT'D)**

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matter impacting the financial statements was discussed with the Management and the external auditors, and was reviewed by the AC:

| Key Audit Matter considered | How the AC reviewed this matter and what decisions were made |
|---|---|
| Carrying values of development properties, properties held for sale and hotel properties included in property, plant and equipment. | The AC considered the suitability of the external valuers that were engaged and reviewed the outcomes of the valuation process.<br><br>The AC considered the findings of the external auditors, including their assessment of the appropriateness of valuation method and certain key assumptions used in the valuation. |

*External Auditors*

The Company has engaged Ernst & Young LLP as its external auditors, to audit the accounts of the Company. The report of the external auditors is set out in the Independent Auditor's Report section of this Annual Report.

The AC has undertaken a review of all the non-audit services provided by the external auditors for FY2019, which were related to tax compliance services, and they would not, in the AC's opinion, affect the independence and objectivity of the external auditors. The external auditors have also confirmed their independence in this respect, and that they are registered with the Accounting and Corporate Regulatory Authority.

The total fees of S$216,000 paid/payable to the external auditors for FY2019 were approved by the Board and it comprises the following:

| | |
|---|---|
| Audit fees | S$211,000 |
| Non-audit fees | S$5,000 |

After considering the adequacy of the resources and experience of the external auditors' firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the particular audit, the AC has recommended to the Board the nomination and re-appointment of Ernst & Young LLP as the external auditors for the Company's audit obligations for the financial year ending 31 December 2020, at the forthcoming AGM.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group. No former partner or director of the Company's existing audit firm is a member of the AC.

The Company has adopted a whistle blowing policy, endorsed by the AC, where employees of the Group may in confidence, raise concerns about wrongdoing or malpractice within the Group and ensure arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. No such whistle-blowing letter was received in FY2019.

*Internal Audit*

The internal audit function of the Group is conducted by the internal audit team of the Company. The internal audit team performs risk assessment and conducts the review of the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The internal auditors report primarily to the AC on internal audit matters and the AC is empowered to review any of the accounting, auditing and financial practices of the Company and the Group. The internal auditors assist the AC in ensuring that the Company maintains a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management through regular monitoring of key controls and procedures and ensuring their adequacy and effectiveness, undertaking investigations as directed by the AC, and conducting regular audits of high-risk areas. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including unrestricted direct access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

# CORPORATE GOVERNANCE REPORT

**AUDIT COMMITTEE (PRINCIPLE 10) (CONT'D)**

The internal audit function is independent of the activities it audits and carries out its activities in compliance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Board and the AC are of the opinion that the internal audit function is independent, effective and adequately resourced and internal audits are performed by competent professional staff with the relevant qualifications and experience. The AC will review annually the independence, adequacy and effectiveness of the internal audit function. The AC will also approve the appointment, removal, evaluation and compensation of the head of the internal audit function.

**SHAREHOLDER RIGHTS AND ENGAGEMENT (PRINCIPLES 11 AND 12)**

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

The Board is mindful of the obligation to provide timely and fair disclosure of material information. The Board is accountable to Shareholders while the Management is accountable to the Board. The Management currently provides the Board with management accounts of the Group's position, performance and prospects on a quarterly basis and as and when deemed necessary.

Following the amendments to Rule 705 of the Catalist Rules which took effect as of 7 February 2020, the Board has, after due deliberations (including taking into consideration, inter alia, the compliance efforts required in connection therewith), decided not to continue with quarterly reporting of the Company and the Group's unaudited financial statements, and instead, the Company will announce the unaudited financial statements of the Company and the Group on a half-yearly basis, as required under the revised Catalist Rules.

The Board believes that announcement of financial statements on a half-yearly basis coupled with enhanced disclosure requirements is sufficient to keep Shareholders and potential investors updated on the Company's and the Group's state of affairs.

Notwithstanding the foregoing, the Board would like to assure Shareholders that the Company will comply with its continuing disclosure obligations to keep Shareholders updated as and when appropriate, should there be any material developments (financial or otherwise) relating to the Company or the Group.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Catalist Rules, the Board provides a negative assurance statement in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. All the Directors and key management personnel of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

Results and other material information are released through SGXNet on a timely basis for the dissemination to Shareholders and the public in accordance with the requirements of the SGX-ST.

The Board welcomes the views of Shareholders on matters affecting the Company, whether at the general meetings of Shareholders or on an ad hoc basis. Shareholders are informed of the general meetings through notices published in the newspapers and reports or circulars sent to all Shareholders. At the general meetings, Shareholders will be given the opportunity to express their views and ask Directors or the Management questions regarding the Company and the Group. The external auditors will also be present to address Shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

**SHAREHOLDER RIGHTS AND ENGAGEMENT (PRINCIPLES 11 AND 12) (CONT'D)**

The Company does not have a dedicated investor relations team. The CFO is responsible for the Company's communication with Shareholders. The public can provide feedback to the Company Secretary via electronic mail at investors@wcg.com.sg or the Company's registered address at 8 Robinson Road #03-00 ASO Building Singapore 048544.

Shareholders who are not relevant intermediaries can vote in person or appoint not more than two (2) proxies (or in the case of Shareholders who are relevant intermediaries, more than two (2) proxies) to attend, speak and vote on their behalf at the general meetings. There is no provision in the Company's Constitution that limits the number of proxies for nominee companies.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of declaration and payment of future dividends on the Company's shares that the Directors may recommend or declare in respect of any particular financial year or period will take into consideration the Group's retained earnings and expected future earnings, operations, cash flow, capital requirements and general financing condition, as well as general business conditions and other factors which the Directors may deem appropriate (the "**Dividend Factors**"). No dividend has been declared or recommended by the Board for FY2019 as the Board deemed it more appropriate to utilise the Group's cash to reduce its borrowings and improve working capital.

The Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders.

All Shareholders receive reports or circulars of the Company which include notice of general meeting by post within the mandatory period. Notice of general meeting is released through SGXNet and published in the newspapers within the same period. The results of the general meetings are also released on SGXNet on the same day.

All registered Shareholders are encouraged to participate during the general meetings. Matters which require Shareholders' approval were presented and proposed as a separate resolution. The Company tables separate resolutions at general meetings of Shareholders on each substantially separate and distinct issue. Each item of special business in the notice of general meeting is accompanied by an explanatory note, where appropriate. Proxy form is also sent with the notice of general meeting to all Shareholders.

If Shareholders are unable to attend the general meetings, a Shareholder who is not a relevant intermediary may appoint not more than two (2) proxies (or in the case of a Shareholder who is a relevant intermediary, more than two (2) proxies) to attend and vote on their behalf at the general meetings. The Company's Constitution allows for absentia voting at general meetings of Shareholders. Notwithstanding the above, absentia voting and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of Shareholders through the web is not compromised.

All Directors, Management, Company Secretary, external auditors and the Company's sponsor attended the annual general meeting and extraordinary general meeting of the Company held on 25 April 2019. The procedures of the general meetings provide Shareholders the opportunity to ask questions relating to each resolution tabled for approval. Shareholders are encouraged to provide their views on matters relating to the Company.

The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from Shareholders relating to the agendas of the meetings, and responses from the Board and the Management. These minutes are subsequently approved by the Board and published on the corporate website of the Company, On receipt of any request from Shareholders, the minutes will also be made available to them at the registered office of the Company during office hours.

For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

# CORPORATE GOVERNANCE REPORT

**ENGAGEMENT WITH STAKEHOLDERS (PRINCIPLE 13)**

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

The Company's engagement with all stakeholders will be set out in detail in the Sustainability Report to be published annually on the Company's corporate website.

The Company takes its corporate social responsibility seriously and it is not involved nor does it have any legal violation pertaining to future generation, employee, customer and community.

The Company's latest financial results, annual reports and Code of Conduct are available on the Company's website at www.wcg.com.sg.

**OTHER CORPORATE GOVERNANCE MATTERS**

**CONFLICTS RESOLUTION COMMITTEE**

The CRC comprises three (3) Directors, all of whom are Independent Directors. The members of the CRC are as follows:

| | | |
|---|---|---|
| Ong Tuen Suan | Chairman | Lead Independent Director |
| Yeoh Seng Huat Geoffrey | Member | Independent Director |
| Tan Seng Chuan | Member | Independent Director |

The CRC will meet at least once a year. In FY2019, the CRC has met once.

The CRC shall be responsible for reviewing all conflicts (whether potential, actual or perceived), that may arise from time to time in the course of the Group's business between the Group and any of the Director, controlling Shareholder, CEO and/or any of their respective associates.

The CRC carries out its duties in accordance with a set of terms of reference which includes, the following key terms:

- reviewing on an annual basis, the protocols established to resolve conflicts of interest (whether potential, perceived or actual) to ascertain that the guidelines provided in such protocols are adequate and/or stay relevant to the business and affairs of the Group, and recommending to the Board such modifications as may be expedient or necessary, including such modifications that are necessary to ensure that the conduct of ordinary business by the Group is not unduly impeded or restricted in any way, taking into consideration the experience and issues, if any, arising from past transactions. In so doing, and if deemed necessary by the CRC, the advice and assistance from legal counsel or other professional advisers may be sought;

- reviewing the scope of relevant associates to ensure that any potential conflicts of interests will be sufficiently mitigated;

- reviewing the specific conflicts of interest (whether potential, actual or perceived) that may arise from time to time in the course of business conducted or carried on by the Group; in particular, in respect of any transaction of the Group where any Director, controlling Shareholder, CEO (if not a Director) and/or any of their relevant associates is involved as a competitor or potential competitor (or one of the competitors or potential competitors), and ensure that if a conflict arises, such conflict is dealt with and adequately resolved; and

- reviewing any transaction brought to it for its approval where any of the Directors or CEO and their relevant associates intends to:

    a) undertake passive investment in any real estate, either in their individual capacities or through special purpose vehicles, within the specified region (i.e. Australia, Indonesia, Malaysia, New Zealand and the Philippines), and the amount to be invested in a single investment or development project exceeds 5% of the Group's net asset value based on its latest audited financial statements; or

## CONFLICTS RESOLUTION COMMITTEE (CONT'D)

b) invest, either in their individual capacities or through special purpose vehicles, in securities of any listed company or listed real estate investment trust as well as private real estate funds which has more than 50% of its assets comprising interests in real estate located in the specified region ("**Investee Companies**"), and such investment will result in the person holding 5% or more of the voting rights or share capital in the Investee Companies.

The CRC has put in place mitigation procedures when the Group identifies a potential property development project and/or acquisition of a land bank and/or property for development or investment purposes and the Board will be notified of its intention to pursue the transaction.

## DEALING IN SECURITIES

The Company has adopted an internal securities code of compliance to provide guidance to the Directors, officers and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1204(19) of the Catalist Rules. During FY2019, the Company issues quarterly circulars to its Directors, officers and employees of the Group prohibiting dealing in its shares during the period commencing two (2) weeks before the announcement of the Company's quarterly financial results and one (1) month before the announcement of the Company's full year financial results, and ending on the date of announcement of the relevant results. Directors, officers and employees of the Group are also advised against dealing in the Company's securities when they are in possession of any unpublished price-sensitive information of the Group at all times. In addition, the Company discourages the Directors, officers and employees of the Group from dealing in the Company's securities on short-term considerations. The Directors, officers and employees of the Group are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period. The Group confirms that it has adhered to its internal securities code of compliance for FY2019.

## INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions ("**IPTs**"). All IPTs are reported in a timely manner to the AC and are subject to the review of the AC when a potential conflict of interest arises. The IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Director(s) concerned does not participate in discussions and refrains from exercising any influence over other members of the Board. In FY2019, the Company did not enter into any IPTs which require Shareholders' approval under the Catalist Rules.

The Group does not have a general mandate from Shareholders for IPTs pursuant to Rule 920(1)(a)(i) of the Catalist Rules. Notwithstanding this, the Group had entered into and will continue to enter into certain IPTs, details of which were duly disclosed in the Company's IPO offer document dated 6 June 2017, in the section entitled "Interested Person Transactions and Potential Conflicts of Interests – Present and On-going Interested Person Transactions". The aggregate value of the IPTs above S$100,000 entered into during FY2019 is as follows:

| 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 | – |

# CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS (CONT'D)

| 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 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 – Real estate nomination | Associate of Mr Koh Wee Seng (Non-Executive Chairman and controlling Shareholder) | 3,714 | – |

**Note:**

(1) The Group has loans owing to Aspial Treasury Pte. Ltd. of S$365,012,000 as at 31 December 2019, which is interest-bearing at 6.37% to 7.14% per annum. These loans are unsecured, with varying maturities of between one (1) and twelve (12) months and are to be settled in cash.

## MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions" and the service agreement entered into between the Executive Director and the Company, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

## NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees payable or paid to the Company's sponsor, ZICO Capital Pte. Ltd., in FY2019.

## ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Ng Sheng Tiong and Mr Ong Tuen Suan, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

| **Name of Director** | **Mr Ng Sheng Tiong** | **Mr Ong Tuen Suan** |
|---|---|---|
| Date of first appointment | 29 October 2013 | 01 June 2017 |
| Date of last re-appointment (if applicable) | Not applicable | 25 April 2018 |
| Age | 53 | 54 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The re-election of Mr Ng Sheng Tiong as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Ng Sheng Tiong's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. | The re-election of Mr Ong Tuen Suan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Ong Tuen Suan's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive. Mr Ng Sheng Tiong is responsible for day-to-day management, leads and implements all major initiatives (such as expansion related strategies, acquisitions and capital investments of the Group), and plays an instrumental role in the sustainable development and growth of the Group's business | Non-executive |
| Job Title (e.g. Lead ID, AC Chairman, AC member etc.) | Executive Director and CEO | Lead Independent Director, Chairman of the NC and the CRC, as well as a member of the AC and the RC |
| Professional qualifications | Master of Business in Information Technology, Royal Melbourne Institute of Technology | – Bachelor of Economics, Monash University<br>– Fellow, CPA Australia |
| Working experience and occupation(s) during the past 10 years | October 2013 to Present: Executive Director and CEO of the Company<br><br>June 2006 to Present: Director of World Class Land Pte. Ltd. (a subsidiary of Aspial Corporation Limited) | February 2015 to Present: Managing Director, G3 Progress Pte Ltd<br><br>January 2013 to January 2015: Regional Financial Officer, Neptune Orient Lines Ltd, based in United States<br><br>April 2008 to December 2012: Senior Vice President, Neptune Orient Lines Ltd, based in Singapore |
| Shareholding interest in the listed issuer and its subsidiaries | As at 16 March 2020, Mr Ng Sheng Tiong holds direct interest of 22,250,000 shares of the Company ("**Shares**") held in his own name. | NIL |

# CORPORATE GOVERNANCE REPORT

**ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)**

| **Name of Director** | **Mr Ng Sheng Tiong** | **Mr Ong Tuen Suan** |
|---|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Mr Ng Sheng Tiong is the husband of Ms Koh Lee Hwee (Non-Executive Director) and the brother-in-law of Mr Koh Wee Seng (Non-Executive Chairman of the Company).<br><br>As at the date of this report, Mr Ng Sheng Tiong is a director of each of the subsidiaries of the Company. | NIL |
| Conflict of interest (including any competing business) | Please refer to the section entitled "Interested Person Transactions and Potential Conflicts of Interests – Potential Conflicts of Interests" of the Company's IPO offer document dated 6 June 2017. | NIL |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| Other Principal Commitments* Including Directorships#<br>* "Principal Commitments" has the same meaning as defined in the Code.<br># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) | | |
| Past (for the last 5 years) | **Past Directorships:**<br><br>Group Companies[1]<br>– WCL-King (VIC) Pty Ltd<br><br>Other Companies<br>– World Class Capital (LN) Pte. Ltd.<br>– World Class Capital Pte. Ltd.<br>– World Class Property (Central) Pte. Ltd.<br>– World Class Property (Dunearn) Pte. Ltd.<br>– World Class Property (Eastcoast) Pte. Ltd.<br>– World Class Property (North) Pte. Ltd. | NIL |

[1] Any of (i) the Company or (ii) any subsidiary of the Company as at the date of this Annual Report.

**ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)**

| Name of Director | Mr Ng Sheng Tiong | Mr Ong Tuen Suan |
|---|---|---|
| Present | **Present Directorships:**<br><br>Group Companies[1]<br>– Dynamic Ideas Pty Ltd<br>– Penang Parade Hotels Sdn. Bhd.<br>– PHC Hotels Sdn. Bhd.<br>– SBD 102 Pty Ltd<br>– WCL (Bertam L) Sdn. Bhd.<br>– WCL (Bertam R) Sdn. Bhd.<br>– WCL (CNS) CBD Pty Ltd<br>– WCL (Macallum) Sdn. Bhd.<br>– WCL (Magazine) Sdn. Bhd.<br>– WCL (Noordin St) Sdn. Bhd.<br>– WCL (QLD) Albert St Pty Ltd<br>– WCL (QLD) Holdings Pty Ltd<br>– WCL (QLD) Margaret St Pty Ltd<br>– WCL-A Beckett (VIC) Pty Ltd<br>– WCL-Cairns (QLD) Pty Ltd<br>– WCL-Central Park (QLD) Pty Ltd<br>– WCL-Southbank (VIC) Pty Ltd<br>– World Class Land (Australia) Pty Ltd<br>– World Class Land (Georgetown) Holdings Sdn. Bhd.<br>– World Class Land (Georgetown) Sdn. Bhd.<br>– World Class Land (Malaysia) Sdn. Bhd.<br>– World Class Land (Penang) Sdn. Bhd.<br><br>Other Companies<br>– Advance Property Pte. Ltd<br>– Headway Construction Pte. Ltd.<br>– Dynamic Project Management Services Pte Ltd<br>– World Class Developments (Bedok) Pte Ltd<br>– World Class Developments (City Central) Pte Ltd<br>– World Class Developments (Central) Pte Ltd<br>– World Class Developments Pte. Ltd.<br>– World Class Investments Pte. Ltd.<br>– World Class Land Pte. Ltd.<br>– World Class Property (Telok Kurau) Pte. Ltd.<br>– World Class Property Pte. Ltd.<br>– World Class Developments (North) Pte Ltd<br>– DN Global Pte Ltd<br>– DN Property Investments Pte Ltd<br>– DN Holdings Pte Ltd | **Present Directorships:**<br><br>Other Companies:<br>– Ong Han Tam Holdings Sdn. Bhd.<br>– Nanyang Progress Sdn. Bhd.<br>– G3 Progress Pte Ltd<br>– AF Global Limited |

# CORPORATE GOVERNANCE REPORT

**ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)**

| Name of Director | Mr Ng Sheng Tiong | Mr Ong Tuen Suan |
|---|---|---|
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |

**ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)**

| Name of Director | Mr Ng Sheng Tiong | Mr Ong Tuen Suan |
|---|---|---|
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |

# CORPORATE GOVERNANCE REPORT

**ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)**

| Name of Director | Mr Ng Sheng Tiong | Mr Ong Tuen Suan |
|---|---|---|
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,<br>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

### ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

| Name of Director | Mr Ng Sheng Tiong | Mr Ong Tuen Suan |
|---|---|---|
| **Disclosure applicable to the appointment of Director only.** | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable) | Yes. Mr Ng Sheng Tiong is currently the Executive Director and CEO of the Company. | Yes. Mr Ong Tuen Suan is currently an Independent Director of the Company and an independent non-executive director of AF Global Limited, a company listed on the SGX-ST. |

# NOTICE TO SHAREHOLDERS
# 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 December 2019:

(a) Approximately 15% of the Company's and its subsidiaries' total assets consist of interests in Australian land assets (based on the exchange rate as at 31 December 2019 of A$1.00: S$0.9437). Accordingly, the Company is not an Australian Land Corporation (as defined herein);

(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$495.6 million. Accordingly, World Class Land (Australia) Pty Ltd, is a Prescribed Australian Entity (as defined herein); 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$495.6 million. Accordingly, the Company is an Offshore Corporation (as defined herein).

**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);

## NOTICE TO SHAREHOLDERS
## UPDATE ON AUSTRALIA'S FOREIGN INVESTMENT REGIME

(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$275 million (or such other amount as is prescribed by the Australian Government regulation)**

# NOTICE TO SHAREHOLDERS
# UPDATE ON AUSTRALIA'S FOREIGN INVESTMENT REGIME

***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$275 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$275 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$275 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[1] 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.

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

## NOTICE TO SHAREHOLDERS
## UPDATE ON AUSTRALIA'S FOREIGN INVESTMENT REGIME

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$275 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.**

# FINANCIAL REPORT

# DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of World Class Global Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

## OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this statement are:

Koh Wee Seng
Ng Sheng Tiong
Koh Lee Hwee
Ong Tuen Suan
Yeoh Seng Huat Geoffrey
Tan Seng Chuan

In accordance with Article 97 of the Company's Constitution, Ng Sheng Tiong and Ong Tuen Suan retire and, being eligible, offer themselves for re-election.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | Held by directors | | | Other shareholdings in which directors are deemed to have an interest | | |
|---|---|---|---|---|---|---|
| | 1 January 2019 | 31 December 2019 | 21 January 2020 | 1 January 2019 | 31 December 2019 | 21 January 2020 |
| **World Class Global Limited** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | 22,750,000 | 22,750,000 | 22,750,000 | 742,828,700 | 742,828,700 | 742,828,700 |
| Ng Sheng Tiong | 22,300,000 | 22,300,000 | 22,300,000 | – | – | – |
| Koh Lee Hwee | – | – | – | 742,828,700 | 742,828,700 | 742,828,700 |
| **Fellow subsidiaries** | | | | | | |
| **World Class Land Pte. Ltd.** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | 250,000 | 250,000 | 250,000 | 4,500,000 | 4,500,000 | 4,500,000 |
| Ng Sheng Tiong | 250,000 | 250,000 | 250,000 | – | – | – |
| Koh Lee Hwee | – | – | – | 4,500,000 | 4,500,000 | 4,500,000 |
| **AF Global Limited** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | – | – | – | 881,383,569 | 440,691,785 | 440,691,785 |
| Koh Lee Hwee | – | – | – | 881,383,569 | 440,691,785 | 440,691,785 |
| **Maxi-Cash Financial Services Corporation Ltd.** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | 96,181,017 | 96,181,017 | 96,181,017 | 727,571,074 | 727,571,074 | 727,571,074 |
| Ng Sheng Tiong | 7,381,482 | 7,381,482 | 7,381,482 | 14,288,888 | 14,288,888 | 14,288,888 |
| Koh Lee Hwee | 14,288,888 | 14,288,888 | 14,288,888 | 734,687,805 | 734,687,805 | 734,687,805 |
| **Immediate holding company** | | | | | | |
| **Aspial Corporation Limited** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | 373,463,357 | 373,463,357 | 373,463,357 | 1,142,907,178 | 1,142,907,178 | 1,142,907,178 |
| Ng Sheng Tiong | 19,174,484 | 19,174,484 | 19,174,484 | 30,890,888 | 30,890,888 | 30,890,888 |
| Koh Lee Hwee | 30,890,888 | 30,890,888 | 30,890,888 | 1,156,999,571 | 1,156,999,571 | 1,156,999,571 |
| **Ultimate holding company** | | | | | | |
| **MLHS Holdings Pte. Ltd.** | | | | | | |
| ***Ordinary shares*** | | | | | | |
| Koh Wee Seng | 1,410,000 | 1,410,000 | 1,410,000 | – | – | – |
| Ng Sheng Tiong | – | – | – | 607,500 | 607,500 | 607,500 |
| Koh Lee Hwee | 607,500 | 607,500 | 607,500 | – | – | – |

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Koh Wee Seng and Koh Lee Hwee are deemed to have an interest in the shares of all the subsidiaries to the extent held by Aspial Corporation Limited.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

## OPTIONS

No options were issued by the Company during the financial year. As at 31 December 2019, there are no options on the unissued shares of the Company or any other body corporate which were outstanding.

## AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Koh Wee Seng
Director

Ng Sheng Tiong
Director

Singapore
26 March 2020

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORLD CLASS GLOBAL LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of World Class Global Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the statements of financial position of the Group and Company as at 31 December 2019, statements of changes in equity of the Group and Company and the consolidated statement of comprehensive income and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to the matter below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

**Carrying values of development properties, properties held for sale and hotel properties included in property, plant and equipment ("PPE")**

As at 31 December 2019, the Group's development properties, properties held for sale and hotel properties included in property, plant and equipment ("PPE") amounted to $534,014,000, $32,734,000 and $58,779,000 respectively, which in aggregate, represented 83.5% of the Group's total assets. These development properties, properties held for sale and hotel properties are located in Australia and Malaysia.

For development properties, a significant proportion of these development properties relate to projects that have not been launched or completed as at 31 December 2019. In ascertaining net realisable value ("**NRV**"), significant judgment is involved as management either needs to estimate the expected selling price (taking into account estimated costs to complete construction) based on the future property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

For properties held for sale, in ascertaining NRV, significant judgment is involved as management either has to estimate the expected selling price based on the current property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

## INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORLD CLASS GLOBAL LIMITED

### KEY AUDIT MATTERS (CONT'D)

**Carrying values of development properties, properties held for sale and hotel properties included in property, plant and equipment ("PPE") (cont'd)**

For hotel properties, the Group follows the guidance in SFRS(I) 1-36 Impairment of Assets in determining whether it is necessary to recognise any impairment. Management exercises significant judgment in determining whether there is any indication that the hotel properties may be impaired. If there is any indication of impairment, significant judgment is involved as management needs to estimate the recoverable amounts of these hotel properties based on the current property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

Given the magnitude of these assets and the significant estimation uncertainties involved in determining their NRV of development properties and properties held for sale and the recoverable amounts of hotel properties included in PPE, we have identified the assessment of carrying values of development properties, properties held for sale and hotel properties included in PPE as a key audit matter.

To address the risk of material misstatement relating to the carrying values of development properties, properties held for sale and hotel properties, our audit procedures included, amongst others, inquiry of management on the existence of any indicators that the NRV or recoverable amount is lower than their respective costs. We assessed the reasonableness of the estimated selling prices, taking into account market prices for similar properties in the respective markets, where applicable. Where management used external appraisers to support its determination of estimated selling prices, we evaluated the objectivity, competence and capabilities of the appraisers. We also involved our internal real estate specialists in assessing the appropriateness of the valuation method and certain key assumptions used in the valuations.

In addition to the above procedures, in assessing the appropriateness of management's NRV assessment of the development properties and impairment assessment of the hotel properties, we performed procedures to evaluate the reasonableness of the estimated costs of completing the development properties and hotel properties under construction. We obtained an understanding of the Group's internal controls with respect to the project budgeting and monitoring process and inquired with management on the development status of on-going and significant projects. We also examined documentation of the progress of material projects such as costs incurred to-date, estimated costs to complete and timing of completion.

Further, we assessed the adequacy of disclosures related to development properties, properties held for sale and hotel properties in Note 2.13 Development properties, Note 2.14 Properties held for sale, Note 2.7 Property, plant and equipment, Note 3.2(a) Estimation of net realisable value for development properties, Note 3.2(b) Estimation of net realisable value for properties held for sale, Note 3.2(c) Impairment of property, plant and equipment, Note 13 Development properties, Note 14 Properties held for sale and Note 10 Property, plant and equipment to the financial statements.

### OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORLD CLASS GLOBAL LIMITED

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Max Loh Khum Whai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
26 March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| Revenue | 4 | 205,440 | 442,032 |
| Cost of sales | | (151,276) | (360,325) |
| Employee benefits | 6 | (3,899) | (5,074) |
| Depreciation | | (188) | (123) |
| Net foreign exchange loss | | (1,442) | (13,967) |
| Finance costs | | (3,421) | (2,181) |
| Other operating expenses | | (28,570) | (32,539) |
| Interest income | | 2,403 | 4,839 |
| Rental income | | 978 | 1,097 |
| Other income | 5 | 2,863 | 2,070 |
| **Profit before tax** | 7 | 22,888 | 35,829 |
| Income tax expense | 8(a) | (10,235) | (13,227) |
| **Profit for the year** | | 12,653 | 22,602 |
| | | | |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation, representing other comprehensive income for the year | | (2,971) | (16,409) |
| **Total comprehensive income for the year** | | 9,682 | 6,193 |
| | | | |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 13,625 | 23,160 |
| Non-controlling interests | | (972) | (558) |
| | | 12,653 | 22,602 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 10,810 | 7,481 |
| Non-controlling interests | | (1,128) | (1,288) |
| | | 9,682 | 6,193 |
| | | | |
| **Earnings per share (cents)** | | | |
| Basic | 9 | 1.49 | 2.53 |
| Diluted | 9 | 1.49 | 2.53 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 61,131 | 2,276 | 36 | 70 |
| Investment properties | 11 | 16,771 | 25,219 | – | – |
| Investment in subsidiaries | 12 | – | – | 170,315 | 236,700 |
| Deferred tax assets | 8(c) | 274 | 325 | 274 | 325 |
| | | 78,176 | 27,820 | 170,625 | 237,095 |
| **Current assets** | | | | | |
| Development properties | 13 | 534,014 | 602,357 | – | – |
| Properties held for sale | 14 | 32,734 | 41,674 | – | – |
| Trade and other receivables | 15 | 3,098 | 5,546 | 1,225 | 716 |
| Prepayments | 16 | 649 | 849 | 26 | 26 |
| Due from subsidiaries (non-trade) | 21 | – | – | 240,611 | 235,470 |
| Derivatives | 17 | 1,431 | 1,479 | 1,431 | 1,479 |
| Cash and bank balances | 18 | 98,989 | 16,970 | 62,291 | 5,615 |
| | | 670,915 | 668,875 | 305,584 | 243,306 |
| **Total assets** | | 749,091 | 696,695 | 476,209 | 480,401 |
| **Current liabilities** | | | | | |
| Trade and other payables | 19 | 17,377 | 21,877 | 2,134 | 4,112 |
| Interest-bearing loans and borrowings | 20 | 174,780 | 130,342 | – | – |
| Due to immediate holding company (non-trade) | 21 | 514 | 175,618 | – | 175,103 |
| Due to fellow subsidiaries (non-trade) | 21 | 367,010 | 192,810 | 367,010 | 192,810 |
| Provision for taxation | | 5,988 | 397 | 757 | 397 |
| | | 565,669 | 521,044 | 369,901 | 372,422 |
| **Net current assets/(liabilities)** | | 105,246 | 147,831 | 64,317 | (129,116) |
| **Non-current liabilities** | | | | | |
| Other payables | 19 | 5,830 | 3,047 | – | – |
| Interest-bearing loans and borrowings | 20 | 43,687 | 51,775 | – | – |
| Deferred tax liabilities | 8(c) | 10,734 | 7,455 | – | – |
| | | 60,251 | 62,277 | – | – |
| **Total liabilities** | | 625,920 | 583,321 | 369,901 | 372,422 |
| **Net assets** | | 123,171 | 113,374 | 106,308 | 107,979 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 22(a) | 142,556 | 142,556 | 142,556 | 142,556 |
| Other reserves | 22(b) | (22,323) | (19,508) | – | – |
| Accumulated losses | | (3,817) | (17,442) | (36,248) | (34,577) |
| | | 116,416 | 105,606 | 106,308 | 107,979 |
| Non-controlling interests | | 6,755 | 7,768 | – | – |
| **Total equity** | | 123,171 | 113,374 | 106,308 | 107,979 |
| **Total equity and liabilities** | | 749,091 | 696,695 | 476,209 | 480,401 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital (Note 22a) $'000 | Other reserves (Note 22b) $'000 | Accumulated losses $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Group** | | | | | | |
| At 1 January 2018 | 142,556 | (3,829) | (40,602) | 98,125 | 9,023 | 107,148 |
| Profit/(loss) for the year | – | – | 23,160 | 23,160 | (558) | 22,602 |
| Other comprehensive income | | | | | | |
| Foreign currency translation | – | (15,679) | – | (15,679) | (730) | (16,409) |
| **Total comprehensive income for the year** | – | (15,679) | 23,160 | 7,481 | (1,288) | 6,193 |
| Contributions by and distributions to owners | | | | | | |
| Capital contributions from non-controlling interests | – | – | – | – | 33 | 33 |
| **Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners** | – | – | – | – | 33 | 33 |
| At 31 December 2018 | 142,556 | (19,508) | (17,442) | 105,606 | 7,768 | 113,374 |
| At 1 January 2019 | 142,556 | (19,508) | (17,442) | 105,606 | 7,768 | 113,374 |
| Profit/(loss) for the year | – | – | 13,625 | 13,625 | (972) | 12,653 |
| Other comprehensive income | | | | | | |
| Foreign currency translation | – | (2,815) | – | (2,815) | (156) | (2,971) |
| **Total comprehensive income for the year** | – | (2,815) | 13,625 | 10,810 | (1,128) | 9,682 |
| Contributions by and distributions to owners | | | | | | |
| Capital contributions from non-controlling interests | – | – | – | – | 115 | 115 |
| **Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners** | – | – | – | – | 115 | 115 |
| At 31 December 2019 | 142,556 | (22,323) | (3,817) | 116,416 | 6,755 | 123,171 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| Company | Share capital (Note 22a) $'000 | Revenue reserves $'000 | Total Equity $'000 |
|---|---|---|---|
| At 1 January 2018 | 142,556 | (16,523) | 126,033 |
| Loss for the year, representing total comprehensive income for the year | – | (18,054) | (18,054) |
| At 31 December 2018 | 142,556 | (34,577) | 107,979 |
| Loss for the year, representing total comprehensive income for the year | – | (1,671) | (1,671) |
| At 31 December 2019 | 142,556 | (36,248) | 106,308 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 22,888 | 35,829 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | 188 | 123 |
| Interest income | | (2,403) | (4,839) |
| Interest expense | | 3,421 | 2,181 |
| Fixed assets written-off | | 15 | – |
| Net fair value gain on derivatives | | (1,431) | (1,479) |
| Unrealised foreign exchange loss | | 632 | 10,022 |
| Allowance for write-down of development properties | | 1,502 | – |
| Net fair value loss/(gain) on investment properties | 11 | 61 | (77) |
| Provision for impairment loss on property, plant and equipment | | 3,337 | – |
| **Operating cash flows before changes in working capital** | | 28,210 | 41,760 |
| Changes in working capital | | | |
| Decrease in development properties and properties held for sale | | 25,027 | 106,017 |
| Decrease/(increase) in trade and other receivables | | 2,375 | (1,491) |
| Decrease in prepayments | | 185 | 26 |
| Increase in restricted cash | | (13,197) | – |
| Decrease in trade and other payables | | (4,306) | (6,069) |
| **Cash flows generated from operations** | | 38,294 | 140,243 |
| Interest received | | 2,403 | 4,839 |
| Interest paid | | (39,853) | (38,644) |
| Income taxes paid | | (1,677) | (115) |
| **Net cash flows (used in)/generated from operating activities** | | (833) | 106,323 |
| **Investing activity** | | | |
| Purchase of plant and equipment | 10 | (218) | (380) |
| **Net cash flows used in investing activity** | | (218) | (380) |
| **Financing activities** | | | |
| Proceeds from issuance of shares to non-controlling interests of subsidiary | | 115 | 33 |
| Proceeds from interest-bearing loans and borrowings | | 168,141 | 154,085 |
| Repayment of interest-bearing loans and borrowings | | (129,233) | (244,689) |
| Decrease in amounts due to immediate holding company (non-trade) | | (164,645) | (64,079) |
| Increase in amounts due to a fellow subsidiary (non-trade) | | 195,630 | 53,832 |
| **Net cash flows generated from/(used in) financing activities** | | 70,008 | (100,818) |
| **Net increase in cash and cash equivalents** | | 68,957 | 5,125 |
| Effect of exchange rate changes on cash and cash equivalents | | (135) | (661) |
| **Cash and cash equivalents at beginning of year** | | 16,970 | 12,506 |
| **Cash and cash equivalents at end of year** | 18 | 85,792 | 16,970 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 1. CORPORATE INFORMATION

The Company was incorporated in Singapore on 29 October 2013 under the Companies Act as a private company, under the name of "World Class Global Pte. Ltd.".

The Company was converted into a public limited company on 12 May 2017 and the name of the Company was changed to "World Class Global Limited" in connection with the conversion. The Company was listed on the Catalist Board of the Singapore Exchange on 15 June 2017.

The immediate holding company is Aspial Corporation Limited, which is incorporated in Singapore and listed on the Main Board of the Singapore Exchange. The ultimate holding company is MLHS Holdings Pte. Ltd., which is also incorporated in Singapore.

The Company is domiciled in Singapore, and the address of the Company's registered office is 8 Robinson Road, #03-00 ASO Building, Singapore 048544. The Company's principal place of business is located at 55 Ubi Avenue 3, #05-01 Aspial One, Singapore 408864.

The principal activity of the Company is that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("**SGD**" or "**$**") and all values in the tables are rounded to the nearest thousand ("**$'000**"), except when otherwise indicated.

### 2.2 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to SFRS(I) 3 *Definition of a Business* | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material* | 1 January 2020 |
| SFRS(I) 17 *Insurance Contracts* | 1 January 2021 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– derecognises the carrying amount of any non-controlling interest;

– derecognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 2.4 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to the owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### 2.5 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group has determined its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

***(a) Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

***(b) Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Building on freehold land: 50 years
- Renovation, electrical and fittings, furniture and fittings: 3 to 5 years
- Computers: 3 years
- Motor vehicle: 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on such derecognition is included in profit or loss in the year the item of property, plant and equipment is derecognised.

### 2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

### 2.9 Financial instruments

#### *(a) Financial assets*

*Initial recognition and measurement*

Financial assets are recognised when, and only when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Financial instruments (cont'd)

***(a) Financial assets (cont'd)***

*Subsequent measurement*

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

*De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

***(b) Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Financial instruments (cont'd)

#### *(b) Financial liabilities (cont'd)*

*Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

### 2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets at amortised costs, and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For amounts due from subsidiaries (non-trade), the Group uses the general approach and estimates for 12-months expected credit losses when there is no indication of significant deterioration in credit risk based on the financial performance of its related entities. When a significant increase in credit risk has occurred, the Group estimates the Lifetime ECLs for such financial assets

The Group considers a financial asset to be in default when there is a significant deterioration in credit rating. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

### 2.13 Development properties

Development properties are properties acquired for development or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are capitalised and amortised to profit or loss as the Group expects to recognise the related revenue.

Net realisable value of the development properties is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on sale are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Development properties are transferred to properties held for sale upon the completion of construction or development.

### 2.14 Properties held for sale

Properties held for sale refer to properties where construction or development has been completed, or properties purchased, which are intended for sale in the ordinary course of business. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.16 Employee benefits

***(a) Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

***(b) Employee leave entitlement***

Employee entitlements to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

### 2.17 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***(a) As lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.12.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.17 Leases (cont'd)

#### *(a) As lessee (cont'd)*

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in borrowings (Note 20).

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### *(b) As lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Company's investment properties is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.18(c). Contingent rents are recognised as revenue in the period in which they are earned.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

***(a) Property Sales***

– *Sale of completed development property*

A development property is regarded as sold when the significant risks and returns have been transferred to the buyer at a point in time, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

– *Sale of development property under construction*

Where development property is under construction and agreement has been reached to sell such property when construction is completed, revenue is recognised at a point in time when the significant risks and rewards of ownership of the property have been transferred to the buyer (i.e. revenue is recognised at a point in time).

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

***(b) Service income***

Service income arising from establishing leasing service is recognised when the lease is secured.

***(c) Rental income from operating leases***

Rental income arising from operating leases on investment properties and standing properties at development sites is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

***(d) Interest income***

Interest income is recognised using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Taxes

#### *(a) Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *(b) Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on consolidation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Taxes (cont'd)

***(c) Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

### 2.20 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### 2.22 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.11 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 Judgments in applying accounting policies

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

***(a) Estimation of net realisable value for development properties***

Development properties are stated at the lower of cost and net realisable value ("**NRV**").

As at 31 December 2019 and 2018, the Group's development properties comprise properties that (i) are in planning phases, (ii) had obtained the necessary development permits from the relevant authorities but not launched for sale, and (iii) had obtained the necessary development permits from the relevant authorities and launched for sale with carrying amounts of $208,843,000, $Nil and $325,171,000 (2018: $224,789,000, $14,761,000 and $362,807,000) respectively.

Management has made estimates of NRV with reference to gross development values as assessed by independent valuers for certain development projects with a carrying amount of $519,416,000. The gross development value of a development property is derived from estimated sales proceeds less estimated construction costs based on prevailing conditions in the respective markets where the properties are located, with the assumption that those properties in planning phases will obtain the required development permits.

*Estimated sales proceeds*

Estimates of sales proceeds are made with reference to selling prices of units sold as well as market prices at the reporting date for similar properties in the respective markets where applicable. Where market prices are not available, input from property agents, the property-type as well as the targeted property segment has been taken into account.

*Estimated construction costs*

Estimated construction costs or costs to complete construction take into account construction contracts entered into and input from project managers.

As at 31 December 2019 and 2018, the carrying amount of development properties disclosed in Note 13 to the financial statements is stated at cost.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

### 3.2 Key sources of estimation uncertainty (cont'd)

***(b) Estimation of net realisable value for properties held for sale***

As at 31 December 2019, the Group's properties held for sale amounted to $32,734,000 (2018: $41,674,000).

Management has made estimates of NRV with reference to selling prices of units sold as well as market prices at the reporting date for similar properties in the respective markets where applicable. Where market prices are not available, input from property agents, the property-type as well as the targeted property segment has been taken into account.

***(c) Impairment of property, plant and equipment***

As at 31 December 2019, the Group's property, plant and equipment amounted to $61,131,000 (2018: $2,276,000).

Where there are indicators of impairment, management has made estimates of the recoverable amounts based on the current property market and economic conditions in the respective markets, or used external appraisers to support its determination of market prices.

Based on the recoverable amounts, an impairment loss of $3,337,000 (2018: $Nil) was recognised as at 31 December 2019.

***(d) Valuation of investment properties***

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged real estate valuation experts to assess fair value as at 31 December 2019. The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprises both the Comparison Approach and the Depreciated Replacement Cost Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 28.

The investment properties carried at fair value as at 31 December 2019 amounted to $16,771,000 (2018: $25,219,000).

## 4. REVENUE

Revenue of the Group represents revenue from property sales and service income after eliminating intercompany transactions. The amount of each significant category of revenue recognised at a point in time during the year is as follows:

| | **Group** | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| Property sales | 204,528 | 439,142 |
| Service income | 912 | 2,890 |
| | 205,440 | 442,032 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 5. OTHER INCOME

| | Group | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Net fair value gain on derivatives | 1,431 | 1,479 |
| Income from hotel operations | 1,195 | 452 |
| Net fair value gain on investment properties | – | 77 |
| Miscellaneous income | 237 | 62 |
| | 2,863 | 2,070 |

## 6. EMPLOYEE BENEFITS

| | Group | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Employee benefits expense (including executive directors): | | |
| Salaries and bonuses | 3,505 | 4,612 |
| Central Provident Fund contributions | 287 | 316 |
| Other short-term benefits | 107 | 146 |
| | 3,899 | 5,074 |

## 7. PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at profit before tax:

| | Note | Group | |
|---|---|---|---|
| | | 2019 $'000 | 2018 $'000 |
| Audit fees to: | | | |
| – Auditors of the Company | | 211 | 200 |
| Non-audit fees to: | | | |
| – Auditors of the Company | | 5 | 5 |
| Directors' fees | | 240 | 240 |
| Fixed assets written-off | | 15 | – |
| Repair and maintenance expense | | 363 | 451 |
| Rental expense on operating leases | 24(c) | 76 | 76 |
| Promotion and advertising costs | | 2,379 | 11,563 |
| Non-refundable sales agent commission | | 12,923 | 15,597 |
| Corporate charges | | 780 | 943 |
| Allowance for write-down of development properties | | 1,502 | – |
| Net foreign exchange loss | | 1,442 | 13,967 |
| Net fair value loss/(gain) on investment properties | 11 | 61 | (77) |
| Net fair value gain on derivatives | | (1,431) | (1,479) |
| Provision for impairment loss on property, plant and equipment | | 3,337 | – |

## 8. INCOME TAX EXPENSE

### (a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

| | Note | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|---|
| ***Consolidated statement of comprehensive income*** | | | |
| *Current income tax* | | | |
| – Current income taxation | | 5,883 | 398 |
| – (Over)/under provision in respect of prior year | | (5) | 38 |
| – Withholding tax | | 873 | 734 |
| | | 6,751 | 1,170 |
| *Deferred income tax* | | | |
| – Origination and reversal of temporary differences | | 3,478 | 18,238 |
| – Benefits from previously unrecognised tax losses | | – | (6,275) |
| – Under provision in respect of prior year | | 6 | 94 |
| | 8(c) | 3,484 | 12,057 |
| Income tax expense recognised in profit or loss | | 10,235 | 13,227 |

### (b) Relationship between tax expense and profit before tax

The reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Profit before tax | 22,888 | 35,829 |
| Tax at the domestic rates applicable to losses in the countries where the Group operates | 6,253 | 12,315 |
| Adjustments: | | |
| – Deferred tax assets not recognised | 310 | 1,001 |
| – Non-deductible expenses | 2,881 | 5,444 |
| – Benefits from previously unrecognised tax losses | (110) | (6,275) |
| – Under provision in respect of previous years | 1 | 132 |
| – Effect of partial tax exemption and relief | (24) | (157) |
| – Withholding tax | 873 | 734 |
| – Others | 51 | 33 |
| Income tax expense recognised in profit or loss | 10,235 | 13,227 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 8. INCOME TAX EXPENSE (CONT'D)

### (c) Deferred income tax

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Balance at 1 January | | 7,130 | (4,954) | (325) | 148 |
| Tax expense to profit or loss | 8(a) | 3,484 | 12,057 | 51 | (473) |
| Translation difference | | (154) | 27 | – | – |
| Balance at 31 December | | 10,460 | 7,130 | (274) | (325) |

Deferred income tax relates to the following:

***Deferred tax liabilities, net***

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| **Deferred tax assets:** | | | | |
| Differences in depreciation for tax purpose | (4) | (4) | (4) | (4) |
| Unremitted foreign interest income, net | 54 | (132) | 54 | (132) |
| Provisions | 224 | 461 | 224 | 461 |
| | 274 | 325 | 274 | 325 |
| **Deferred tax liabilities:** | | | | |
| Attributable profits from development properties | (10,734) | (15,885) | – | – |
| Unutilised tax losses | – | 8,430 | – | – |
| | (10,734) | (7,455) | – | – |

Unrecognised tax losses

At 31 December 2019, the Group has unutilised tax losses of approximately $7,487,000 (2018: $6,602,000) that are available for offset against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The utilisation of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

## 9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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.

| | 2019 | 2018 |
|---|---|---|
| Profit for the year attributable to owners of the Company ($'000) | 13,625 | 23,160 |
| Weighted average number of ordinary shares ('000) | 915,875 | 915,875 |
| Basic and diluted earnings per share (cents) | 1.49 | 2.53 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Renovations, electrical fittings, furniture and fittings $'000 | Computers $'000 | Office equipment $'000 | Motor vehicle $'000 | Freehold land $'000 | Leasehold building $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost:** | | | | | | | |
| At 1 January 2018 | 91 | 176 | 66 | – | – | – | 333 |
| Additions | 81 | 41 | 109 | 149 | – | – | 380 |
| Disposals | –* | – | – | – | – | – | –* |
| Transfer from development property | – | – | – | – | 1,369 | 427 | 1,796 |
| Exchange differences | –* | –* | –* | – | – | – | –* |
| At 31 December 2018 and 1 January 2019 | 172 | 217 | 175 | 149 | 1,369 | 427 | 2,509 |
| Additions | 101 | 31 | 83 | 3 | – | – | 218 |
| Write-off | (58) | – | (31) | – | – | – | (89) |
| Disposals | –* | (6) | – | – | – | – | (6) |
| Transfer from development property and investment property | – | – | – | – | 25,260 | 36,918 | 62,178 |
| Exchange differences | –* | –* | –* | –* | (1) | –* | (1) |
| At 31 December 2019 | 215 | 242 | 227 | 152 | 26,628 | 37,345 | 64,809 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2018 | 26 | 61 | 23 | – | – | – | 110 |
| Charge for the year | 20 | 49 | 19 | 19 | – | 16 | 123 |
| Disposals | –* | – | – | – | – | – | –* |
| Exchange differences | –* | –* | –* | – | – | – | –* |
| At 31 December 2018 and 1 January 2019 | 46 | 110 | 42 | 19 | – | 16 | 233 |
| Charge for the year | 31 | 36 | 24 | 25 | – | 72 | 188 |
| Impairment | – | – | – | – | – | 3,337 | 3,337 |
| Write-off | (47) | – | (27) | – | – | – | (74) |
| Disposals | –* | (6) | – | – | – | – | (6) |
| Exchange differences | –* | –* | –* | –* | – | –* | –* |
| At 31 December 2019 | 30 | 140 | 39 | 44 | – | 3,425 | 3,678 |
| **Net carrying amount:** | | | | | | | |
| At 31 December 2018 | 126 | 107 | 133 | 130 | 1,369 | 411 | 2,276 |
| At 31 December 2019 | 185 | 102 | 188 | 108 | 26,628 | 33,920 | 61,131 |

* Less than $1,000

Property, plant and equipment with carrying value of $60,656,000 (2018: $1,780,000) are pledged as security for bank borrowings (Note 20).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Renovations, electrical fittings, furniture and fittings $'000 | Computers $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Cost:** | | | | |
| At 1 January 2018 | 58 | 129 | 44 | 231 |
| Additions | – | 9 | –* | 9 |
| Disposals | –* | – | – | –* |
| At 31 December 2018 and 1 January 2019 | 58 | 138 | 44 | 240 |
| Additions | – | 21 | 1 | 22 |
| Write-off | (58) | – | (31) | (89) |
| Disposals | –* | (6) | – | (6) |
| At 31 December 2019 | –* | 153 | 14 | 167 |
| **Accumulated depreciation:** | | | | |
| At 1 January 2018 | 25 | 56 | 21 | 102 |
| Charge for the year | 13 | 43 | 12 | 68 |
| Disposals | –* | – | – | –* |
| At 31 December 2018 and 1 January 2019 | 38 | 99 | 33 | 170 |
| Charge for the year | 9 | 28 | 5 | 41 |
| Write-off | (47) | – | (27) | (74) |
| Disposals | –* | (6) | – | (6) |
| At 31 December 2019 | –* | 121 | 11 | 131 |
| **Net carrying amount:** | | | | |
| At 31 December 2018 | 20 | 39 | 11 | 70 |
| At 31 December 2019 | –* | 32 | 3 | 36 |

* Less than $1,000

## 11. INVESTMENT PROPERTIES

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Statement of financial position: | | |
| At 1 January | 25,219 | 11,836 |
| Enhancement work incurred during the year | 1,864 | – |
| Transfer to property, plant and equipment | (10,228) | – |
| Transfer from development properties | – | 13,280 |
| Net (loss)/gain from fair value adjustments recognised in profit or loss | (61) | 77 |
| Exchange differences | (23) | 26 |
| At 31 December | 16,771 | 25,219 |
| | | |
| Statement of comprehensive income: | | |
| Rental income from investment properties | | |
| – Minimum lease payments | 225 | 349 |
| | | |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| – Rental generating properties | 468 | 394 |
| At 31 December | 468 | 394 |

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

***Valuation of investment properties***

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2019. The valuations were performed by Henry Butcher Sdn. Bhd., an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of the valuation technique and inputs used are disclosed in Note 28.

***Properties pledged as security***

As at 31 December 2019, investment properties with a carrying value of $9,636,000 (2018: $18,077,000) are pledged as security for bank borrowings (Note 20).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 11. INVESTMENT PROPERTIES (CONT'D)

Details of the investment properties held by the Group are as follows:

| Description and location | Existing Use | Tenure |
|---|---|---|
| **World Class Land (Georgetown) Sdn. Bhd.** | | |
| 41, 43 & 51 Gat Jalan Prangin, Penang, Malaysia | Commercial | Freehold |
| **WCL (Macallum) Sdn. Bhd.** | | |
| 206 Jalan C.Y. Choy, Penang, Malaysia | Commercial | Freehold |
| 55 Lebuh Cecil, Penang, Malaysia | Commercial | Freehold |
| 81 Lebuh Macallum, Penang, Malaysia | Commercial | Freehold |
| **WCL (Noordin St) Sdn. Bhd.** | | |
| 68 Lebuh Presgrave, Penang, Malaysia | Commercial | Freehold |
| 69 & 71 Lebuh Presgrave, Penang, Malaysia | Commercial | Freehold |
| 95, 97 & 99 Lebuh Noordin, Penang, Malaysia | Commercial | Freehold |
| 15 Lebuh Tye Sin, Penang, Malaysia | Commercial | Freehold |
| 80 & 82 Lebuh Tye Sin, Penang, Malaysia | Commercial | Freehold |
| 34, 36, 38, 38-A, 38-B & 38-C Lebuh Tye Sin, Penang, Malaysia and Lot 711 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut, Penang, Malaysia | Mixed use development | Freehold |

## 12. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **31 December 2019 $'000** | **31 December 2018 $'000** |
| Unquoted equity shares, at cost | 170,315 | 236,700 |

During the current financial year, the Company increased its investment in World Class Land (Malaysia) Sdn. Bhd. by MYR 7,000,000 (equivalent to approximately $2,304,000) and reduced its investment in World Class Land (Australia) Pty Ltd through capital reduction by A$71,700,000 (equivalent to approximately $68,689,000). In the previous financial year, the Company increased its investment in World Class Land (Malaysia) Sdn Bhd by MYR 2,000,000 (equivalent to approximately $658,000).

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

**Composition of the Group**

The Group has the following investment in subsidiaries:

| | Name of Company | Principal place of business | Principal activities | Proportion of ownership interest 31 December 2019 % | 31 December 2018 % |
|---|---|---|---|---|---|
| | ***Held by the Company*** | | | | |
| (b) | World Class Land (Malaysia) Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| (e) | World Class Land (Australia) Pty. Ltd. | Australia | Investment holding | 100 | 100 |
| | ***Held through subsidiaries*** | | | | |
| | ***World Class Land (Malaysia) Sdn. Bhd.*** | | | | |
| (b) | World Class Land (Penang) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| | ***World Class Land (Penang) Sdn. Bhd.*** | | | | |
| (b) | World Class Land (Georgetown) Holdings Sdn. Bhd. | Malaysia | Property development | 95 | 95 |
| | ***World Class Land (Georgetown) Holdings Sdn. Bhd.*** | | | | |
| (a) | World Class Land (Georgetown) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (a) | WCL (Magazine) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (a) | WCL (Macallum) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (a) | WCL (Noordin St) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (a) | WCL (Bertam R) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (a) | WCL (Bertam L) Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| (b) | PHC Hotels Sdn. Bhd. | Malaysia | Management and Operation of hotels | 100 | 100 |
| (b) | Penang Parade Hotels Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

| | Name of Company | Principal place of business | Principal activities | Proportion of ownership interest 31 December 2019 % | 31 December 2018 % |
|---|---|---|---|---|---|
| | ***Held through subsidiaries (cont'd)*** ***World Class Land (Australia) Pty. Ltd.*** | | | | |
| (c), (d) | WCL-Cairns (QLD) Pty. Ltd. | Australia | Property development | 100 | 100 |
| (c), (d) | WCL-Central Park (QLD) Pty. Ltd. | Australia | Property development | 100 | 100 |
| (a) | WCL-Southbank (VIC) Pty. Ltd. | Australia | Property development | 100 | 100 |
| (a) | WCL-A Beckett (VIC) Pty. Ltd. | Australia | Property development | 100 | 100 |
| (d) | WCL (QLD) Holdings Pty. Ltd. | Australia | Property development | 100 | 100 |
| (d), (f) | SBD 102 Pty. Ltd. | Australia | Property development | 100 | – |
| | ***WCL-Cairns (QLD) Pty. Ltd.*** | | | | |
| (d) | Dynamic Ideas Pty. Ltd. | Australia | Property development | 100 | 100 |
| (c), (d) | WCL (CNS) CBD Pty. Ltd. | Australia | Property development | 100 | 100 |
| | ***WCL (QLD) Holdings Pty. Ltd.*** | | | | |
| (c), (d) | WCL (QLD) Albert St Pty. Ltd. | Australia | Property development | 100 | 100 |
| (c), (d) | WCL (QLD) Margaret St Pty. Ltd. | Australia | Property development | 65 | 65 |

(a) Audited by a member firm of EY Global

(b) Audited by Baker Tilly Monteiro Heng, Malaysia

(c) Audited by Ernst & Young LLP, Singapore for consolidation purposes

(d) Exempted from statutory audit

(e) Audited by Crowe Horwath NQ

(f) Newly incorporated/established during the financial year ended 31 December 2019

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

**Interest in subsidiary with material non-controlling interest ("NCI")**

The Group has the following subsidiary that has NCI that is material to the Group:

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by NCI | Profit/(loss) allocated to NCI during the reporting period | | Accumulated NCI at the end of reporting period | | Dividends paid to NCI | |
|---|---|---|---|---|---|---|---|---|
| | | | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| WCL (QLD) Margaret St Pty. Ltd. ("**WCL-MS**") | Australia | 35% | 14 | (37) | 8,400 | 8,544 | – | – |

**Summarised financial information about subsidiary with material NCI**

Summarised financial information before intercompany eliminations of WCL-MS is as follows:

***Summarised statement of financial position***

| | WCL-MS | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| **Current** | | |
| Assets | 38,799 | 38,823 |
| Liabilities | (9,807) | (12,319) |
| Net current assets | 28,992 | 26,504 |
| **Non-current** | | |
| Liabilities, representing net non-current liabilities | (4,991) | (2,092) |
| Net assets | 24,001 | 24,412 |

***Summarised statement of comprehensive income***

| | Other summarised information | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Revenue | – | – |
| Profit/(loss) before income tax | 40 | (106) |
| Income tax expense | – | – |
| Profit/(loss) after tax | 40 | (106) |
| Other comprehensive income | 157 | 736 |
| Total comprehensive income | 197 | 630 |

***Other summarised information***

| | WCL-MS | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Net cash flows used in operations | 711 | 1,311 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 13. DEVELOPMENT PROPERTIES

| | Group | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Land costs | 141,520 | 184,756 |
| Development costs | 393,996 | 417,601 |
| | 535,516 | 602,357 |
| Less: Allowance for write-down of development properties | (1,502) | – |
| | 534,014 | 602,357 |

During the financial year ended 31 December 2019, borrowing costs amounting to $28,573,000 (2018: $36,463,000) arising from borrowings obtained specifically for the development properties were capitalised and included in development costs.

A weighted average interest capitalisation rate of 6.66% (2018: 5.92%) per annum was used, representing the actual borrowing costs of the loans used to finance the projects.

Development properties amounting to $483,731,000 (2018: $559,614,000) are pledged as security for bank borrowings (Note 20).

Development properties amounting to $Nil, $Nil and $51,950,000 (2018: $17,242,000, $13,280,000 and $1,796,000 respectively) were transferred to properties held for sale (Note 14), investment properties (Note 11) and property, plant and equipment (Note 10) respectively during the financial year ended 31 December 2019.

Details of the development properties held by the Group are as follows:

| Location | Description and use | Land area (in square metres) | Estimated gross floor area (in square metres) | Tenure | Stage of completion |
|---|---|---|---|---|---|
| **WCL-Southbank (VIC) Pty. Ltd.** | | | | | |
| *Australia 108/* 68-82 Southbank Boulevard, Southbank, Melbourne, Victoria, Australia | Residential | 2,642 | 138,282 | Freehold | Construction works commenced in November 2015. Expected completion for the last phase: 2020 |
| **WCL-Central Park (QLD) Pty. Ltd.** | | | | | |
| *Nova City/* 81-83 Spence Street and 112-114 Bunda Street, Cairns, Queensland, Australia | Mixed use development | 25,874 | 115,510 | Freehold | Planning and designing |
| **WCL (CNS) CBD Pty. Ltd.** | | | | | |
| 17 Hartley Street and 6 Kenny Street, Cairns, Queensland, Australia | Mixed use development | 16,351 | 88,295 | Freehold | Planning and designing |
| **WCL (QLD) Margaret St Pty. Ltd.** | | | | | |
| 240 Margaret Street, Brisbane, Queensland, Australia | Residential | 1,715 | 61,252 | Freehold | Planning and designing |

## 13. DEVELOPMENT PROPERTIES (CONT'D)

| Location | Description and use | Land area (in square metres) | Estimated gross floor area (in square metres) | Tenure | Stage of completion |
|---|---|---|---|---|---|
| **WCL (QLD) Albert St Pty. Ltd.** | | | | | |
| 30 Albert Street and 131A Margaret Street, Brisbane, Queensland, Australia | Residential | 2,007 | 76,301 | Freehold | Planning and designing |
| **World Class Land (Georgetown) Sdn. Bhd.** | | | | | |
| 240, 242, 244, 246, 248, 250, 252 & 254 Jalan Dato Kramat and 1, 3, 5, 7, 9, 9A & 9B Lebuh Melaka, Penang, Malaysia | Mixed use development | 2,067 | 12,037 | Freehold | Planning and designing |
| 57, 59, 61, 63 & 65 Jalan Tan Sri Teh Ewe Lim and 1, 3, 5, 7, 9 & 11 Lorong Juru, Penang, Malaysia | Commercial | 859 | 1,478 | Freehold | Planning and designing |
| **WCL (Magazine) Sdn. Bhd.** | | | | | |
| Lots 18, 479, 480 & 10026 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut and 119 Lebuh Noordin, Penang, Malaysia | Mixed use development | 2,966 | 17,496 | Freehold | Planning and designing |
| **WCL (Macallum) Sdn. Bhd.** | | | | | |
| 1, 3, 5, & 7 Lebuh Macallum and 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194 & 196 Jalan C.Y. Choy, Penang, Malaysia | Mixed use development | 2,703 | 15,651 | Freehold | Planning and designing |
| 4, 6, 8, 10, 12, 14, 16 & 18 Lebuh Katz, Penang, Malaysia | Mixed use development | 1,470 | 7,415 | Freehold | Planning and designing |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 14. PROPERTIES HELD FOR SALE

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| At 1 January | 41,674 | 21,676 |
| Transferred from development properties | – | 17,242 |
| Enhancement works incurred during the year | 33 | 2,662 |
| Exchange differences | (30) | 94 |
| | 41,677 | 41,674 |
| Less: | | |
| Properties sold during the year | (8,943) | – |
| At 31 December | 32,734 | 41,674 |

Details of the properties held for sale by the Group as at the end of the reporting period is as follows:

| Location | Description and use | Land area (in square metres) | Estimated gross floor area (in square metres) | Tenure |
|---|---|---|---|---|
| **World Class Land (Georgetown) Sdn. Bhd.** | | | | |
| *Ropewalk Piazza/* 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154 & 156 Jalan Pintal Tali, Penang, Malaysia | Commercial | 1,085 | 1,712 | Freehold |
| *Bahari Parade/* 69, 71, 73, 75, 77, 79 & 81 Jalan Sri Bahari, Penang, Malaysia | Commercial | 846 | 1,102 | Freehold |
| 128, 128A, 128B, 128C, 128D, 128E,128F and 128G Jalan Transfer, Penang, Malaysia | Commercial | 487 | 776 | Freehold |
| 2, 4, 6, 8 & 10 Jalan Hutton, Penang, Malaysia | Commercial | 568 | 897 | Freehold |
| **WCL (Magazine) Sdn. Bhd.** | | | | |
| 237, 239, 241 & 243 Jalan Magazine and 2-G, 2-H & 2-I Jalan Gurdwara, Penang, Malaysia | Commercial | 646 | 979 | Freehold |
| **WCL (Macallum) Sdn. Bhd.** | | | | |
| *Macallum Central/* 51, 53, 55, 57, 59, 61, 63, 65, 67 & 69 Lebuh Macallum, Penang, Malaysia | Commercial | 694 | 1,152 | Freehold |

As at 31 December 2019, properties held for sale with a carrying value of $24,640,000 (2018: $24,401,000) were pledged as security for bank borrowings (Note 20).

## 15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Trade receivables | 227 | 2,920 | – | – |
| Other receivables | 1,798 | 1,064 | 1,205 | 695 |
| Deposits in escrow | 121 | – | – | – |
| Tax recoverable | 11 | 121 | – | – |
| GST receivables | 941 | 1,441 | 20 | 21 |
| Total trade and other receivables | 3,098 | 5,546 | 1,225 | 716 |
| Add: | | | | |
| Due from subsidiaries (non-trade) | – | – | 240,611 | 235,470 |
| Cash and bank balances (Note 18) | 98,989 | 16,970 | 62,291 | 5,615 |
| Less: | | | | |
| Tax recoverable | (11) | (121) | – | – |
| GST receivables | (941) | (1,441) | (20) | (21) |
| Total loans and receivables | 101,135 | 20,954 | 304,107 | 241,780 |

Trade and other receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Deposits in escrow are placed as security for payments to contractors for the construction of the Group's development projects. Deposits in escrow earn interest at floating rates based on daily bank deposit rates.

A floating charge has been placed on trade and other receivables with a carrying value of $232,000 (2018: $605,000) as security for bank borrowings (Note 20). The Group has no receivables that are past due as at 31 December 2019 and 2018.

## 16. PREPAYMENTS

Prepayments mainly relate to various property holding costs.

## 17. DERIVATIVES

| | Group and Company 31 December 2019 | | |
|---|---|---|---|
| | $'000 Contract Notional Amount | $'000 Assets | $'000 Liabilities |
| Forward currency contracts | 263,773 | 1,431 | – |

| | Group and Company 31 December 2018 | | |
|---|---|---|---|
| | $'000 Contract Notional Amount | $'000 Assets | $'000 Liabilities |
| Forward currency contracts | 77,004 | 1,479 | – |

During the year, the Group entered into foreign currency forward contracts mainly in Australian Dollar, maturing within the next 12 months to reduce its exposure to foreign currency risks on Australian Dollar receivables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Cash at banks and on hand, representing total cash and cash equivalents | 85,792 | 16,970 | 62,291 | 5,615 |
| Restricted cash | 13,197 | – | – | – |
| | 98,989 | 16,970 | 62,291 | 5,615 |

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and bank balances denominated in foreign currency which differ from the functional currency of the companies within the Group is as follows:

| | Group | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Australian Dollars | 323 | 198 |

A floating charge has been placed on cash and bank balances with a carrying value of $7,878,000 (2018: $5,173,000) as security for interest-bearing loans and borrowings (Note 20).

An amount of $13,197,000 (2018: $Nil) in restricted cash relates to reserve accounts held in escrow by third parties which will only be released upon repayment of the loan, interest and related development expenditures.

Purchasers' deposit monies of A$38,717,000 (equivalent to approximately $36,567,000) (2018: A$67,436,000 (equivalent to approximately $64,833,000)) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. In addition, purchasers' deposits in the form of bankers' guarantees of A$7,219,000 (equivalent to approximately $6,813,000) (2018: A$8,537,000 (equivalent to approximately $8,208,000)) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. These balances are not included as assets of the Group as at 31 December 2019 and 2018. The Group will only have access to these funds upon completion and handover of the development projects to the purchasers.

## 19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| ***Current:*** | | | | |
| Trade payables | 1,814 | 939 | – | – |
| Other payables | 1,140 | 1,438 | 36 | 10 |
| Withholding tax payable | 203 | 1,910 | 82 | 709 |
| Accrued operating expenses | 14,220 | 17,590 | 2,016 | 3,393 |
| | 17,377 | 21,877 | 2,134 | 4,112 |
| ***Non-current:*** | | | | |
| Other payables | | | | |
| – amount due to non-controlling shareholders of a subsidiary (non-trade) | 5,830 | 3,047 | – | – |
| Total trade and other payables | 23,207 | 24,924 | 2,134 | 4,112 |
| Add: | | | | |
| Interest-bearing loans and borrowings (Note 20) | 218,467 | 182,117 | – | – |
| Due to immediate holding company (non-trade) | 514 | 175,618 | – | 175,103 |
| Due to a fellow subsidiary (non-trade) | 367,010 | 192,810 | 367,010 | 192,810 |
| Less: | | | | |
| Withholding tax payable | (203) | (1,910) | (82) | (709) |
| Total financial liabilities carried at amortised cost | 608,995 | 573,559 | 369,062 | 371,316 |

Trade and other payables are unsecured, non-interest bearing and repayment is based on payment terms and conditions agreed.

Amount due to non-controlling shareholders of a subsidiary is unsecured, interest-free and not expected to be repaid in the next 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 20. INTEREST-BEARING LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 | 31 December 2019 $'000 | 31 December 2018 $'000 |
| ***Secured borrowings*** | | | | |
| *Current:* | | | | |
| Finance lease liabilities | 19 | 19 | – | – |
| Term loans | 174,761 | 130,323 | – | – |
| | 174,780 | 130,342 | – | – |
| *Non-current:* | | | | |
| Finance lease liabilities | 56 | 75 | – | – |
| Term loans | 43,631 | 51,700 | – | – |
| | 43,687 | 51,775 | – | – |
| Total loans and borrowings | 218,467 | 182,117 | – | – |

### (a) Details of securities granted for the secured borrowings are as follows:

Loans and borrowings of $218,467,000 (2018: $182,117,000) are repayable via monthly instalments from April 2020 to February 2034. These loans and borrowings bear floating interest which ranges from 2.34% to 8.25% (2018: 2.22%% to 6.39%) per annum and are secured by way of:

a. legal mortgages over the subsidiaries' property, plant and equipment (Note 10), investment properties (Note 11), development properties (Note 13) and properties held for sale (Note 14);

b. fixed and floating charge on all assets of certain subsidiaries;

c. corporate guarantee by Aspial Corporation Limited;

d. corporate guarantee by the Company; and

e. guarantees by non-controlling interests of a subsidiary.

The loans include financial covenants which require the subsidiaries to maintain aggregate outstanding debt secured against the properties not exceeding 50% to 80% (2018: 50% to 80%) of the security value of the relevant development properties at all times.

## 20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

### (b) Maturity of borrowings

Loans due after one year are estimated to be repayable as follows:

| | Group | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| **Years after end of reporting period:** | | |
| After one year but within two years | 6,847 | 27,786 |
| After two years but within five years | 15,335 | 15,598 |
| After five years | 21,505 | 8,391 |
| | 43,687 | 51,775 |

A reconciliation of liabilities arising from financing activities is as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 2018 $'000 | Cash flows $'000 | Foreign exchange movement $'000 | Other $'000 | 2019 $'000 |
| Due to a fellow subsidiary (non-trade) | 192,810 | 195,630 | – | (21,430) | 367,010 |
| Due to immediate holding company (non-trade) | 175,618 | (164,645) | – | (10,459) | 514 |
| Interest-bearing loans and borrowings | | | | | |
| – current | 130,342 | 33,743 | (2,281) | 12,976 | 174,780 |
| – non-current | 51,775 | 5,165 | (278) | (12,976) | 43,687 |
| Total | 550,545 | 69,893 | (2,559) | (31,889) | 585,991 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 2017 $'000 | Cash flows $'000 | Foreign exchange movement $'000 | Other $'000 | 2018 $'000 |
| Due to a fellow subsidiary (non-trade) | 138,978 | 53,832 | – | – | 192,810 |
| Due to immediate holding company (non-trade) | 239,697 | (64,079) | – | – | 175,618 |
| Interest-bearing loans and borrowings | | | | | |
| – current | 216,550 | (85,592) | (16,163) | 15,547 | 130,342 |
| – non-current | 74,955 | (5,012) | (2,621) | (15,547) | 51,775 |
| Total | 670,180 | (100,851) | (18,784) | – | 550,545 |

The 'Other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 21. DUE FROM/(TO) SUBSIDIARIES, IMMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts due from subsidiaries are interest-bearing at 7.00% to 8.25% (2018: 7.00% to 8.25%) per annum, unsecured, receivable on demand and are to be settled in cash.

Of the total amount due to immediate holding company, an amount of $Nil (2018: $171,403,000) is interest-bearing at Nil% (2018: 6.67%) per annum, unsecured, with varying maturities of between one and twelve months and is to be settled in cash. The remaining amount due to immediate holding company of $514,000 (2018: $4,215,000) is interest-free.

Of the total amount due to a fellow subsidiary, an amount of $365,012,000 (2018: $184,456,000) is interest-bearing at 6.37% to 7.14% (2018: 6.37% to 6.77%) per annum, unsecured, with varying maturities of between one and twelve months and is to be settled in cash. The remaining amounts due to a fellow subsidiary of $1,998,000 (2018: $8,354,000) are interest-free.

## 22. SHARE CAPITAL AND OTHER RESERVES

### (a) Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | No. of shares '000 | $'000 | No. of shares '000 | $'000 |
| Issued and fully paid ordinary shares: | | | | |
| At 1 January and 31 December | 915,875 | 142,556 | 915,875 | 142,556 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

### (b) Other reserves

| | Group | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Premium received on disposal of equity interest in a subsidiary without loss of control | 5 | 5 |
| Premium paid on acquisition of non-controlling interests | (11) | (11) |
| Foreign currency translation reserve | (22,317) | (19,502) |
| | (22,323) | (19,508) |

***Foreign currency translation reserve***

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

***Premium received on disposal of equity interest in a subsidiary without loss of control***

Premium received on disposal of equity interest in a subsidiary without loss of control represents the excess of the consideration received on disposal of interest in a subsidiary of the Group over the net identifiable assets of the subsidiary attributable to the non-controlling interests.

***Premium paid on acquisition of non-controlling interests in a subsidiary without loss of control***

Premium paid on acquisition of non-controlling interests represents the difference between the consideration paid and the carrying value of non-controlling interests adjusted upon acquisition of interests in subsidiary.

## 23. RELATED PARTY TRANSACTIONS

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial period:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| Payable to immediate holding company: | | |
| – Interest expense | (7,134) | (11,102) |
| – Management fee | (780) | (780) |
| – Guarantee fee | – | (1,469) |
| Payable to a fellow subsidiary | | |
| – Interest expense | (15,074) | (10,486) |
| Sale of properties to a director-related company | 3,714 | – |

### (b) Compensation of key management personnel

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| Short-term employee benefits | 2,185 | 3,358 |
| Central Provident Fund contributions | 87 | 68 |
| Total compensation paid to key management personnel | 2,272 | 3,426 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | 1,144 | 2,676 |
| Other key management personnel | 1,128 | 750 |
| | 2,272 | 3,426 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 24. COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Capital commitments in respect of property development expenditure | | |
| – Not later than one year | 57,154 | 124,256 |
| – Later than one year but not later than five years | – | 15,195 |
| | 57,154 | 139,451 |

### (b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its standing property at the development site acquired for development properties. The non-cancellable leases on its standing property have remaining lease terms of up to 25 months.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Not later than one year | 784 | 815 |
| Later than one year but not later than five years | 784 | 525 |
| | 1,568 | 1,340 |

### (c) Operating lease commitments – as lessee

The Group had lease commitments in respect of its office premises. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

As at 31 December 2018, the future minimum rental payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | Group<br>2018<br>$'000 |
|---|---|
| Not later than one year | 68 |
| Later than one year but not later than five years | 23 |
| | 91 |

Operating lease payments relating to short term leases recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2019 amounted to $76,000 (2018: $76,000).

## 25. CONTINGENCIES

**Guarantees**

The Company has provided corporate guarantees to banks for an aggregate of $196,100,000 (2018: $163,913,000) in respect of bank borrowings drawn down by certain subsidiaries (Note 20).

## 26. SEGMENT INFORMATION

**Business segments**

The Group is principally engaged in property development, and the segment reporting format is determined to be geographical business segments as the Group's risks and rates of return are affected predominantly by differences in the geographical locations of each segment. The operating businesses are organised and managed separately according to the place of domicile, with each segment representing a strategic business unit that serves different markets.

The Group is organised into two main geographical segments, namely:

(a) Malaysia; and

(b) Australia.

Others refers to the Company's operations in Singapore.

**Allocation basis and transfer pricing**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises additions to plant and equipment.

| | Malaysia $'000 | Australia $'000 | Others $'000 | Eliminations $'000 | Group $'000 | Note |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Revenue** | – | 205,440 | – | – | 205,440 | |
| **Results** | | | | | | |
| Segment results | (6,399) | 28,567 | 1,765 | (27) | 23,906 | A |
| Interest income | 66 | 2,305 | 21,374 | (21,342) | 2,403 | |
| Finance costs | (10,530) | (14,260) | – | 21,369 | (3,421) | |
| (Loss)/profit before tax from operations | (16,863) | 16,612 | 23,139 | | 22,888 | |
| Segment assets, representing total assets | 156,661 | 527,486 | 476,211 | (411,267) | 749,091 | B |
| Segment liabilities, representing total liabilities | 190,279 | 306,350 | 369,902 | (240,611) | 625,920 | C |
| **2018** | | | | | | |
| **Revenue** | – | 442,032 | – | – | 442,032 | |
| **Results** | | | | | | |
| Segment results | (1,258) | 47,601 | (13,172) | – | 33,171 | A |
| Interest income | 63 | 4,466 | 19,968 | (19,658) | 4,839 | |
| Finance costs | (9,152) | (12,585) | (102) | 19,658 | (2,181) | |
| (Loss)/profit before tax from operations | (10,347) | 39,482 | 6,694 | | 35,829 | |
| Segment assets, representing total assets | 145,133 | 543,332 | 480,401 | (472,171) | 696,695 | B |
| Segment liabilities, representing total liabilities | 164,660 | 281,708 | 372,422 | (235,469) | 583,321 | C |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 26. SEGMENT INFORMATION (CONT'D)

**Notes**

A Inter-segment income is eliminated on consolidation.

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statements of financial position:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Inter-segment assets | (411,267) | (472,171) |

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Inter-segment liabilities | (240,611) | (235,469) |

### Geographical segments

Non-current assets information based on the geographical location of assets are as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Malaysia | 77,866 | 27,425 |
| Singapore | 36 | 70 |

Non-current assets information presented above consist of property, plant and equipment and investment properties as presented in the statement of financial position.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and process for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and cash and bank balances. Secured lending receivables has no significant exposure to credit risk as these receivables are secured by way of collateralised real estate by investment at a conservative loan-to-valuation ratio. No other financial asset carries a significant exposure to credit risk.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group considers "low risk" to be financial assets with an investment grade credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Credit risk (cont'd)

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade receivables and amounts due from subsidiaries at amortised cost

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For amounts due from subsidiaries (non-trade), the Company uses the general approach and estimates for 12-months expected credit losses when there is no indication of significant deterioration in credit risk based on the financial performance of its related entities. When a significant increase in credit risk has occurred, the Company estimates the lifetime ECLs for such financial assets.

As at 31 December 2019, the Group had not provided any loss allowance for its trade receivables and amount due from subsidiaries.

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a specific group of purchasers.

In order to avoid excessive concentrations of risk, the Group focuses its sales efforts on property purchasers located in diversified geographical locations i.e. in Australia and various countries in Asia, such as Singapore, Malaysia, Indonesia, the People's Republic of China and Hong Kong Special Administrative Region of the People's Republic of China. Identified concentrations of credit risks are controlled and managed accordingly. As at 31 December 2019 and 2018, management has assessed that there was no significant concentration of credit risk in respect of purchasers of development projects launched.

*Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

On 31 December 2016, the Group entered into a second supplemental loan agreement with the immediate holding company and a fellow subsidiary, pursuant to the loan agreement entered into on 1 March 2016 and 30 June 2016. As a result of this, the aggregate principal sum of the loan facilities extended by the immediate holding company and the fellow subsidiary was further increased to $500,000,000, in which $100,000,000 under a fixed loan has matured on 14 June 2019. As at 31 December 2019, the Group has an unutilised balance of $34,988,000 from the loan facility extended by the immediate holding company and the fellow subsidiary.

On 6 December 2019 and 20 December 2019, the Group secured A$80,000,000 and A$81,070,000 (equivalent to approximately $152,002,000) term loan facility from Payton Capital Limited and Gresham Property Fund Management Limited respectively, for the construction and development of Australia 108. As at 31 December 2019, the Group has a total outstanding amount of A$161,070,000 (equivalent to approximately $152,002,000) under the aforementioned loan. There was no subsequent draw down or repayment subsequent to year end.

***Analysis of financial instruments by remaining contractual maturities***

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 1 year or less<br>$'000 | 1 to 5 years<br>$'000 | Over 5 years<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| **Group** | | | | |
| ***Financial liabilities:*** | | | | |
| Trade and other payables | 17,173 | 5,830 | – | 23,003 |
| Due to immediate holding company (non-trade) | 514 | – | – | 514 |
| Due to a fellow subsidiary (non-trade) | 368,969 | – | – | 368,969 |
| Interest-bearing loans and borrowings | 192,950 | 30,898 | 21,633 | 245,481 |
| Total undiscounted financial liabilities | 579,606 | 36,728 | 21,633 | 637,967 |
| **31 December 2018** | | | | |
| **Group** | | | | |
| ***Financial liabilities:*** | | | | |
| Trade and other payables | 19,967 | 3,047 | – | 23,014 |
| Due to immediate holding company (non-trade) | 176,570 | – | – | 176,570 |
| Due to a fellow subsidiary (non-trade) | 193,850 | – | – | 193,850 |
| Interest-bearing loans and borrowings | 146,450 | 49,060 | 15,208 | 210,718 |
| Total undiscounted financial liabilities | 536,837 | 52,107 | 15,208 | 604,152 |

At the end of the reporting period, all of the Company's financial assets and liabilities mature within one year based on the carrying amounts reflected in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings. Other than certain fixed rate bank borrowings, the Group's loans and borrowings are at floating rates which are contractually re-priced at intervals of less than 6 months from the end of the reporting period.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts.

***Sensitivity analysis for interest rate risk***

At the end of the reporting period, if Australian Dollars ("**A$**") and Malaysian Ringgit ("**MYR**") interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's development properties would have been $885,000 (2018: $1,368,000) and $248,000 (2018: $335,000) lower/higher respectively, and profit net of tax would have been $765,000 (2018: $Nil) and $287,000 (2018: $118,000) higher/lower respectively, arising mainly as a result of lower/higher borrowing cost on floating rate loans and borrowings.

### (d) Foreign currency risk

The Company has transactional currency exposures arising from loans extended to its subsidiaries in Malaysia and Australia. These loans are denominated in MYR and A$, whereas the Company's functional currency is SGD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Malaysia and Australia. As disclosed in Note 17, the Group entered into forward currency contracts during the financial year for reducing its exposure to foreign currency risks on Australian Dollar. The Group's net investments in Malaysia are not hedged as currency positions in MYR are considered to be long-term in nature.

***Sensitivity analysis for foreign currency risk***

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in MYR and A$ exchange rates against SGD, with all other variables held constant.

| | Profit before tax | |
|---|---|---|
| | 2019 | 2018 |
| | $'000 | $'000 |
| | higher/lower | higher/lower |
| MYR – strengthened/weakened 5% (2018: 5%) | 6,416 | 5,789 |
| A$ – strengthened/weakened 5% (2018: 5%) | 5,614 | 5,985 |

## 28. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety at the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

| | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) $'000 | Significant observable inputs other than quoted prices (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 | Total $'000 |
| **2019** | | | | |
| **Assets measured at fair value** | | | | |
| **Non-financial assets** | | | | |
| Investment properties (Note 11) | | | | |
| *Malaysia* | – | – | 16,771 | 16,771 |
| Derivatives (Note 17) | – | 1,431 | – | 1,431 |
| **2018** | | | | |
| **Assets measured at fair value** | | | | |
| **Non-financial assets** | | | | |
| Investment properties (Note 11) | | | | |
| *Malaysia* | – | – | 25,219 | 25,219 |
| Derivatives (Note 17) | – | 1,479 | – | 1,479 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 28. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) Level 3 fair value measurements

#### *(i) Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

| Description | Fair value at 31 December 2019 $'000 | Valuation techniques | Unobservable inputs | Range of unobservable inputs $ |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| ***Investment properties:*** | | | | |
| Malaysia | 16,771 | Market comparison approach | Price per square foot | 292 – 428 |

| Description | Fair value at 31 December 2018 $'000 | Valuation techniques | Unobservable inputs | Range of unobservable inputs $ |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| ***Investment properties:*** | | | | |
| Malaysia | 25,219 | Market comparison approach | Price per square foot | 284 – 738 |

For residential and retail investment properties, a significant increase/(decrease) in price per square feet based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

#### *(ii) Movements in Level 3 assets measured at fair value*

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

| | Fair value measurements using significant unobservable inputs (Level 3) Investment properties Malaysia $'000 |
|---|---|
| **Group** | |
| **2019** | |
| Opening balance | 25,219 |
| Transfer to development properties | (8,364) |
| Net loss on fair value adjustments of investment properties, representing total gains or losses for the year included in profit or loss | (61) |
| Exchange differences | (23) |
| Closing balance | 16,771 |

## 28. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) Level 3 fair value measurements (cont'd)

#### *(ii) Movements in Level 3 assets measured at fair value (cont'd)*

| | Fair value measurements using significant unobservable inputs (Level 3) Investment properties Malaysia $'000 |
|---|---|
| **Group** | |
| **2018** | |
| Opening balance | 11,836 |
| Transfer from development properties | 13,280 |
| Net gain on fair value adjustments of investment properties, representing total gains or losses for the year included in profit or loss | 77 |
| Exchange differences | 26 |
| Closing balance | 25,219 |

#### *(iii) Valuation policies and procedures*

The Group's Chief Financial Officer oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information is reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 28. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (d) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

| | Significant unobservable inputs (Level 3) $'000 | Fair value Total $'000 | Carrying amount $'000 |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| **Liabilities:** | | | |
| *Non-current:* | | | |
| Other payables | 5,537 | 5,537 | 5,830 |
| **2018** | | | |
| **Liabilities:** | | | |
| *Non-current:* | | | |
| Other payables | 2,890 | 2,890 | 3,047 |

***Determination of fair value***

*Other payables*

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending or borrowing at the end of the reporting period.

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, based on their notional amounts, reasonably approximate their fair values because they are short-term in nature.

## 29. CAPITAL MANAGEMENT

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low.

Debt maturing within 12 months can be rolled over with existing lenders. In addition, the Group manages its liquidity and working capital cash flow needs as described in Note 27(b).

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is the sum of indebtedness divided by equity attributable to owners of the Company. The Group includes within the sum of indebtedness, interest-bearing loans and borrowings, amount due to immediate holding company (non-trade), amount due to a fellow subsidiary (non-trade) and amount due to a non-controlling shareholder of a subsidiary (non-trade).

| | | Group | |
|---|---|---|---|
| | **Note** | **2019 $'000** | **2018 $'000** |
| Interest-bearing loans and borrowings | 20 | 218,467 | 182,117 |
| Due to immediate holding company (non-trade) | | 514 | 175,618 |
| Due to a fellow subsidiary (non-trade) | | 367,010 | 192,810 |
| Due to non-controlling shareholder of a subsidiary (non-trade) | 19 | 5,830 | 3,047 |
| Sum of indebtedness | | 591,821 | 553,592 |
| Equity attributable to owners of the Company | | 116,416 | 105,606 |
| Gearing ratio | | 5.1 | 5.2 |

## 30. SUBSEQUENT EVENT

With the global outbreak of COVID-19, the Group anticipates some negative impact on travel demand which may affect the financial performance of the Group's hotel properties in Penang, Malaysia. The estimate of the financial impact cannot be reasonably determined at this juncture. Nonetheless, the Group expects the prospects for the hotel industry in Penang, Malaysia to remain positive in the long term.

## 31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 26 March 2020.

# STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

## SHARE CAPITAL

| | | |
|---|---|---|
| ISSUED AND FULLY PAID-UP CAPITAL | : | S$142,556,361 |
| NUMBER OF ISSUED SHARES | : | 915,874,500 |
| CLASS OF SHARES | : | Ordinary Shares |
| VOTING RIGHTS | : | One vote per ordinary share (excluding treasury shares) |
| NUMBER OF TREASURY SHARES | : | Nil |
| NUMBER OF SUBSIDIARY HOLDINGS | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| RANGE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 332 | 21.79 | 323,800 | 0.04 |
| 1,001 – 10,000 | 871 | 57.15 | 2,862,700 | 0.31 |
| 10,001 – 1,000,000 | 297 | 19.49 | 25,748,000 | 2.81 |
| 1,000,001 & ABOVE | 24 | 1.57 | 886,940,000 | 96.84 |
| **TOTAL** | **1,524** | **100.00** | **915,874,500** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| | NAME OF SHAREHOLDERS | NO. OF SHARES | % |
|---|---|---|---|
| 1 | ASPIAL CORPORATION LTD | 742,828,700 | 81.11 |
| 2 | NG SHENG TIONG | 22,250,000 | 2.43 |
| 3 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 22,034,000 | 2.41 |
| 4 | TAN SU KIOK | 20,000,000 | 2.18 |
| 5 | CITIBANK NOMINEES SINGAPORE PTE LTD | 19,229,000 | 2.10 |
| 6 | TAY MIAH HIANG | 7,500,000 | 0.82 |
| 7 | UOB KAY HIAN PTE LTD | 7,464,900 | 0.81 |
| 8 | RAFFLES NOMINEES (PTE) LIMITED | 6,049,600 | 0.66 |
| 9 | ONG ZHEN YUAN | 6,003,600 | 0.65 |
| 10 | SIA LI WEI, JOLIE (SHE LIWEI, JOLIE) | 4,300,000 | 0.47 |
| 11 | YEO ENG CHING DANNY | 4,000,000 | 0.44 |
| 12 | DBS NOMINEES PTE LTD | 3,846,000 | 0.42 |
| 13 | MAYBANK KIM ENG SECURITIES PTE.LTD | 3,712,200 | 0.40 |
| 14 | DBS VICKERS SECURITIES (S) PTE LTD | 2,933,300 | 0.32 |
| 15 | TAN HONG CHANG | 2,290,000 | 0.25 |
| 16 | NG KEAN SEEN | 2,000,000 | 0.22 |
| 17 | SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD | 1,639,800 | 0.18 |
| 18 | OCBC SECURITIES PRIVATE LTD | 1,538,000 | 0.17 |
| 19 | LIM SWEE ANN | 1,536,900 | 0.17 |
| 20 | CHEOK ENG SOON (SHI YONGSHUN) | 1,200,000 | 0.13 |
| | | **882,356,000** | **96.34** |

## STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

### SUBSTANTIAL SHAREHOLDERS

(as recorded in the Company's Register of Substantial Shareholders)

| | DIRECT INTEREST | | DEEMED INTEREST | |
|---|---|---|---|---|
| | NO. OF SHARES | % OF SHARES | NO. OF SHARES | % OF SHARES |
| Aspial Corporation Limited(1) | 742,828,700 | 81.11 | – | – |
| Koh Wee Seng(2) (3) | 22,750,000 | 2.48 | 742,828,700 | 81.11 |
| Koh Lee Hwee(2) (4) | – | – | 742,828,700 | 81.11 |
| Ko Lee Meng(2) (5) | – | – | 742,828,700 | 81.11 |
| MLHS Holdings Pte Ltd(1) | – | – | 742,828,700 | 81.11 |

(1) MLHS Holdings Pte Ltd ("**MLHS**") is the controlling shareholder of Aspial Corporation Limited ("**Aspial**"), holding approximately 58.72% of the shareholdings of Aspial as at 16 March 2020. MLHS is a private limited company incorporated in Singapore on 14 January 1994. It is an investment holding company. The shareholders of MLHS are Mr Koh Wee Seng (47.00%), Ms Ko Lee Meng (25.75%), Ms Koh Lee Hwee (24.25%), Mdm Tan Su Lan @ Tan Soo Lung (2.00%) and the estate of Mr Koh Chong Him @ Ko Chong Sung (1.00%). Mdm Tan Su Lan @ Tan Soo Lung is the mother of Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng. Ms Ko Lee Meng is the sister of Mr Koh Wee Seng and Ms Koh Lee Hwee.

(2) Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng are directors and substantial shareholders of Aspial through their shareholdings in MLHS. As at 16 March 2020, (i) Mr Koh Wee Seng has direct and deemed interests in 19.27% and 58.99% of Aspial respectively for an aggregate of 78.26%, (ii) Ms Koh Lee Hwee has direct and deemed interests in 1.59% and 59.71% of Aspial respectively for an aggregate of 61.30%, and (iii) Ms Ko Lee Meng has direct and deemed interests in 1.74% and 58.78% of Aspial respectively for an aggregate of 60.52%. Mr Koh Wee Seng is the chief executive officer and executive director of Aspial. Ms Koh Lee Hwee is an executive director of Aspial. Ms Ko Lee Meng is a non-executive director of Aspial.

(3) As at 16 March 2020, Mr Koh Wee Seng holds direct interest in 22,250,000 shares of the Company ("**Shares**") held in his own name and 500,000 Shares held in the name of nominee accounts. In addition, Mr Koh Wee Seng is deemed to be interested in the Shares held by Aspial by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"). As at 16 March 2020, Mr Koh Wee Seng has an interest, directly and indirectly, in approximately 78.26% of the shares in Aspial.

(4) Ms Koh Lee Hwee is deemed to be interested in the Shares held by Aspial by virtue of Section 4 of the SFA. As at 16 March 2020, Ms Koh Lee Hwee has an interest, directly and indirectly, in approximately 61.30% of the shares in Aspial.

(5) Ms Ko Lee Meng is deemed to be interested in the Shares held by Aspial by virtue of Section 4 of the SFA. As at 16 March 2020, Ms Ko Lee Meng has an interest, directly and indirectly, in approximately 60.52% of the shares in Aspial.

### SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 16 March 2020 and to the best knowledge of the Directors of the Company, approximately 13.88% of the issued ordinary shares of the Company was held by the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"). Accordingly, Rule 723 of the Catalist Rules which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

**WORLD CLASS GLOBAL LIMITED**
(Incorporated in the Republic of
Singapore on 29 October 2013)
(Company Registration Number: 201329185H)

55 Ubi Avenue 3, #05-01 Aspial One
Singapore 408864
Email: investors@wcg.com.sg
Website: https://wcg.com.sg