CAPITAL WORLD LIMITED
(Incorporated in the Cayman Islands)
(Company Registration No.: CT-276295)

RESPONSE TO QUERIES FROM THE SGX-ST

The board of directors (the "**Board**" or the "**Directors**") of Capital World Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 3 September 2019 and 3 October 2019 ("**Previous Announcements**") in relation to entry into a non-binding Term Sheet and Convertible Loan Agreement with Dato' Seri Chong Thim Pheng and Ong King Sin for a loan amount of S$5.5 million (the "**Convertible Loan Amount**"). Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Previous Announcements.

The Board would like to provide the following information in response to queries raised by the SGX-ST on 4 October 2019.

1. The CBSA was entered into in Feb 2018 was for S$18m at interest of 10% p.a. with Dato Chong. Arranger was Prosper Network Co Ltd, the sole shareholder being Ong Kok Heng, which is son in law of Dato Chong, arranger fee being 5%, representing up to S$900k in cash within 7 business days from each draw down.

   Now the CLA entered into on 3 Oct 2019 is for S$5.5m, where S$4.5m is taken from Dato Chong and S$1m taken from Dato Ong. Arranger is also Prosper Network Co Ltd., arranger fee being 7%, amounting up to S$385k in cash within 5 business days from disbursement of loan amount.

   Purpose of the CLA is to use 90% to 95% of the S$5.5m for repayment of outstanding convertible bond amount.

   This seems to be a cycle of convertible bonds/loans with increasing interest rates which will have a very dilutive effect, and high arranger fees which are to be paid in cash to the arranger. Is this sustainable for the business? Please explain with basis.

   <u>Company's reply:</u>

   1) The property market in Johor has not recovered in the last 2 years, and the Company had been trying very hard to obtain financing from FIs/Banks without any success to date. The Company had opted to accept the terms of the CLA offered by Dato Chong in order to prevent a situation of default.

   2) We would respectfully say that the total cost of the CLA facility is lower than the original CBSA facility.

   3) In the CBSA entered into in Feb 2018 for up to S$18 million, the Arranger Fee was 5% in cash on the CB drawdown <u>and</u> 40% of the CB drawdown which was to be paid via issuing Company's shares (Facility Fee Shares).

   4) In the CLA entered on 3 Oct 2019, the Arranger Fee is 7% in cash but there is <u>no</u> Facility Fee Shares. In addition, the Arranger Fee of 7% in CLA, is the same rate as the Company's announcement on the proposed share subscription dated 10 July 2019.

5) The interest rate of 15% per annum in CLA is higher compared with 10% per annum in CBSA. However, combining the interest rate and Arranger Fee, the total cost of the CLA is lower than the total in the CBSA as summarized below:

	CBSA in Feb 2018		CLA in Oct 2019
	Convertible Bond Subscription Agreement		Convertible Loan Agreement
Interest rate per annum	10%	A	15%
Arranger fee:			
1) Cash 5%/7%	5%		7%
2) Faciliy fee at 40% via shares issuance	40%		0%
Total Arranger fee	**45%**		**7%**
Total	55%	C=A+B	22%

6) In the CBSA, the total bonds amount was S$18 million but Company only drew down S$10 million which related to Series A Bonds only. For Series A bonds of S$10 million, the Company paid the Arranger the following:

i) Arranger fee in cash: S$500,000, being 5% x S$10 million; and
ii) Facility Fee: S$4.0 million, being 40% x S$10 million, paid via shares issuance of 48,780,488 shares at S$0.082 per share (conversion price under CBSA)

The Series B Bonds of S$8 million was not being able to drawdown due to unavailability of the shares charge of the controlling shareholders. The shares of the controlling shareholders are under the moratorium with Achwell Property Sdn Bhd ("**APSB**"), the Landowner of the Capital City Project, for which the Group had signed a settlement agreement with APSB, the details of which were set out in the Company's circular dated 15 May 2019.

Had Company drew down the S$8 million Series B bonds, the following would have been further paid to the Arranger:

i) Arranger fee in cash: S$400,000, being 5% x S$8 million; and
ii) Facility Fee: S$3.2 million, being 40% x S$8 million, to be paid via shares issuance of 39,024,390 shares at S$0.082 per share

7) Out of S$10 million drawdown, the Company has paid S$5.5 million leaving S$4.5 million outstanding which had been overdue. There was an urgent need to repay the overdue S$4.5 million bonds to avoid any potential litigation against the Company. Any default or litigation would have put the Company in an untenable position from which it might not recover.

8) Company has been actively exploring fund raising activities. The Company has approached almost all the major FIs/Banks in Malaysia. However, the financing market has been weak and whilst some FIs had indicated interest, no financing has been secured as of to-date. The Company therefore had to approach the Arranger to assist on further financing.

9) The proceeds from CLA will be substantially used to repay S$4.5 million and accrued interest under the CBSA, and the CBSA will be terminated thereafter after the repayment.

10) With the entry into CLA and the termination of CBSA, the Company will have more time to improve its cash flow from its operation. The financing at same time eliminated the risk of the potential litigation under CBSA if this were not settled. The Company wishes to assure the regulators and its shareholders that the Company has no intention to re-cycle convertible bonds/loans with ever increasing interest rate. The present circumstances are quite exceptional.

2. Why did the Company not look towards FIs/banks for loans? Will the interest rates be as high as the CBSA (10%) and CLA (15%)? When does the Company anticipate that the business will start bringing in operational cashflow?

   Company's reply:

   Company has been exploring financing with the FIs/Banks but had not been successful due to the weak real estate market sentiments in Malaysia. The Company had been discussing with private funds for the financing, and the indications from private funds was that their interest rates would be between 15% to 18% per annum.

   The sales of units had been slow for the Capital City Mall and Serviced Suites which have affected Group's cash flow. For the Serviced Apartments, Company is preparing for the launch which is expected to be in the early 2020. The Company is cautiously optimistic that the launch of the Serviced Apartments would improve the cash flow of the Company.

3. If the common lender in both the CBSA and CLA are Dato Chong, did the company still require Prosper Network to act as an arranger for the CLA? What further service did Prosper Network provide for the CLA given that the Company is already introduced to Capital World, i.e. not a newly introduced party?

   Company's reply:

   The Company still required Prosper Network to facilitate the financing notwithstanding that Dato Chong is the common lender. Regardless who the lenders are, Company would still require financing to repay the overdue S$4.5 million bonds.

4. How is the AC satisfied that the arranger fees to be paid for the CLA is fair and not prejudicial to the interests of minority shareholders? Arranger fees are at **cash** of S$385k when the latest results of 30 Jun 2019 states that company has cash balance of approx. S$1m.

   Company's reply:

   As mentioned in item 1 above, the overall arranger fee is actually lower in CLA as compared to CBSA. The AC is satisfied that the arranger fees to be paid for the CLA is fair and not prejudicial to the interest of minority shareholders.

   The Arranger Fee of S$385K will be paid from the proceeds of CLA as stated in the announced dated on 3 October 2019 and it will not be paid from the cash balance as at 30 June 2019.

5. The “Relevant Amount” clause refers to the Company raising funds of an amount equal to S$15m or more, and in such case the Company will repay the CLA in full with interest within 2 months from the raising of such funds. What is the rationale behind such a clause? If the Company has intentions to raise funds from the market, why is there a need to enter into a CLA and incur high 15% interest and 7% arranger fees?

   Company’s reply:

   Company has been exploring fund raising activities but none has been secured as of to-date.

   The Company shall repay the CLA in full on the best endeavour basis (as announced on 3 Oct 2019) if the Company raises funds of an amount equal to S$15 million or more. Should the Company raise further funds with better terms in the future, the Company would be able to repay the CLA in full and avoid incurring the 15% interest for remaining period.

By Order of the Board
CAPITAL WORLD LIMITED

Siow Chien Fu
Executive Director and Chief Executive Officer
10 October 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist.

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

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