



Capital World Limited
(Incorporated in the Cayman Islands)
Company Registration Number: CT-276295

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Singapore 169662

PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN KEKAL EFEKTIF SDN. BHD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of Capital World Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Baiduri Megaria Sdn Bhd (the "**Purchaser**"), a wholly-owned subsidiary of the Company, has entered into a sale of shares agreement and supplemental agreement dated 22 November 2017 (collectively referred as "**Agreements**") with Abdul Hadi Bin Abdullah and Ab Razak Bin Abdullah (collectively known as "**Vendors**") for the acquisition of 250,000 ordinary shares ("**Sale Shares**") representing 100% shareholding interest in Kekal Efektif Sdn. Bhd. ("**Kekal**") for a consideration of RM63.0 million ("**Proposed Acquisition**").

2. INFORMATION ON THE VENDORS

Abdul Hadi Bin Abdullah holds 249,999 ordinary shares representing 99.9996% of the Sale Shares of Kekal and Ab Razak Bin Abdullah holds 1 ordinary share representing 0.0004% of the Sale Shares of Kekal. The Vendors are independent third parties and are not directly or indirectly related to the Company and/or its Directors, controlling shareholders or their respective associates.

3. INFORMATION ON THE TARGET COMPANY

Kekal is a company limited by shares incorporated in Malaysia and having its registered address at 2-11, Larkin Indah, Jalan Datin Halimah, 80350 Larkin, Johor and a business address at No. 1227, Jalan Senai Utama 2, Taman Senai Utama, 81400 Senai, Johor with a total issued share capital of Ringgit Malaysia Two Hundred And Fifty Thousand (RM250,000) divided into two hundred and fifty thousand (250,000) shares of Ringgit Malaysia One (RM1.00) each.

The principal activity of Kekal is in the business of investments and property development and it has been dormant since its incorporation. Based on the latest audited financial statements ended 31 December 2016, the net tangible liabilities ("**NTL**") of Kekal as at 31 December 2016 was RM47,818 whilst its net loss was RM283,925 mainly relating to statutory and administrative expenses.

4. RATIONALE FOR AND BENEFIT OF THE PROPOSED ACQUISITION

4.1 Joint development right

Kekal has the following joint development right:

- (a) Yayasan Pelajaran Johor, a statutory body established in Malaysia under Johore Education Foundation Enactment, 1982 (“**YPJ**”) being the proprietor of all those plots of lands held under HS(D) 36604, PTD 2536, HS(D) 36606 PTD 5075, HS(D) 36607 PTD 5076, HS(D) 36610 PTD 2315 and HS(D) 36611 PTD 2316, all in the Mukim of Pantai Timur, District of Kota Tinggi, State of Johor, measuring approximately 207.5 acres (“**the Development Lands**”) has appointed YPJ Holdings Sdn. Bhd., a company limited by shares incorporated in Malaysia (“**YPJH**”), vide a Power of Attorney dated the 12 October 2015 as the lawful attorney of YPJ and has been conferred with the powers to, inter alia, develop the Development Lands and all such other powers stipulated therein.
- (b) YPJH has subsequently granted a Power of Attorney dated the 14 December 2016 to YPJ Builders Sdn. Bhd. (Company No. 268282-V), a company limited by shares incorporated in Malaysia (“**YPJB**”), and appointed YPJB as the lawful attorney of YPJH to, inter alia, develop the Development Lands and exercise all other stipulated powers therein.
- (c) Kekal has entered into a Joint Development Agreement dated the 15 December 2016 (“**the Joint Development Agreement**”) with YPJB, the lawful attorney of YPJH to undertake the development on the Development Lands upon the terms and conditions contained therein. The Joint Development Agreement is valid and enforceable as at the date of this announcement.
- (d) Pursuant to the Joint Development Agreement, YPJB shall be entitled to receive the sum equivalent to 7.5% of the gross development value of the Development Lands or minimum guaranteed sum of approximately RM72.8 million (“**the Entitlement**”).

4.2 Development details

- (a) Location: Mukim of Pantai Timur, District of Kota Tinggi, State of Johor.

The project site is strategically located along Jalan Kg. Punggal – Desaru, approximately 22 kilometres north-east of the Pengerang Integrated Petroleum Complex (“**PIPC**”).

- (b) Land area: 207.5 acres
- (c) Tenure: Leasehold 99 years expiring on 18 January 2114.
- (d) Property type: Comprise mainly residential properties of terrace house, cluster home, townhouse, low cost flat buildings, terrace shop and offices.
- (e) Construction period: 8 to 10 years

4.3 The residential development will be timely and be able to meet the housing demand of the upcoming Pengerang Integrated Petroleum Complex oil and gas hub. In addition, this housing development will complement the Group's portfolio of mixed development projects which will diversify the Group's risks due to changes in market and economic conditions, transforming the Group into a multidisciplinary developer.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1 Sale Shares

The Proposed Acquisition involves the acquisition of the Sale Shares, free from all liens, charges or other encumbrances.

The Sale Shares will be transferred from the Vendors to the Purchaser as follows:

- (a) 175,000 shares, representing 70% of the total number shares of 250,000, will be transferred on the date of the Agreements;
- (b) The remaining 75,000 shares ("**Remaining Shares**"), representing 30% of the total number shares of 250,000, will be transferred not later than one year from the date the Agreements or the date as the Purchaser shall decide as it deems fit. As a security for the due observance by the Vendors, the Vendors shall simultaneously with the execution of the Agreements deposit with the Purchaser's Solicitors a duly executed instrument of transfer of the Remaining Shares in favour of the Purchaser in escrow, together with other documents necessary for the transfer of Remaining Shares.

The Vendors shall hold the Remaining Shares and all interests and benefits accruing therefrom together with all liabilities and obligations arising thereunder in trust for the Purchaser prior to the transfer of the Remaining Shares in favor of the Purchaser. In addition, the Vendors covenants and undertakes with the Purchaser that the Purchaser shall have the sole and exclusive right and obligation, with full control and discretion to deal with the Remaining Shares.

5.2 Conditions Precedent

- (a) YPJB's unreserved consent to the sale and purchase of the Sale Shares and the appointment of new director(s) of the Kekal by the Company; and
- (b) the YPJ's or YPJB's irrevocable power of attorney in favour of the Kekal (if applicable) which the Kekal shall be granted with the powers similar to and no less favourable than those contained in the Power of Attorney dated the 12 October 2015 granted in favour of YPJH or the Power of Attorney dated the 14 December 2016 granted in favour of YPJB.

5.3 Consideration

The consideration payable to the Vendors for the acquisition of the Sale Shares is RM63.0 million (“Consideration”), comprising the following:

- (a) a sum of RM1.2 million as deposit (“Deposit”) for the Proposed Acquisition;
- (b) a sum of RM2.3 million payable upon procurement of development order duly approved by the appropriate authority in respect of the Development Land and acceptable to the Purchaser;
- (c) a sum of RM1.5 million payable upon the expiry of six (6) months form the date of the procurement of the development order; and
- (d) the balance of RM58.0 million (“**Balance Purchase Price**”) shall be paid by the Purchaser to the Vendors by utilising twenty per centum (20%) of each net progress claims received by the Purchaser commenced from the sixth (6th) stage of the schedule of payment with regard to the respective properties developed on the Development Lands as stipulated in the sale and purchase agreements in respect of the properties or parcels developed on the Development Lands. The Vendors have agreed to commit to receive a minimum thirty per centum (30%) of the Purchase Price in kind (ie contra with properties and parcels purchase). Under such circumstance, the selection of properties or parcels by the Vendors shall be effected immediately prior to the official launch thereof where the amount of payment in kind shall be mutually agreed by the parties.

The Consideration was arrived based on arm’s length negotiations between the Purchaser and the Vendors, based on a willing-buyer, willing seller basis, after taking into considerations, a market valuation report as at 20 November 2017 conducted by an independent third party valuer (“**the Valuation Report**”) commissioned by the Purchaser, with a fair value of development profit after netting of all outgoings including land cost (inclusive of the Entitlement), construction cost and tax.

5.4 Corporate guarantee

For the purpose of this Agreement, the Purchaser shall provide the Vendors with a valid and enforceable Corporate Guarantee issued by the Company in favour of the Vendors to secure the payment of the Balance Purchase Price whereby the terms and conditions for the Corporate Guarantee shall be mutually agreed by the parties.

5.5 Completion

The completion of the sale and purchase of the Sale Shares shall take place within fourteen (14 days) from the execution of the Agreements.

6. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will be funded through the cash generated from the Group's operations and the financing obtained in early November 2017 as announced by the Company.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules"), are as follows:-

| Rule | Bases | Relative Figure (%) |
|----------|---|---------------------|
| 1006 (a) | Net asset value of the assets to be disposed of compared with the Group's net asset value. | Not applicable |
| 1006 (b) | Net profits attributable to the assets acquired, compared with the Group's net profits (Note 1). | (0.02)% (Note 2) |
| 1006 (c) | Aggregate value of the consideration given, compared with the Company's market capitalization on 21 November 2017, being the market day preceding the date of the Agreements. | 18.90% (Note 3) |
| 1006 (d) | Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue. | Not applicable |
| 1006 (e) | The aggregate volume or amount of proved and probable reserves to be disposed of compared with the aggregate of the Group's proved and probable reserves. | Not applicable |

Notes:-

- (1) Under Catalist Rule 1002(3)(b), "net profit/loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on Kekal's unaudited loss before tax of RM4,200 for the quarter ended 30 September 2017, compared to the Group's latest announced profit before tax of RM26.3 million for the first quarter ended 30 September 2017 ("1Q2018"). Kekal's has been dormant since its incorporation and its loss before tax was mainly relating to statutory and administrative expenses. As such, the application of Catalist Rule 1006 (b) in this instance is not regarded as meaningful.
- (3) Based on the Consideration of RM63.0 million, and the Company's market capitalisation of approximately RM333.3 million, which is determined by multiplying the issued share capital of the Company of 1,268,314,067 shares with the closing price of such shares transacted on 21 November 2017, being the market day preceding to the signing of the Agreements, of S\$0.086 per share, translated at 3.056.

Based on the above, the relevant relative figure as computed on the bases set out in Rule 1006(c) of the Catalist Rules exceed 5% but are less than 75%. Thus, the Proposed Acquisition constitutes a discloseable transaction as defined under Chapter 10 of the Catalist Rules.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustrative purposes only, the pro forma financial effects of the Group after the Proposed Acquisition set out below are prepared based on the audited financial statements of the Group for the financial year ended 30 June 2017 (“FY2017”) and do not reflect the actual future financial position of the Group following the completion of the Proposed Acquisition.

8.1 Earnings Per Share

Assuming that Proposed Acquisition had been effected on 1 July 2016, the effects of the Proposed Acquisition on the Group’s earnings per share (“EPS”) would be as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---------------------------------|--------------------------------|
| Profit attributable to the owners of the Company (RM'000) | 70,113 | 69,829 |
| Weighted average number of shares ('000) | 1,102,714 | 1,102,714 |
| EPS (RM cents) | 6.36 | 6.33 |

8.2 Net Tangible Asset Per Share

Assuming that the Proposed Acquisition had been effected on 30 June 2017, the effects of the Proposed Acquisition on the Group’s net tangible assets (“NTA”) per share would be as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|---------------------------------|--------------------------------|
| NTA value attributable to the owners of the Company (RM'000) | 139,814 | 139,766 |
| Number of shares issued ('000) | 1,268,314 | 1,268,314 |
| NTA per share (RM cents) | 11.023 | 11.020 |

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition.

10. Service Contracts

There are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

12. DOCUMENT AVAILABLE FOR INSPECTION

The Agreements are available for inspection during normal business hours at the Company's Singapore office at 390 Havelock Road, #04-06, King's Centre, Singapore 169662 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Siow Chien Fu
Executive Director and Chief Executive Officer
23 November 2017

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") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).