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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE COMPANY'S LISTING AND QUOTATION NOTICE APPLICATION IN RELATION TO THE ENTRY INTO SUBSCRIPTION AND OPTIONS AGREEMENT WITH PRG HOLDINGS BERHAD AND THE PROPOSED ALLOTMENT AND ISSUANCE OF 39,000,000 SHARES ("SETTLEMENT SHARES") TO DATO' SRI CHONG THIM PHENG ("DATO CHONG").**

In response to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") queries on 18 January 2019, the Board of Directors (the "**Board**") of Capital World Limited (the "**Company**") wishes to provide the following information in relation to the Company's proposed allotment and issuance of 39,000,000 Shares to Dato Chong pursuant to the settlement agreement entered into with Dato Chong on 23 November 2018.

**SGX-ST's question 1**

1. Given that the Convertible Bond Subscription Agreement entered into with Dato Chong was due to mature in one year from the issuance and registration of the bonds, which would be sometime in April 2019, and the Company intends to repay to Dato Chong the S\$10m Series A Bonds drawn down along with interests, why is there a need to enter into the Settlement Agreement on 23 November 2018 to terminate the Convertible Bond Subscription Agreement and to issue/transfer 39,000,000 shares in the company for the S\$8,000,000 Series B Bond which were **not drawn down**?

**Company's response:**

Pursuant to the Convertible Bond Subscription Agreement ("CBSA") and Share Charge Agreement, also as disclosed in the Clause 3.1.6 (d) of the Circular dated 11 April 2018, if the Company's share price fall below S\$0.0492 ("Threshold"), being 60% of conversion price (S\$0.082) per share, for consecutive five (5) Trading days, Siow Chien Fu, Tan June Teng Colin @ Chen Junting and Tan Bing Huang Edwin @ Chen Binghuang (the "Chargors") shall be required to top up additional shares or additional cash as deposits.

Due to the decrease in share price below the Threshold, on 26 October 2018, notices had been served on each of Chargors for an additional 307,061,748 shares to be charged in favour of Dato Chong pursuant to the terms of the Share Charge Agreement. Copies of such notices were copied to the Company.

The Chargors had already charged 243,902,439 shares for the S\$10 million Series A Bonds issued by the Company, representing 18.52% of 1,317,094,554, the then issued and paid up share capital of the Company. Had the additional 307,061,748 shares been charged as demanded, the total number of shares charged would increase to 550,964,187, accounting for 41.83% of the Company's issued and paid up share capital. As a result, Dato Chong will have a deemed interest in 41.83% of the issued and paid up shares of the Company. Attempts were made to request Dato Chong to waive the requirement for the charging of additional shares but these attempts were unsuccessful.

Many of the operation contracts that the Company had entered into require that the existing management remain in control of the Company. Given the large deemed interest of Dato Chong if the additional shares were charged, there is a risk that third parties may view the existing management as not having control of the daily operations of the Company and this will have an adverse impact on the smooth running of the Company. In addition, for the various joint venture agreements entered into between the Company and the land owners, there is a

requirement that the Chargors remain majority shareholders of the Company and if Dato Chong has a deemed interest in 41.38% of the issued and paid up shares of the Company, there may be adverse impact on these joint venture agreements. Therefore, the Board is of the view that it is in the interest of the Company and the Chargors to terminate the CBSA.

The Company entered into several negotiations with Dato Chong to amicably terminate the CBSA and managed to reach a settlement agreement with Dato Chong. As disclosed in the announcement dated 23 November 2018, Dato Chong has agreed that for the period from 23 November 2018 to 21 February 2019, he will refrain from making any demand for:

- (a) the repayment of the Bonds in connection with any default by the Chargors under the Share Charge Agreement; and
- (b) any additional Shares to be charged in his Dato Chong's favour under the terms of the CBSA and/or the Share Charge Agreement.

For Dato Chong to agree on the above terms and the termination of the CBSA thereafter, the Company had to compensate him by issuing 39 million shares to him at no costs. If the S\$8 million Series B Bonds were issued by the Company, pursuant to the CBSA, the Company is required to issue new free shares at 40% of S\$8 million, converted at S\$0.082 per share, resulting in approximately 39 million shares as the facility fee, such 39 million shares as the facility fee would have been paid to the Arranger and not Dato Chong, only if the S\$8 million Series B Bonds are drawn down, pursuant to the CBSA. However, as a result of this Settlement Agreement, the such 39 million shares will be issued to Dato Chong instead even though the S\$8 million Series B Bonds has not been drawn down. This is the basis of arriving at the issuance of 39 million new shares for the settlement.

**SGX-ST's question 2**

Had the Settlement Agreement not been entered into, the Convertible Bond Subscription Agreement would have come due in April 2019, where only the S\$10m Series A Bonds and its interests be due to be repaid? Are there any clause in the Convertible Bond Subscription Agreement providing for termination costs or fees to be paid in lieu of not drawing down the entire S\$18m?

**Company's response:**

Each tranche of the Bonds shall be redeemed one year from the date the relevant Bonds have been issued and registered, or such other date as the Company and the Bondholder may agree in writing ("First Maturity Date"), provided always that the Bondholder shall have the sole and absolute discretion to extend the redemption date for a further twelve months from the expiry of the First Maturity Date.

Accordingly, for S\$10 million Series A Bonds, the First Maturity Date would be:

	Amount (S\$ Million)	Drawdown date	First Maturity Date
Tranche 1	4	2 May 2018	1 May 2019

Tranche 2	3	2 May 2018	1 May 2019
Tranche 3	3	1 August 2018	31 July 2019
Total	10		

The Bonds interest is to be paid half yearly. Accordingly, the Company will have to repay the \$10 million Series A Bonds at the respective First Maturity Dates together with the outstanding interests.

There is no clause in CBSA relating to termination cost or fees to be paid in lieu of not drawing down the Bonds as it was not contemplated by Parties that the CBSA will be terminated prior to maturity.

### **SGX-ST's question 3**

Will the Arranger of the Convertible Bond Subscription Agreement, Mr Ong Kok Heng, receive any further arranger fee and facility fee for the S\$8,000,000 Series B Bond which were **not drawn down**?

#### **Company's response:**

The Arranger will not receive any arranger fee and facility fee for S\$8 million Series B Bond which were not drawn down. For the avoidance of the doubt, the Series B Bonds will not be drawn down as the CBSA will be terminated after the issuance of the settlement shares and repayment of S\$10 million Series A Bonds by the Company.

### **SGX-ST's question 4**

Why did the Company choose to enter into Convertible Bond Subscription Agreement with Dato Chong at a 10% interest p.a. and the new subscription and options agreement with PRG Holdings Berhad instead of opting for other financing options such as a bank loan?

#### **Company's response:**

The Group had approached various banks for bank loans but were unsuccessful. The main reasons for the Group's inability to obtain bank loans include the following: 1) the general weak property market conditions in Johor Malaysia; 2) the commercial nature of Group's projects; 3) Joint venture structure with the landowner where the land title deeds are with the landowner and as a result, the inability of the Company to provide land titles as collaterals to the banks.

The Company has therefor looked for other source of financing, other than the bank loans.

PRG Holdings Berhad is a strategic investor which will inject equity into the Company and on the business front, it provides the synergy to both groups.

### **SGX-ST's question 5**

What was the S\$10,000,000 Series A Bond drawn down used for?

#### **Company's response:**



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The funds drawn down from the S\$10 million Series A bonds, after payment of the Arranger Fee and professional fees, have been used as working capital for the Capital City Project as intended.

**By the Order of the Board**

Siow Chien Fu  
Executive Director and Chief Executive Officer  
24 January 2019

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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 Catalyst. 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.

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