

ENTRY INTO A CONVERTIBLE LOAN AGREEMENT

1. INTRODUCTION

- 1.1 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 in relation to entry into a non-binding term sheet with Dato’ Seri Chong Thim Pheng (“**DS Chong**”) and Ong King Sin (“**Mr. Ong**”) (the “**Investors**” and together with the Company, the “**Parties**”).
- 1.2 Following negotiations between the Parties, the Board wishes to announce that the Company has on 3 October 2019 entered into a convertible loan agreement (the “**Convertible Loan Agreement**”) for a loan amount of S\$5.5 million (the “**Convertible Loan Amount**”), convertible into a maximum of 365,538,561 new ordinary shares in the Capital of the Company (“**Conversion Shares**”).
- 1.3 None of the Investors holds any ordinary shares (“**Shares**”) of the Company as at the date of this announcement, other than the deemed interest of DS Chong which arose from the charge of 243,902,439 controlling shareholders’ shares in the Company pursuant to the convertible bond subscription agreement (“**Convertible Bond Subscription Agreement**”) as announced on 8 February 2018. As the share charge agreements between the 3 chargors, namely (i) Siow Chien Fu; (ii) Tan June Teng Colin @ Chen JunTing (“**Dato’ Colin**”); and (iii) Tan Ping Huang Edwin @ Chen BingHuang (“**Dato Edwin**”), and DS Chong were entered into to secure the interest-bearing bond under the Convertible Bond Subscription Agreement (as announced on 8 February 2018), the 3 share charges will be discharged upon the repayment of all amounts due and outstanding under the Convertible Bond Subscription Agreement.

2. PRINCIPAL TERMS OF THE CONVERTIBLE LOAN AGREEMENT

The principal terms of the Convertible Loan Agreement is set out below:

Convertible Loan Amount	1) DS Chong: S\$4.5 million; and 2) Mr. Ong: S\$1.0 million
Conversion	The outstanding Convertible Loan Amount (or any part thereof) may be converted by Investors from time to time into Conversion Shares by delivery to the Company of a conversion notice signed by the Investors at any time after the Disbursement Date up until the Conversion Expiry Date; provided always that every conversion hereunder shall be for an amount equivalent to a multiple of S\$1 million save and except where any part of the Convertible Loan Amount owing to any Investor is less than S\$1 million, such Investor may convert all but not part of such balance amount.

	Once any part of the Convertible Loan Amount has been converted into Conversion Shares, such part of the Convertible Loan Amount is deemed repaid upon such conversion.
Conversion Expiry Date	Conversion Expiry Date means the date immediately before the Maturity Date.
Status of Conversion Shares	Any Conversion Share shall be paid up and free from all claims, charges, liens and other encumbrances whatsoever and shall rank, <i>pari passu</i> , in all respects with the existing Shares save that they will not rank for any dividend, rights, allotments or other distributions if the Record Date of which falls on or before the date on which the Conversion Shares are allotted and issued.
Conversion Price and Adjustment	<p>The Conversion Price is S\$0.0151708.</p> <p>The Conversion Price shall from time to time be adjusted in all or any of the following cases ("Adjustment Event"):</p> <ul style="list-style-type: none"> (a) any consolidation, subdivision or conversion of the Shares; or (b) any issue by the Company of Shares credited as fully paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature) to its Shareholders; or (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of right. <p>The Conversion Price shall from time to time be adjusted in accordance with the following provisions in the event an Adjustment Event shall occur:</p> $\text{NCP} = \text{CP} \times (\text{OSC} / \text{NSC})$ <p>NCP: is the new Conversion Price; CP: is the Conversion Price; OSC: is the Company's total number of issued Shares of the Company immediately before such event; and NSC: is the Company's total number of issued Shares immediately after such event.</p>

	<p>Any adjustment to the Conversion Price will be rounded upwards to the nearest one (1) cent. No adjustment will be made to the Conversion Price in any case in which the amount by which the same would be reduced would be less than one (1) cent but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.</p> <p>In the event any adjustment to the Conversion Price would be necessary as a result of any proposed Adjustment Event, the Company shall ensure that it does not undertake such proposed Adjustment Event, save and except where all applicable governmental and regulatory approvals (including without limitation the approval of the SGX-ST) required in connection with the adjustment of the Conversion Price and/or the issue of any additional Conversion Shares to be issued pursuant to the adjusted Conversion Price, is obtained and not revoked.</p>
Conditions Precedent	<p>The disbursement of the Convertible Loan Amount shall be conditional upon the satisfaction or waiver of the following conditions as set out below:</p> <ul style="list-style-type: none"> (a) this Convertible Loan Agreement and the transactions contemplated hereunder, including without limitation, the grant of the Convertible Loan Amount, the conversion of the Convertible Loan Amount and the issue and allotment of the Conversion Shares, and all obligations contemplated pursuant and/or in connection with the same, not being prohibited by any existing law, regulation, rule (including the Listing Manual), judgement, order, decree, directive, decision, notice or circular of any court or governmental, administrative, regulatory or supervisory body (including the SGX-ST, the MAS and the SIC); (b) the Board authorising (i) entry into this Convertible Loan Agreement and the transactions contemplated herein; and (ii) the allotment and issue of the Conversion Shares; (c) there having been no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the Company warranties;

	<p>(d) all other authorisation, consent, approval, resolution, license, exemption, filing, order, lodgement or registration or other document, opinion or assurance (collectively, the “Authorisations”) which the Investors reasonably considers to be necessary in connection with the entry into and performance of the transactions contemplated by the Convertible Loan Agreement or for the validity or enforceability of the Convertible Loan Agreement being obtained and where any Authorisations is subject to conditions, such conditions being satisfactory to the Investors acting reasonably;</p> <p>(e) no material adverse change in the existing or prospective legal, financial, operational, business and tax positions of the Company occurring on or before Completion; and</p> <p>(f) the Listing and Quotation Notice being issued by the SGX-ST in respect of the Conversion Shares.</p>
Disbursement Date	Disbursement Date means the date on which the Convertible Loan Amount shall be released and disbursed to the Company, being the date falling three (3) business days from the date the last of the Conditions Precedent are fulfilled or otherwise waived in accordance with the terms of this Convertible Loan Agreement.
Early repayment	The Company shall repay the outstanding principal sum of the Convertible Loan Amount in full (together with all accrued and unpaid interest thereon) on or before the Maturity Date. For the avoidance of doubt, the Company may, with the Investors’ consent (to be granted at the Investors’ entire discretion,) repay any portion of the principal amount of Convertible Loan Amount and any interest accrued and unpaid thereupon before the Maturity Date. The Company may not re-borrow any part of the Convertible Loan Amount which is prepaid or repaid. All payments of principal and interest by the Company in respect of shall be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Singapore, Malaysia, or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Borrower will pay such additional amounts as shall be necessary in order

	<p>that the net amounts received by the Investors after such withholding or deduction shall equal the amounts of principal and interest which would have been receivable in the absence of such withholding or deduction.</p>
Interest	<p>Interest at a rate of fifteen per cent (15%) per annum shall be payable on the disbursed and outstanding principal amount of the Convertible Loan Amount. Interest shall be calculated on the basis of actual days elapsed on a 360 days year and shall be payable in cash by the Company half-yearly in arrears. Each interest period shall be six (6) months. The first interest period for the Convertible Loan Amount shall start on the Disbursement Date and each subsequent interest period for the Convertible Loan Amount shall start on the last day of its preceding interest period.</p> <p>In the event the Company fails to pay any amount payable by it under this Loan Convertible Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the actual date of payment (both dated inclusive) at a rate of seventeen per cent (17%) per annum and such interest shall to the fullest extent permitted by applicable law be added to the overdue amount on the last business day of each month and itself bear interest accordingly. Any interest accruing shall be immediately payable by the Company on demand by the Investors. Default interest payable (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each interest period applicable to that overdue amount but will remain immediately due and payable.</p>
Longstop Date	<p>Longstop date means the date falling 30 days from the date of this Convertible Loan Agreement, or such later date as may be agreed by the Investors and the Company in writing.</p> <p>If any of the Conditions Precedent is not satisfied on or before the Longstop Date or otherwise waived, the Investors shall thereupon be entitled to terminate, by way of thirty (30) days' written notice to the Company, the Convertible Loan Agreement and all rights and obligations under the Convertible Loan Agreement other than certain surviving clauses and the rights that accrue before the date on which the termination occurs.</p>
Maturity Date	<p>The date falling twelve (12) months from the date the Convertible Loan Amount is disbursed to the Company.</p>

Relevant Amount	Notwithstanding the early repayment, where during the period between the Disbursement Date and the Maturity Date (both dates inclusive), the Company shall raise funds, by any means whatsoever, of an aggregate amount equal to S\$15 million (“ Relevant Amount ”) or more, the Company shall use its best endeavours to repay the outstanding principal sum of the Convertible Loan Amount in full (together with all accrued and unpaid interest thereon), within two (2) calendar months from the date the aggregate funds raised reaches or exceeds the Relevant Amount.
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3. THE INVESTORS

DS Chong

DS Chong is the subscriber of the Convertible Bond Subscription Agreement. DS Chong is a Singapore citizen who is an astute investor with more than 16 years of investing experience in public listed equities with a proven track record. He is also an entrepreneur with more than 12 years of experience in business management in Singapore listed entities and more than 30 years in non-listed Singapore companies. DS Chong is the former executive chairman of Hartawan Holdings Limited, now known as Wilton Resources Limited, which is listed on the Catalist board of SGX. He is also the executive chairman of Hotel Re! Pte Ltd.

Mr. Ong

Mr. Ong is currently the Chairman of Ong King Sin Investment Pte Ltd and the Chairman of local grown construction company Hock Guan Cheong Builders Pte Ltd. His participation in the Convertible Loan Agreement is for personal investment purposes.

The Investors were introduced to the Company through the Arranger (as defined below) and are participating in the Convertible Loan Agreement for their own investment purposes.

None of the Investors holds any Shares of the Company as at the date of this announcement, other than the deemed interest of DS Chong which arose from the charge of 243,902,439 controlling shareholders’ shares in the Company as mentioned in paragraph 1.3 of this announcement.

Given that S\$5.5 million is drawn-down under the Convertible Loan Amount and assuming that the Convertible Loan Amount is fully converted into the Conversion Shares at the Conversion Price of S\$0.0151708, the 362,538,561 Conversion Shares will represent approximately 19.79% of the Company’s existing share capital of 1,832,094,554 Shares (“**Existing Share Capital**”) and 16.52% of the Company’s enlarged share capital of 2,194,633,115 Shares, which is computed based on the assumption of full conversion of the Convertible Loan Amount into 362,538,561 Conversion Shares and its allotment (“**Enlarged Share Capital**”).

The Investors are not related to any of the Directors, substantial shareholders of the Company, or their respective associates. The Investors are not restricted persons under Rule 812 of the Listing Manual (Section B: Rules of Catalyst) of the SGX-ST ("**Catalist Rules**"), and are not co-operating or acting in concert with any other shareholders of the Company to obtain or consolidate effective control of the Company through the Convertible Loan.

The allotment and issuance of the Conversion Shares will not result in a transfer of controlling interest in the Company.

There is also no past or present connection (including business relationship) between the Company, its subsidiaries, its Directors or substantial shareholders and the Investors, other than the Convertible Bond Subscription Agreement.

4. FACILITY FEE

The Company has on 3 September 2019 entered into an Arranger Agreement ("**Arranger Agreement**") with Prosper Network Co. Ltd (the "**Arranger**"), pursuant to which the Company has agreed to pay to Prosper Network Co., Ltd a facility fee (the "**Facility Fee**") of 7% of Convertible Loan Amount, amounting up to S\$385,000, in cash within five (5) business days from the disbursement of Convertible Loan Amount.

The Arranger is a business consultancy company incorporated in Labuan, Malaysia. Pursuant to the Arranger Agreement, the Arranger shall provide services including but not limited to introducing prospective investors to the Company, facilitating discussions between the Company and prospective investors, maintaining contact with prospective investors and sustaining positive momentum in bringing the investment to completion and providing feedback to the Company and follow through the documentation and paper work where required. The sole shareholder and director of the Arranger is Mr. Ong Kok Heng ("**Mr. Kok Heng**"). Mr. Kok Heng is a Singapore Citizen who has more than ten years of experience in business management and corporate finance, including a five year stint as a general manager at a Singapore listed company.

As at date of this announcement, the Arranger holds 269,587 shares in the Company.

Save as disclosed below, DS Chong, Mr. Ong and Mr. Kok Heng have no connection or business relationship with each other:-

- (i) DS Chong is the father-in-law of Mr. Kok Heng.
- (ii) DS Chong and Mr. Kok Heng are common directors of Hotel Re! Pte Ltd ("**Hotel Re!**") and Hartawan Property Management Pte Ltd ("**Hartawan Property**"). Hotel Re! and Hartawan Property are in the business of hotels with restaurant and real estate activities.

No part of Facility Fee would be shared with any Investor.

5. AUTHORITY TO ISSUE THE CONVERSION SHARES

On the assumption that the Convertible Loan Amount if converted in full, each of the Investors will be issued and allotted the following number of Conversion Shares:

- (1) DS Chong: 296,622,459 Conversion Shares representing 16.19% of the Existing Share Capital and 13.52% of the Enlarged Share Capital, based on the maximum of S\$4.5 million Convertible Loan; and
- (2) Mr. Ong: 65,916,102 Conversion Shares representing 3.60% of the Existing Share Capital and 3.00% of the Enlarged Share Capital, based on the maximum of S\$1 million Convertible Loan.

The Conversion Shares will be allocated and issued pursuant to the general share issue mandate (“**General Mandate**”) granted by the shareholders of the Company to the Directors at the last annual general meeting of the Company held on 31 October 2018 (the “**2018 AGM**”).

As at the 2018 AGM, the issued and paid-up share capital of the Company (excluding treasury shares) (the “**Previous Share Capital**”) comprised of 1,317,094,554 Shares. According to the terms of the General Mandate, the aggregate number of Shares that may be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed such number of Shares representing 50% of the Previous Share Capital.

The Conversion Shares to be allotted and issued to the Investors represent approximately 27.53% of the Previous Share Capital, and approximately 16.52% of the Enlarged Share Capital after the allotment and issue of the Conversion Shares. The Company currently has no treasury shares.

The Company had since its 2018 AGM issued 250,000,000 Shares under the General Mandate. Following the issuance of the 250,000,000 Shares, the remaining total number of Shares that may be issued pursuant to the General Mandate obtained at 2018 AGM on a non pro-rata basis is 408,547,277 Shares. Accordingly, the total number of Conversion Shares of 362,538,561 falls within the limits of the General Mandate. As the disbursement of the Convertible Loan Amount and the fulfillment of Conditions Precedent are expected to be completed before 31 October 2019, the Company will be relying on the General Mandate obtained at 2018 AGM for the issuance and allotment of the Conversion Shares.

The Sponsor of the Company, PrimePartners Corporate Finance Pte Ltd, will be making an additional listing application for and on behalf of the Company to the SGX-ST for the listing and quotation of the Conversion Shares on the Catalist board of the SGX-ST. The Company will make the necessary announcement upon receipt of the approval from the SGX-ST for the listing and quotation of the Conversion Shares.

6. RATIONALE

The Company has entered into the Convertible Loan Agreement primarily to raise funds for the repayment of the amounts due and outstanding under the Convertible Bonds Subscription Agreement and the bonds issued thereunder.

After deducting estimated expenses (including the facility fee of S\$385,000), the use of net proceeds of approximately S\$5.05 million from the Convertible Loan

Descriptions	%
1) Repayment of outstanding convertible bond pursuant to convertible bond subscription agreement as announced on 8 February 2018	90 to 95
2) Working capital	5 to 10
TOTAL	100

The Convertible Bond Subscription Agreement will be fully terminated following the full repayment of the outstanding convertible bonds and interest accrued from the Convertible Bond Subscription Agreement.

The Company will make periodic announcements on the utilisation of the net proceeds as and when they are materially disbursed and provide a status report on the use of the net proceeds in the Company's quarterly and full-year financial statements issued under Rule 705 of Catalist Rules and the Company's annual report and whether such a use is in accordance with the stated use and in accordance with the stated percentage allocated. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how such proceeds have been applied. Where there is any material deviation from the stated use of proceeds, the Company will make the necessary announcement for the reasons for such deviation.

7. SHAREHOLDING CHANGE

Assuming that the Convertible Loan Amount is fully converted into the Conversion Shares, the shareholdings of the substantial shareholders, Investors and directors of the Company will be as follows:

	As at date of announcement				After the issuance of Conversion Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Siow Chien Fu	503,745,713	27.50	-	-	503,745,713	22.95	-	-
Dato' Colin ⁽²⁾	250,892,857	13.695	-	-	250,892,857	11.43	-	-
Dato' Edwin ⁽²⁾	250,892,857	13.695	-	-	250,892,857	11.43	-	-
DS Chong ⁽³⁾	-	-	243,902,439	13.31	296,622,459	13.52	-	-
Mr. Ong	-	-	-	-	65,916,102	3.00	-	-
PRG Holdings Berhad ⁽⁴⁾	15,000,000	0.82	250,000,000	13.65	15,000,000	0.68	250,000,000	11.39

Notes:

- (1) Based on the Existing Share Capital of 1,832,094,554 Shares (excluding treasury shares).
- (2) Dato' Colin and Dato' Edwin are brothers. The aggregate Shares held by them, as parties acting in concert, account for approximately 27.39% of the total issued Shares.
- (3) DS Chong is deemed interested in the share charge granted by Siow Chien Fu, Dato' Colin and Dato' Edwin. However, this share charges will be discharged upon full repayment of all amounts due and outstanding under the Convertible Bond Subscription Agreement.
- (4) PRG Holdings Berhad is deemed interested in the shares held under the nominee of Maybank Kim Eng Securities (Pte) Ltd.
- (5) Based on the enlarged share capital of 2,194,633,115 Shares (excluding treasury shares).

8. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The Convertible Loan Amount will be undertaken by way of private placement in Singapore in accordance with Section 272B of the Securities and Futures Act (Chapter 289). As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the Convertible Loan.

9. DIRECTORS' CONFIRMATION

The Directors are of the opinion that, after taking into consideration the present credit facilities and net proceeds from the Convertible Loan Amount, the working capital available to the Group is sufficient to meet its present requirements.

10. FINANCIAL EFFECTS OF THE CONVERTIBLE LOAN AGREEMENT

10.1 Assumptions

The financial effects of the issuance and allotment of the Conversion Shares on the net assets value (“NAV”) per share and the earnings per share (“EPS”) of the Group are set out below. The financial effects which have been prepared based on the audited consolidated financial statements of the Group for its most recently completed financial year ended 30 June 2018 (“FY2018”), are purely for illustrative purposes only and do not reflect the actual financial position of the Group after the allotment and issuance of the Conversion Shares.

10.2 NAV

For illustrative purposes and assuming the Conversion Shares had been allotted and issued at the end of FY2018, at the Conversion Price, the NAV as at 30 June 2018 is as follows:-

	Before the issuance of the Conversion Shares	After the issuance of the Conversion Shares
NAV (RM'000)	301,914	318,413
Number of Shares	1,302,460,408	1,635,997,967
NAV per Share (RM cents)	23.18	19.46

10.3 EPS

For illustrative purposes and assuming the Conversion Shares had been allotted and issued at the beginning of FY2018, at the Conversion Price, the EPS for FY2018 was as below:

	Before the issuance of the Conversion Shares and Facilities Shares	After the issuance of the Conversion Shares and Facilities Shares
Profit attributable to owners of the Company (RM'000)	58,598	57,262
Number of weighted average shares	1,273,459,406	1,635,997,967
EPS (RM cents)	4.60	3.50

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Convertible Loan Agreement other than through their respective directorships and/or shareholdings in the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Convertible Loan Agreement is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 1 North Bridge Road, #24-09, High Street Centre, Singapore 179094 for a period of three (3) months from the date of this announcement.

13. 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 Convertible Loan Agreement, 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 this 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 this announcement in its proper form and context.

14. TRADING CAUTION

Shareholders of the Company and potential investors should exercise caution when trading in the Shares of the Company in relation to this announcement as there is no certainty that the issuance of Bond will be completed as it is subjected to the fulfillment of terms and conditions set out in the Agreement. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisors.

BY ORDER OF THE BOARD

Mr. Siow Chien Fu
Executive Director and Chief Executive Officer
3 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 Catalyst.

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.

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and Email: sponsorship@ppcf.com.sg).