

**TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : RELATED PARTY TRANSACTIONS ECO WORLD INTERNATIONAL BERHAD ("ECOWORLD INTERNATIONAL") PROPOSED ACQUISITION BY FORTUNE QUEST GROUP LTD, A WHOLLY-OWNED SUBSIDIARY OF ECOWORLD INTERNATIONAL, OF THE REMAINING 20% EQUITY INTEREST IN ECO WORLD-SALCON Y1 PTY LTD ("EW-SALCON") FROM SALCON DEVELOPMENT SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SALCON BERHAD FOR A TOTAL PURCHASE CONSIDERATION OF AUD4,519,569 ("PROPOSED ACQUISITION")**

**ECO WORLD INTERNATIONAL BERHAD**

<b>Type</b>	Announcement
<b>Subject</b>	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) RELATED PARTY TRANSACTIONS
<b>Description</b>	ECO WORLD INTERNATIONAL BERHAD ("ECOWORLD INTERNATIONAL")  PROPOSED ACQUISITION BY FORTUNE QUEST GROUP LTD, A WHOLLY-OWNED SUBSIDIARY OF ECOWORLD INTERNATIONAL, OF THE REMAINING 20% EQUITY INTEREST IN ECO WORLD-SALCON Y1 PTY LTD ("EW-SALCON") FROM SALCON DEVELOPMENT SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SALCON BERHAD FOR A TOTAL PURCHASE CONSIDERATION OF AUD4,519,569 ("PROPOSED ACQUISITION")

The Board of Directors of EcoWorld International wishes to announce that Fortune Quest Group Ltd, a wholly-owned subsidiary of EcoWorld International, has entered into a conditional share sale and purchase agreement with Salcon Development Sdn Bhd, a wholly-owned subsidiary of Salcon Berhad, for the proposed acquisition of 20 ordinary shares and 4,519,549 preference shares in EW-Salcon, representing 20% of the total issued share capital of EW-Salcon, for a total purchase consideration of AUD4,519,569.

Please refer to the attached announcement for further details of the Proposed Acquisition.

**This announcement is dated 11 April 2019.**

Please refer attachment below.

**Attachments**

 [EcoWorld International - Announcement \(11.04.2019\).pdf](#)  
439.2 kB

**Announcement Info**

<b>Company Name</b>	ECO WORLD INTERNATIONAL BERHAD
<b>Stock Name</b>	EWINT
<b>Date Announced</b>	11 Apr 2019
<b>Category</b>	General Announcement for PLC
<b>Reference Number</b>	GA1-11042019-00037

## ECO WORLD INTERNATIONAL BERHAD (“ECOWORLD INTERNATIONAL”)

**PROPOSED ACQUISITION BY FORTUNE QUEST GROUP LTD (“FORTUNE QUEST”), A WHOLLY-OWNED SUBSIDIARY OF ECOWORLD INTERNATIONAL, OF THE REMAINING 20% EQUITY INTEREST IN ECO WORLD-SALCON Y1 PTY LTD (“EW-SALCON”) FROM SALCON DEVELOPMENT SDN BHD (“SALCON DEVELOPMENT”), A WHOLLY-OWNED SUBSIDIARY OF SALCON BERHAD FOR A TOTAL PURCHASE CONSIDERATION OF AUD4,519,569 (“PROPOSED ACQUISITION”)**

*Unless otherwise stated, the exchange rate of Australian Dollar (“AUD”) 1.00 : Ringgit Malaysia (“RM”) 2.9322, being the middle rate quoted by Bank Negara Malaysia at 5:00 p.m. on 10 April 2019, has been applied in this announcement for illustration purposes.*

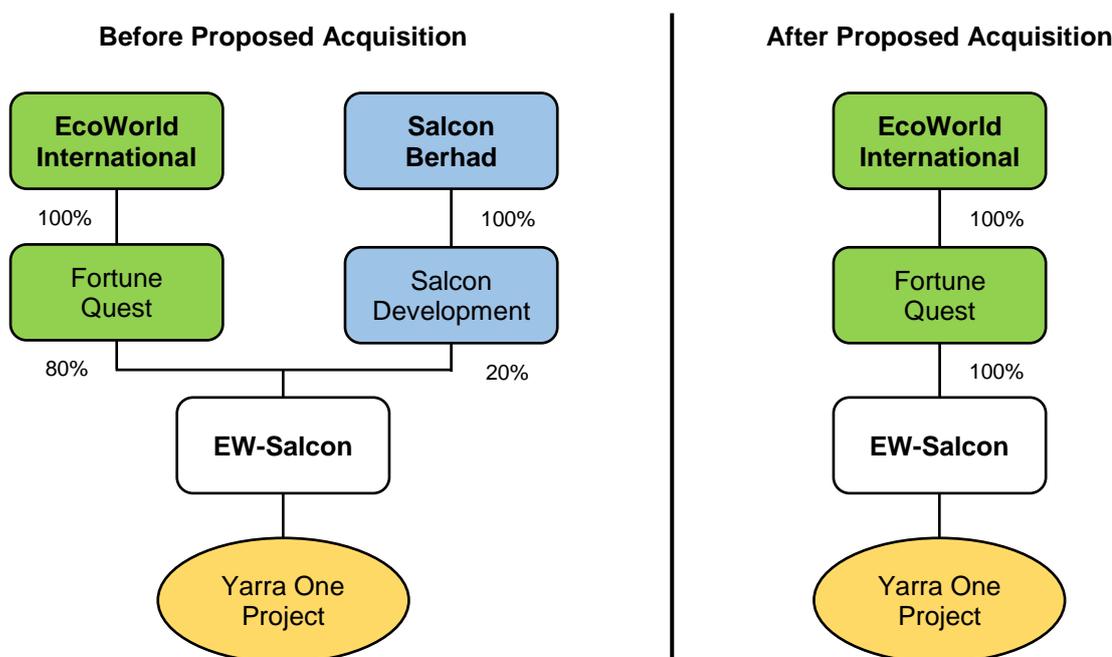
### 1. INTRODUCTION

The Board of Directors of EcoWorld International (“**Board**”) wishes to announce that Fortune Quest, a wholly-owned subsidiary of EcoWorld International, has on 11 April 2019 entered into a conditional share sale and purchase agreement (“**Share SPA**”) with Salcon Development, a wholly-owned subsidiary of Salcon Berhad, for the proposed acquisition of 20 ordinary shares and 4,519,549 preference shares in EW-Salcon, representing 20% of the total issued share capital of EW-Salcon (collectively, the “**Shares**”), for a total purchase consideration of AUD4,519,569 (equivalent to RM13,252,280) (“**Purchase Consideration**”).

EW-Salcon is the registered proprietor of the freehold lands measuring about 2,128 square metres located at 16-22, Claremont Street, South Yarra, Victoria 3141, Australia (“**Yarra One Land**”).

The Yarra One Land is currently being developed into a residential-led mixed use development named “Yarra One”, which will comprise 250 residential units, 17 office and retail units and 183 car park spaces across 27 storeys and 4 basement levels (“**Yarra One Project**”).

The following diagram illustrates the effects of the Proposed Acquisition on the shareholding structure of EW-Salcon:



Further details of the Proposed Acquisition are set out in Section 2.

Fortune Quest and Salcon Development are collectively referred to as “**Parties**” and individually a “**Party**”.

## 2. DETAILS OF THE PROPOSED ACQUISITION

### 2.1 Salient terms of the Share SPA

#### 2.1.1 Condition precedent

The Share SPA is conditional upon EW-Salcon notifying the respective financiers of the development facility for the Yarra One Project on the Proposed Acquisition within 2 months from the date of the Share SPA or such other date as the Parties may mutually agree in writing ("**Condition Precedent**").

The Share SPA shall become unconditional on the date on which the Condition Precedent is satisfied in accordance with the terms of the Share SPA ("**Unconditional Date**").

#### 2.1.2 Completion

Completion of the Share SPA ("**Completion Date**") must take place within 14 days from the Unconditional Date or such longer period as the Parties may mutually agree in writing ("**Completion Period**").

#### 2.1.3 Default and termination

If either Party:

- (i) commits a material breach under the Share SPA, and such breach shall not have been remedied by the expiration of 25 business days after the giving of written notice by the other Party requiring such breach to be remedied or such extended period as the other Party may agree to; or
- (ii) is the subject of an insolvency event,

the other Party shall be entitled to terminate the Share SPA, in which event the Share SPA shall be null and void and be of no further effect and neither Party shall have any further claim against the other.

### 2.2 Purchase Consideration

#### 2.2.1 Basis and justification

The Purchase Consideration was arrived at on a willing buyer willing seller basis after taking into consideration, among other things, the following:

- (i) Salcon Development's cost of investment for the Shares amounting to AUD4,519,569;
- (ii) the market value derived using the discounted cashflow approach assuming benefit of the Planning Permit (as defined in Section 5), endorsed development plans, pre-sales, estimated construction cost and total expenditure as at 22 February 2019 of the Yarra One Land amounting to AUD55.00 million as appraised by Knight Frank Valuation & Advisory Victoria; and
- (iii) the net assets ("**NA**") of EW-Salcon of AUD18.76 million based on the unaudited accounts of EW-Salcon for the financial period ended 31 January 2019 ("**EW-Salcon Accounts FPE 31 Jan 2019**").

The Board is of the view that the Purchase Consideration is reasonable given that the Purchase Consideration is equivalent to Salcon Development's cost of investment for the Shares. In addition, the Proposed Acquisition will enable EcoWorld International to recognise 100% of the profits to be derived from the Yarra One Project upon completion and handover of units to the purchasers.

### **2.2.2 Settlement**

Fortune Quest shall pay the Purchase Consideration to Salcon Development in cash within the Completion Period.

### **2.2.3 Source of funding**

Fortune Quest expects to fund the Purchase Consideration through bank borrowings, other debt instruments and/or internally-generated funds.

## **2.3 Liabilities to be assumed**

Save as disclosed in Section 2.2.3, EcoWorld International, its subsidiaries and joint ventures (“**Group**”) will not be assuming any liabilities (including contingent liabilities and guarantees) not already assumed by the Group arising from the Proposed Acquisition.

## **2.4 Original cost of investment**

The original cost of investment for the Shares currently held by Salcon Development amounted to AUD4,519,569, of which the 20 ordinary shares and 4,519,549 preference shares were allotted on 27 June 2016 and 21 December 2017 respectively.

## **3. INFORMATION ON EW-SALCON**

EW-Salcon is a proprietary limited company incorporated in Australia on 27 June 2016. The principal activity of EW-Salcon is property development. As at the date of this announcement:

- (i) the issued share capital of EW-Salcon is AUD22,597,844 comprising 100 fully-paid ordinary shares and 22,597,744 fully-paid preference shares;
- (ii) the Directors of EW-Salcon are Dato’ Teow Leong Seng, Jeffrey Ong Wee Ting, Cheng Hsing Yao and Law Woo Hock; and
- (iii) the shareholders of EW-Salcon are Fortune Quest and Salcon Development, each holding 80% and 20% equity interest in EW-Salcon, respectively.

## **4. INFORMATION ON SALCON DEVELOPMENT**

Salcon Development is a private limited company incorporated in Malaysia on 3 November 2006 under the Companies Act, 1965. The issued share capital of Salcon Development is RM1,000,000 comprising 1,000,000 ordinary shares.

Salcon Development is a wholly-owned subsidiary of Salcon Berhad and its principal activity is investment holding and contracting for property development projects. As at the date of this announcement, the Directors of Salcon Development are Tan Sri Dato’ Tee Tiam Lee, Dato’ Leong Kok Wah, Law Woo Hock and Jamiluddin Amini bin Sulaiman.

*(Source: Salcon Berhad’s management)*

## 5. INFORMATION ON THE YARRA ONE PROJECT

The Yarra One Land is a regular-shaped site situated 5.3 kilometres southeast of the Melbourne central business district (“CBD”). The Yarra River is located north of the Yarra One Land whilst the South Yarra Station is located about 300 metres southwest of the Yarra One Land.



*Artist's impression of Yarra One Project*

Further details of the Yarra One Project are set out below:

Certificate of title	<b>Certificate of Title</b>	<b>Lot No.</b>	<b>Plan of Subdivision</b>
	Volume 11869 Folio 454	Lot 31	004308
	Volume 11869 Folio 455	Lot 28, 29 & 30	004308
Postal address	16-22, Claremont Street, South Yarra, Victoria 3141, Australia		
Land area	About 2,128 square metres		
Tenure	Freehold		
Category of land use/council zoning	Activity Centre Zone – Schedule 1		
	The purpose of the Activity Centre Zone is to encourage a mixture of uses and the intensive development of the activity centre. It also serves as a focus for business, shopping, working, housing, leisure, transport and community facilities which in turn supports sustainable urban outcomes that maximise the use of infrastructure and public transport.		
Existing/proposed use	The Yarra One Land is currently being developed into the Yarra One Project.		
Estimated gross development value	AUD253.2 million (equivalent to RM742.4 million) (inclusive of GST)		
Commencement and completion dates	The Yarra One Project commenced construction in the 2 <sup>nd</sup> quarter of 2018. Completion is targeted by the 2 <sup>nd</sup> half of year 2020.		
Stage of completion	Bulk excavation at basement level 4 has been completed whilst the basement box is being constructed.		
Status of approval	Planning permit no. 0541/15 has been issued by the Council of the City of Stonnington (“ <b>Council</b> ”) on 27 April 2016 (“ <b>Planning Permit</b> ”). Development plans for an earlier scheme were endorsed by the Council on 11 December 2017. Amended development plans based on current scheme for the Yarra One Project has been submitted to the Council in December 2018 and is pending the Council’s endorsement and secondary consent.		
Net book value	AUD57.78 million based on the EW-Salcon Accounts FPE 31 Jan 2019		
Encumbrances	The Yarra One Land is mortgaged to the financiers as security for the development facility for the Yarra One Project.		

As the amended development plans are pending approval by the Council, the expected development cost required for the proposed development is subject to change at this juncture.

## **6. RATIONALE FOR THE PROPOSED ACQUISITION AND PROSPECTS OF THE YARRA ONE PROJECT**

Fresh off its initial public offering and listing on the Main Market of Bursa Malaysia Securities Berhad in April 2017, EcoWorld International entered the highly sought-after Melbourne property market through the acquisition of 80% equity interest in EW-Salcon, which was completed in September 2017. Through our partnership with Salcon Berhad, we were able to gain access to 2,128 square metres of prime land situated within South Yarra, one of the most popular residential suburbs of Victoria, situated about 5.3 kilometres southeast of the Melbourne CBD.

The Yarra One Land is strategically-positioned within close proximity of Chapel Street and Toorak Road. Chapel Street is famed as a vibrant and cosmopolitan shopping and entertainment precinct with over 1,000 shops offering a wide range of international and homegrown Australian-branded fashion and retail, trendy eateries, fresh food and specialty stores as well as a host of other commercial facilities.

The Yarra One Land enjoys excellent connectivity to public transportation serviced by regular tram operations along Chapel Street and Toorak Road and bus routes via Punt Road nearby. The South Yarra Station is also located within ready walking distance about 300 metres southwest of the Yarra One Land.

Since the launch of the Yarra One Project in June 2017, we have managed to secure AUD132.6 million (equivalent to RM388.9 million) sales up to the end of February 2019 (representing about 60% of the total units launched), despite cooling residential market in Melbourne. With about 1.5 years to go until the completion of the project, EW-Salcon is on track to provide sustainable earnings growth for the Group upon completion of the Yarra One Project targeted for the 2<sup>nd</sup> half of 2020.

In light of Salcon Berhad's intention to dispose its 20% equity interest in EW-Salcon, we decided to undertake the Proposed Acquisition as we believe in the prospects of the Yarra One Project. The Proposed Acquisition will enable us to recognise 100% of the profits to be derived from the Yarra One Project upon completion and handover of units.

Our outlook of the Yarra One Project remains positive on the back of continued low rental vacancy rates ranging from 2.1% - 2.2% in Melbourne. This is further buoyed by the strong fundamentals seen in the region as Victoria's economic indicators remain robust and continue to outpace Australia's national average. These factors along with declining unemployment rates and continued population growth will remain as key drivers of demand for housing in the region.

*(Source: JLL Research, ABS November 2018, DHHS Rental Report as at September 2018)*

## **7. RISK FACTOR**

### **7.1 Business risk**

The Proposed Acquisition is subject to risks inherent in the property development industry, of which the Group is already involved in. Such risks may include adverse changes in real estate market prices, changes in demand for types of residential and commercial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, performance of third-party sub-contractors, labour and material supply shortages, fluctuations in the prices of building materials and costs of labour and adverse changes in property tax assessments and other statutory charges. Any adverse change in such conditions may have an adverse material effect on the business of EW-Salcon.

EcoWorld International and Eco World Sydney Development Pty Ltd (a wholly-owned subsidiary of Fortune Quest), as the development manager for the Yarra One Project, will take measures to mitigate the above risks such as conducting market intelligence surveys, monitoring and adjusting development and marketing strategies in response to changing economic conditions and market demand, conducting continuous reviews of the operations of the business, closely monitoring the progress of the Yarra One Project as well as leveraging on the experienced and capable management team of EcoWorld International.

## 8. EFFECTS OF THE PROPOSED ACQUISITION

### 8.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued share capital and shareholdings of the substantial shareholders of EcoWorld International as the Proposed Acquisition does not involve any issuance of new shares in EcoWorld International.

### 8.2 NA per share and gearing

For illustrative purposes only, based on the latest audited consolidated statement of financial position of EcoWorld International as at 31 October 2018, the corresponding restatement pursuant to the adoption of, among others, Malaysian Financial Reporting Standards 15, as well as on the assumption that the Proposed Acquisition has been effected on that date, the pro forma effects of the Proposed Acquisition on EcoWorld International's consolidated NA per Share and gearing are set out below:

	<b>Audited as at 31 October 2018</b>	<b>As at 31 October 2018 (Restated)</b>	<b>After the Proposed Acquisition<sup>(1)</sup></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	2,592,451	2,592,451	2,592,451
Warrant reserve	276,418	276,418	276,418
Cash flow hedge reserve	(10)	(10)	(10)
Exchange translation reserve	(68,851)	(72,995)	(73,824)
Accumulated losses	(306,399)	(319,775)	(321,513)
NA attributable to the owners of EcoWorld International	2,493,609	2,476,089	2,473,522
Non-controlling interests	15,873	17,199	6,514
<b>Total equity/NA</b>	<b>2,509,482</b>	<b>2,493,288</b>	<b>2,480,036</b>
No. of shares in issue ('000)	2,400,000	2,400,000	2,400,000
NA per share attributable to the owners of EcoWorld International (RM)	1.04	1.03	1.03
Borrowings (RM'000)	836,078	836,078	836,078
Gearing (times) <sup>(2)</sup>	0.33	0.34	0.34

**Notes:**

(1) Based on the Purchase Consideration of AUD4,519,469 (equivalent to RM13,252,280 based on the exchange rate of AUD1.00 : RM2.9322, being the middle rate quoted by Bank Negara Malaysia at 5:00 p.m. on 10 April 2019).

(2) Computed based on total borrowings over total equity/NA.

### 8.3 Earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of the Group for the financial year ending 31 October 2019. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of the Group upon completion and handover of units which is targeted for the 2<sup>nd</sup> half of year 2020.

## **9. APPROVALS REQUIRED**

The Proposed Acquisition is not conditional upon any other corporate proposals of EcoWorld International. The Proposed Acquisition does not require the approval of EcoWorld International's shareholders.

## **10. PERCENTAGE RATIO FOR THE PROPOSED ACQUISITION**

Based on the latest audited consolidated financial statements of EcoWorld International for the financial year ended 31 October 2018 and the Purchase Consideration of AUD4,519,569 (equivalent to RM13,252,280), the highest percentage ratio applicable for the Proposed Acquisition under Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") is 0.53%.

## **11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

The Proposed Acquisition is deemed to be a related party transaction under Paragraph 10.08 of the Listing Requirements. Dato' Leong Kok Wah is a major shareholder of EcoWorld International by virtue of his direct and indirect shareholdings in EcoWorld International (through his shareholdings in Syabas Tropikal Sdn Bhd, Sinarmas Harta Sdn Bhd, Eco World Development Group Berhad and Eco World Capital (International) Sdn Bhd).

Dato' Leong Kok Wah is also an Executive Director and a major shareholder of Salcon Berhad by virtue of his direct shareholdings in Salcon Berhad as well as shareholdings held by his children (Leong Yi Ping and Leong Yi Ming) in Salcon Berhad and shareholdings held by his spouse in Salcon Berhad (through her shareholdings in Naga Muhibah Sdn Bhd).

Save as disclosed above, none of the Directors and/or major shareholders of EcoWorld International and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Acquisition.

As at the date of this announcement, save for the Proposed Acquisition, there are no other related party transactions transacted with Dato' Leong Kok Wah (including persons connected to him) for the 12 months preceding the date of this announcement.

## **12. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the following:

- (i) salient terms of the Share SPA;
- (ii) basis and justification of arriving at the Purchase Consideration;
- (iii) rationale and benefits of the Proposed Acquisition;
- (iv) risk factors of the Proposed Acquisition; and
- (v) effects of the Proposed Acquisition,

and after careful deliberation, is of the opinion that the Proposed Acquisition is in the best interest of EcoWorld International.

**13. STATEMENT BY THE AUDIT COMMITTEE**

After considering all aspects of the Proposed Acquisition, including the prospects of the Yarra One Project and the Proposed Acquisition enabling EcoWorld International to recognise 100% of the profits to be derived from the Yarra One Project upon completion and handover of units, the Audit Committee formed the opinion that the terms of the Proposed Acquisition are:

- (i) in the best interest of EcoWorld International;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of EcoWorld International.

**14. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the 2<sup>nd</sup> quarter of 2019.

**15. DOCUMENTS FOR INSPECTION**

The Share SPA is available for inspection at the registered office of EcoWorld International at Suite 59, Setia Avenue, No. 2, Jalan Setia Prima S U13/S, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia during normal office hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 11 April 2019.**