



Securities Investors Association (Singapore)

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Issuer: Capital World Limited (fka Terratech Group Limited)

Security: Capital World Limited (fka Terratech Group Limited)

Meeting details:

Date: 31 October 2018

Time: 10.00 a.m.

Venue: 390 Havelock Road, #04-06 King's Centre, Singapore 169662

Company Description

Capital World Limited, an investment holding company, engages in the property development activities. It undertakes the conception, design, and implementation of various integrated property projects. The company is also involved in the production and sale of marble blocks and slabs, aggregates, and calcium carbonate powder from its quarry. In addition, it undertakes various interior and exterior decoration works; and provides business and management consultancy services, as well as engages in the property investment activities. The company operates in Malaysia, Singapore, and the People's Republic of China. Capital World Limited is headquartered in Johor Bahru, Malaysia.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1D5)

1. On 11 October 2018, the company announced that the independent auditors, had without modifying their opinion, included in their Independent Auditor's Report on a "material uncertainty related to going concern" in respect of the Group's audited financial statements for the financial year ended 30 June 2018.

It stated that, *inter alia*, as at 30 June 2018:

- the group's current liabilities exceeded its current assets by RM68,072,000
- the group's total loans and borrowings amounted to RM45,182,000, of which RM43,330,000 were classified as current liabilities and exceeded the group's cash and cash equivalents of RM23,454,000

The board is of the opinion that the group will be able to continue as going concern, for the following reasons:

- The group obtained approval to extend the repayment date of loans and borrowings of RM25,741,000 due on 31 October 2018 by a further 12 months to 31 October 2019;
- The group reached an agreement with a key supplier to cap the payment in the next 15 months of the outstanding payables to the supplier as at 30 June 2018 at an agreed amount; and to defer the payment for construction services to be rendered by this supplier over the next 15 months from July 2018 to September 2019;
- The group's current liabilities include deferred revenue of RM94,476,000 which will not entail cash outflow and current portion of the cost of land payable to Achwell Property Sdn. Bhd. amounting to RM64,114,000 which is contingent on the group receiving the related cash proceeds; and
- The group will be able to complete the project as scheduled and achieve the projected sales for its inventory properties.

- (i) Can the board/management help shareholders understand if there are any additional costs and penalties associated with the extension of repayment date of loans and borrowings and with the deferment of payments to supplier?**
- (ii) What is the project timeline for completion as assumed by the directors?**
- (iii) What is the level of projected sales by the board and when does the board expect the cash to be collected so that the group would be able to generate sufficient cash flow to meet its obligations?**
- (iv) Would the board explain the deliberations it had in November 2017 when it acquired a joint development right, for a consideration of RM63 million, to develop a township at Kota Tinggi, Johor which is in close proximity to the Pengerang Integrated Petroleum Complex? What projections did management have on the cash flow for the group?**
- (v) What are the company's back-up plans if any of the above-mentioned arrangements fall through or if project sales disappoint?**

2. The attendance of directors at board and board committee meetings is shown in the table below:

	Board	AC	NC	RC
Number of Meetings Held	4	5	1	1
Name of Director	Number of Meetings Attended			
Mr Dominic Tan	4	5	1	1
Mr Siow Chien Fu	4	4*	1*	1*
Mr Tham Kok Peng	3	4*	1*	1*
Mr Victor Lye	4	5	1	1
Mr Aw Eng Hai	4	5	1	1

(Source: Company annual report)

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend the board committee meetings?**
- (ii) **Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) **What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting of the group.
- (iv) **Do the invited directors also actively participate in the discussions during the board committee meetings?**

3. On 11 October 2018, the company announced that there are material variances between the unaudited results (first announced by the company on 29 August 2018) and the audited financial statements for FY2018 after the finalisation of audit.

Reasons given included:

- Decrease in revenue due to decrease in percentage of completion and reversal of sales which had not obtained approval
- Reclassification of inventory properties between current and non-current
- Reclassification of trade receivables into current and non-current (to account for installment plans)



- Reclassification of convertible bonds amount to derivatives

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- (i) **How can shareholders get the assurance from management that the financial statements are prepared in accordance with the International Financial Reporting Standards?**
- (ii) **Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**