



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Capital World Limited

Stock code: 1D5

Meeting details:

Date: 31 August 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. For the financial year ended 30 June **2019**, the independent auditors included in their Independent Auditors' Report a "disclaimer opinion related to going concern" in respect of the group's audited financial statements for FY2019. The auditors did not express an opinion on the financial statements because of the significance of the matter described in the Basis for disclaimer of opinion, which was the use of the going concern assumption. The independent auditor's report was dated 11 October 2019 (published on 14 October 2019), just four months before the suspension of trading of the company's shares on SGX-ST.

In the auditor's report, as at 30 June **2019**, the group's loans and borrowings amounted to RM44.6 million, all of which were classified as current liabilities, and exceeded its cash and cash equivalents of RM2.4 million. The company's loans and borrowings amounted to RM18.1 million, all of which were classified as current liabilities, and exceeded its cash and cash equivalents of RM47,000.

The auditors highlighted the following:

However, we are unable to obtain sufficient appropriate audit evidence to conclude whether the use of the going concern assumption to prepare the financial statements is appropriate as the outcome of the group's plans to resolve its liquidity problems cannot be determined at this time and its ability to realise the inventory properties at the expected value and timing is inherently uncertain.

Notwithstanding the above, the directors, in October 2019, had the view that it was appropriate to prepare these financial statements on a going concern basis after considering the following:

- Approval of extension of repayment date
- Proposed subscription
- Cap payment and defer construction by key supplier
- Accrued payment for land (with no cash payment)
- Completion of the project and achieve projected sales for its inventory properties

Trading of the company's shares on SGX-ST was abruptly suspended with effect from 14 February 2020, following the announcement of the unaudited financial statements for the second quarter ended 31 December 2019 on 13 February 2020.

- (i) **Can the audit committee (AC) help shareholders understand if it was appropriate to prepare the audited financial statements for the financial year ended 30 June 2019 on a going concern basis given the material uncertainties faced by the group and as highlighted by the independent auditors?**

- (ii) **How did the conditions on the ground change by 2Q FY20 that necessitated the company to propose a restructuring via a Scheme of Arrangement and thus suspend the trading of the company's shares on SGX-ST in February 2020, four months after the board had concluded that the use of the going concern assumption was appropriate?**
- (iii) **Did the company provide timely disclosure of material information to allow the operation of a fair, orderly and transparent market between October 2019 to February 2020?** During this time, the company announced the first quarter results in November 2019, and saw the cessation of an executive director and the chief financial officer in December 2019.

For the financial year ended 30 June 2020, the independent auditor of the company expressed a qualified opinion in respect of the carrying amounts of inventory properties ("IP") and property, plant and equipment ("PPE"); and an emphasis of matter in respect of the material uncertainty related to going concern.

The auditors have stated the following in their Basis for qualified opinion:

Management has assessed that the net realisable value of these IP and the recoverable amount of these PPE are higher than their carrying amounts and therefore no write down or impairment is necessary as at 30 June 2020. We were, however, not able to obtain sufficient appropriate audit evidence to assess the reasonableness and appropriateness of the assumptions used in establishing the net realisable value and the recoverable amount of these IP and PPE respectively. We were also not able to conduct alternative procedures to assess the net realisable value and the recoverable amount of these IP and PPE respectively. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements for the current financial year ended 30 June 2020 were necessary.

- (iv) **How did management carry out the assessment of the net realisable value of the inventory properties and the recoverable amount of the PPE? Please disclose the assumptions used and show the sensitivity analysis of the net realisable value of the inventory properties.**
- (v) **What audit evidence has been requested by the independent auditors to enable them to assess the reasonableness and appropriateness of management's assessment? Why were the auditors not given sufficient appropriate audit evidence?**
- (vi) **What assistance did the AC render to the external auditors during the audit? How will the AC resolve the issue?**

Q2. As noted in the statement by the executive director and CEO, the High Court of Singapore sanctioned the company's Scheme of Arrangement [on 24 June 2021] for the repayment to the creditors and extension of moratorium to 30 September 2021. The company is preparing to obtain shareholders' approval to issue new shares to the creditors, and is concurrently working on the submission of the resumption of trading proposal to SGX-ST.

- (i) **Other than the EGM, what are the other milestones in the restructuring before the resumption of the trading of the shares of the company on SGX-ST?**
- (ii) **Can the board provide an estimated timeline?**
- (iii) **In addition, can management provide shareholders an update of the ground sentiments in Johor Bahru, given the Movement Control Order and the recent political changes?**
- (iv) **Would the board consider it opportune to carry out a strategic review of the group's core strengths and capabilities, management depth and track record and the competitive landscape in the core business so as to safeguard shareholders' interest and to refocus and reposition the group for long-term value creation?**

In the statement to shareholders, the executive director and CEO continues to place high hopes on the Capital City project.

- (v) **Please provide shareholders with a comprehensive update on the current status of the Capital City project, including the operating status of the Capital City Mall, the uncompleted hotels, serviced suites and serviced apartments. Please include recently taken photographs of the mall and of the construction sites.**
- (vi) **Should the Scheme of arrangement proceed as planned, what is the financial position of the group? How much of the mall, the apartments and hotel will be retained and owned by the group?**
- (vii) **In addition, a group of purchasers ("Proposed Interveners") have filed an application, inter alia, for leave be granted for them to intervene and be added as parties in the proceedings and a stay on the Statement of Proposal (SOP) and/or JM Order (page 132). Can the board/management update shareholders on the outcome of the case management of the Proposed Interveners (held on 17 August 2021) (page 132 – Note 36: Legal cases)? How will the Proposed Interveners affect the group's current plans?**

Q3. In the corporate governance report, the company disclosed that Mr Siow Chien Fu (executive director and CEO) received a remuneration package that was made up of 65.2% in salary, **21.7% in bonus** and 13.1% in other [benefits] in FY2020. There was no disclosure on the amount or bands on the remuneration paid to Mr Siow Chien Fu for FY2020.

The breakdown for the remuneration of the Directors in FY2020 is as follows:

Name	Salary	Bonus	Director fees	Other	Total
Mr Low Chai Chong	-	-	100%	-	100%
Mr Siow Chien Fu (CEO)	65.2%	21.7%	-	13.1%	100%
Mr Lim Kian Thong (Note 1)	-	-	-	-	-
Mr Lam Kwong Fai (Note 2)	-	-	-	-	-
Ms Tan Ler Choo	-	-	100%	-	-
Mr Aw Eng Hai (Note 3)	-	-	100%	-	100%
Mr Yong Dennis (Note 4)	100%	-	-	-	100%

(Source: company annual report)

For FY2019, it was disclosed that the director received a remuneration package of \$250,000 to \$500,000 with 73% as salary, **15% as bonus** and 12% as other benefits.

In the past two financial years, the group reported losses of RM(152.7) million and RM(45.6) million respectively.

Mr. Siow Chien Fu is a controlling shareholder of the company and holds a 27.5% stake in the company. In Note 29 (page 117 – Related party transactions: Compensation of key management personnel), it is shown that the directors of the company received RM2.62 million and RM2.58 million in FY2019 and FY2020 respectively.

- (i) **Would the company disclose the remuneration paid to the directors, especially the executive directors, as required by Provision 8.1 of the Code of Corporate Governance 2018?**

In particular, on page 22, the company has stated that its remuneration policy links the total compensation to the achievement of organisational and individual performance objectives and is benchmarked against relevant and comparative compensation in the market.

- (ii) **What were the performance indicators used in assessing the performance of the executive director, Mr Siow Chien Fu? How were these measured?**
- (iii) **Given that the group reported losses of RM(152.7) million and RM(45.6) million in FY2020 and FY2019 respectively, its main operating subsidiary being placed under judicial management and trading of the shares being suspended since February 2020, can the remuneration committee (RC) help shareholders understand the basis for the 15%-21.7% bonus component for the executive director in the past 2 financial years?**
- (iv) **What are the other benefits given to the executive director?**
- (v) **Would the RC be reviewing the remuneration practices to assess if it has adhered to its pay-for-performance policy and thereafter to further strengthen the link between remuneration and performance?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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