CAPITAL WORLD LIMITED
(Incorporated in the Cayman Islands)
(Company Registration No.: CT-276295)

RESPONSE TO QUERIES RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

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 of annual report for the financial year ended 30 June 2020 ("**FY2020**") dated 16 August 2021, would like to provide the following responses to queries raised by SIAS dated 23 August 2021.

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?

AC would like to make reference to the FY2019 Independent Auditor's Report where:

"In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going

concern and using the going concern basis of accounting unless management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so."

As at 30 June 2019 (financial year end) and 11 October 2019 (date of the FY2019 annual report), management did not intend to liquidate the Group or to cease operations and it should also be noted that as at 30 June 2019, the Group had inventory property of RM223.3million, exceeding the Group's loans and borrowings of RM44.6million.

The Company was also in negotiation for a settlement with land owner Achwell Property Sdn Bhd ("**APSB**") with the intention to release the land title and retail units for the purpose to secure financing from financial institutions and investors to resolving the working capital needs, even though the first settlement eventually lapsed as announced in 1 April 2020.

The then-directors were of the views that it was appropriate to prepare the FY2019 financial statements on a going concern basis after considering the factors set out in paragraph 2.1 on page 56-57 of the FY2019 Annual Report.

(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?

Since fourth quarter of 2019, the acute oversupply condition in property market in Malaysia coupled with Covid-19 pandemic has caused unprecedented disruptions to all nations including Malaysia and Singapore. The overall impact on global economies including property markets in Malaysia is extremely profound and unheard of till to date.

Please refer to the Company's announcement on 13 February 2020 for details on the Board's consideration in its assessment of the Group's ability to continue as a going concern, leading to its decision to apply to the High Court of the Republic of Singapore to propose a Scheme of Arrangement for the purposes of implementing and facilitating the restructuring of the debt obligations and liabilities and the voluntary suspension under Catalist Rule 1303(3).

(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.

To the best of the Board's knowledge, all material information have been disclosed in a timely manner between October 2019 to February 2020 as required under the Catalist listing rules. Please also refer to announcements made on 18 October 2019, 13 November 2019, 20 November 2019, 1 January 2020 and 13 February 2020.

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.

The Company would like to refer to details of the assessment of the net realizable value ("**NRV**") of the IP and the recoverable amount of the PPE in note 9 and 17 of the financial statements for FY2020.

The auditor's qualification on the IP refers to the service suite under construction and serviced apartment under construction of RM190,603,000; while the auditor's qualification on the PPE refers to hotel under construction of RM36,294,000 respectively.

NRV refers to forecasted selling price less the projected construction cost of the IP and PPE. The bases of assumptions for management's NRV assessment are as follows:

(i) The sales of IP and PPE is projected to start between second half of 2022 to 2024.

(ii) The forecasted selling price for the IP and PPE is made by reference to the latest available transacted selling price considering factors such as state of economy and market sentiment for similar type of IP and PPE surrounding Capital City Mall ("**CCM**") and/or southern part of Johor at the forecasted sale time.
For example, for retail units that are forecasted to be sold in second half of 2022 with reference to the transacted sale price of the sold units as well as the selling price used by the judicial manager in the restructuring exercise to settle debts.

(iii) The projected total cost of construction for the uncompleted part of the IP and PPE, which included actual cost incurred to date and projected cost to be incurred until completion based on inputs from professionals

(iv) As for forecasted selling price for the hotel under construction, management has forecasted with reference to similar type of hotel i.e. a 3 star hotel within the state in the southern part of Malaysia.

Management has assessed that the NRV of these IP (serviced suites and serviced apartments) and the recoverable amount of these PPE (hotel under construction) are higher than their carrying amounts and therefore no write down or impairment on these IP (serviced suites and serviced apartments) and PPE (hotel under construction) is necessary as at 30 June 2020. The impairment review is subject to sensitivity test of key assumptions regarding discount rates and terminal value of the IP and PPE.

.

(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?

In light that the management's assessment above were premised on future sales and cashflows projections, the auditors were not able to obtain sufficient appropriate audit evidence to assess the reasonableness and appropriateness of the management's assumptions used in establishing the net realisable value and the recoverable amount of these IP and PPE respectively. They 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, they were unable to determine whether any adjustments to the consolidated financial statements for the current financial year ended 30 June 2020 were necessary.

(vi) What assistance did the AC render to the external auditors during the audit? How will the AC resolve the issue?

The assessment of NRV is largely based on expectations of future selling prices which the Board to commence from second half of 2022 onwards and this forecast remains impacted by the effects of an uncertain recovery from the acute weak and profound battled economy, depressed property market led by the continued Covid-19 pandemic. As these are market driven information beyond the control of management and the Audit Committee, the management were unable to provide such sufficient appropriate audit evidence for FY2020.

In the foreseeable future, the management and the Board is of the view that the same macro-economic circumstances remain largely similar and the assessment of NRV of IP and PPE remains challenging. The Company remains committed to selling the inventory property and PPE for the best available market-driven pricing. The Audit Committee will continue to support the management in achieving such objectives.

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 "Restructuring"). 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?

Please refer to announcement dated 24 June 2021 for the restructuring milestones and indicative timelines.

The Board is currently exploring fund raising to improve the cash, working capital position and operating cash flow of the Group. Discussions are on-going but at a preliminary stage. The Board aims to complete negotiations and seek relevant shareholders and SGX approval if required.

The other key milestone that the management and the Board are actively working on the preparation and would be the submission of resumption of trading and the approval from the SGX-ST for the resumption proposal by 31 December 2021. The resumption proposal would be conditional upon the successful completion of the Scheme and issuance of Scheme Shares to extinguish substantial liabilities.

The Company is making its best effort and aims to submit the resumption proposal by the end of December 2021 and resume trading of its shares by the first half of 2022.

(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?

Due to the outbreak of the COVID-19 in Malaysia, Malaysian government had implemented movement control order ("**MCO**") throughout the whole Malaysia. The continuous MCOs have gravely weakened the economic situation as well as affected the consumer sentiment in Malaysia including Johor Bahru. With the prolonged closed border between Singapore and

Malaysia, all economic sectors in Johor Bahru are greatly affected. While the vaccination program in Malaysia is progressing at a slow pace due to the restriction on its supply, the escalating COVID-19 situation in Malaysia has created a gloomy prospect as to the bringing of the COVID-19 situation under successful control. As such, the Group is expecting the property market in Johor to remain gravely depressed and to experience lackluster demand in the near term.

The Board is mindful of the challenges facing the Group in its core property business and remains cautiously optimistic about the longer term outlook for the CCM in view of the healthy financial position of the Group post-Restructuring. The Board may at the appropriate and opportune time decide to carry out a strategic review of the group's core business and its strengths and capabilities, management depth and track record to safeguard shareholders' interest and embark on the positioning of the Group for long-term value creation.

The Board is open to consider any proposal to 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.

Presently, CCM is temporarily closed and has been well kept by the joint management body of the CCM.

In anticipation that the Covid 19 pandemic will be under control by end of 2021, the Company plans to re-open the retail mall in September 2022 and is currently working with asset management company for the re-opening preparation.

For the uncompleted hotel, serviced sites and serviced apartments, the Company is exploring potential joint venture with potential candidates for the purpose of resuming the construction of these buildings.

Please refer to Appendix 1 for the recent photographs of CCM and 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?

Should the Scheme proceed as planned, substantial liabilities of the Group will be extinguished.

Shareholders should note that the upcoming AGM to be convened on 31 August 2021 is for FY2020. Quarterly financial results for the financial year ended 30 June 2021 will be announced by 30 September 2021.

Sales of the inventory properties will be subject to broader economic and property market considerations which is expected to remain challenging.

Shareholders should note that post Restructuring, the Group is able to assume ownership and continue the sales of IP but legal retention and ownership is bound by the Settlement Agreement entered with APSB dated 28 July 2021. For details about the Settlement Agreement, please refer to announcement dated 3 August 2021. Further details will be provided to shareholders in due course.

(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?

The case management date for the above Proposed Interveners has been adjourned to 21 September 2021. We are awaiting for the outcome of the case management and will update the shareholders via our Monthly Update.

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.

(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?

Name	Salary	Bonus	Director fees	Other	Total
S$500,000 to S$750,000					
Mr Siow Chien Fu (CEO)	65.2%	21.7%	-	13.1%	100%
Below S$250,000					
Mr Low Chai Chong			100%		100%
Mr Lim Kian Thong (Note 1)			-		-
Mr Lam Kwong Fai (Note 2)			-		-
Ms Tan Ler Choo			100%		100%
Mr Aw Eng Hai (Note 3)			100%	-	100%
Mr Yong Dennis (Note 4)	100%	-	-	-	100%

Note 1 : Mr Lim Kian Thong was appointed as the Independent Director on 21 August 2020.

Note 2 : Mr Lam Kwong Fai was appointed as the Independent Director on 1 December 2020

Note 3 : Mr Aw Eng Hai has resigned as the Independent Director on 3 August 2020.

Note 4 : Mr Yong Dennis has resigned as the Executive Director on 31 December 2019.

Included in Mr Siow's FY2020 remuneration was S$60,000 of under-provided FY2019 bonuses which led to the increase from the remuneration band of S$250,000 to S$500,000 in FY2019 to the remuneration band of S$500,000 to S$750,000 in FY2020.

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?

For FY2020, the RC notes that Mr Siow has been the sole executive director since December 2019 and that he was responsible for handling the Restructuring, the Scheme and Judicial Managers, maintaining operations of marble business, seeking new investors, seeking new businesses and generating operating cashflow.

The RC further notes that despite the contractual remuneration due to Mr Siow since the listing of the Company via reverse take-over in 2017, he has shown his support to the Company and agreed to be paid his outstanding remuneration in shares, which has been due since October 2018. The shares to be issued to him will be an IPT and subject to Independent Financial Advisor's opinion and shareholders' approval in the upcoming EGM to be convened in due course.

(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?

Mr Siow's remuneration package comprises a yearly contractual bonus. Notwithstanding the past contractual obligations, as part of the Restructuring, the RC is in the process of re-evaluating the situation for FY2021.

(iv) What are the other benefits given to the executive director?

The other benefits refer to monthly allowance for transportation, petrol and entertainment.

(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?

Notwithstanding the past contractual obligations, as part of the Restructuring, the RC is in the process of re-evaluating the situation for FY2021.

Trading in the Company's securities on the SGX-ST has been voluntarily suspended by the Company on 14 February 2020. The Company will make further announcements as appropriate or when there are any material developments.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should note that there is no certainty or assurance that the shares of the Company will eventually resume trading on the SGX-ST Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board
CAPITAL WORLD LIMITED

Siow Chien Fu
Executive Director and Chief Executive Officer
30 August 2021

*This announcement and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**"). The Exchange 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. Lim Hui Ling, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.

Appendix 1

Photographs of Capital City Mall and the Construction Sites of Hotel, Serviced Suites and Serviced Apartments which has temporarily suspended construction

Bird's Eye View of Capital City Mall

Front Exterior of Capital City Mall

Tower A : Hotel

Tower B : Serviced Suites

Tower C : Serviced Apartment

Tower D : Serviced Apartment

Tower E : Serviced Apartment