

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

APPLICATION FOR AN EXEMPTION FOR THE REQUIREMENT ON RULE 719(3) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST IN RESPECT OF THE INTERNAL AUDIT FOR FINANCIAL YEARS ENDED 30 JUNE 2020 AND ENDING 30 JUNE 2021 (THE “EXEMPTIONS”)

The board of directors (the “**Board**” or the “**Directors**”) of Capital World Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company that the Company has on 29 March 2021 applied to the Singapore Exchange Regulation Pte. Ltd. (the “**SGX RegCo**”) for an exemption from the requirement of Rule 719(3) of the Catalist Rules for the Exemptions.

1. Background

- 1.1 Pursuant to Rule 719(3) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), the Company must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.
- 1.2 The Audit Committee (“**AC**”) provides oversight for the Company’s risk management system and internal controls. In financial years prior to financial year ended 30 June 2020 (“**FY2020**”), the Company had consistently engaged an internal auditor (“**IA**”) to perform the internal audit function. In February 2019, Mazars LLP (“**Mazars**”) was appointed as the IA and internal audit reviews were conducted on the operations of one of the subsidiaries, Capital City Property Sdn. Bhd. (“**CCPSB**”). The latest available internal audit report dated 22 August 2019 (“**FY2019 IA Report**”) was issued by Mazars. The Company confirmed that the issues highlighted and the recommendations provided in the FY2019 IA Report had been implemented. Mazars completed its scope of engagement for the FY2019 IA report on 29 February 2020.

2. Reasons for seeking the Exemptions

2.1 The reasons for seeking the Exemptions are as follows:

- (a) Operating activities of the Group have reduced significantly since October 2019 and there have been no additional contracts awarded since.
- (b) The Company is facing financial difficulties and had commenced a court-supervised process to reorganise their liabilities by filing an application to the High Court of the Republic of Singapore (the “**Court**”) for a moratorium pursuant to Section 211B(1) of the Companies Act (Cap. 50) on 17 February 2020. Since February 2020, the Sanction Application (as defined in the Company’s announcement dated 22 March 2021) had consumed much of the Company’s limited resources and management time, which has resulted in the Company’s deferred application for the exemption of internal audit function for FY2020 and financial year ending 30 June 2021 (“**FY2021**”). The Company has been unable to sanction the Singapore Scheme of Arrangement because of a dispute between CCPSB and Achwell Property Sdn Bhd (“**APSB**”). Moving forward, there is greater clarity on the timing of the Sanction Application and the judicial management process that CCPSB has been placed under since 13 March 2020 (“**JM**”) as CCPSB has made significant progress in the settlement negotiations with APSB. Parties are close to arriving at a settlement whereby APSB will withdraw its objections to the Singapore Scheme of Arrangement. After APSB withdraws its objections, the Company is confident that the Singapore Court will sanction the Scheme of Arrangement at the Sanction Application to be heard on 24 May 2021. After the Singapore Court’s sanction of the Scheme of Arrangement, the Company will implement the Scheme of Arrangement pursuant to section 71(1) of the Insolvency, Restructuring and Dissolution Act 2018 (the “**Restructuring**”). The Company targets for the Restructuring to be completed by 31 October 2021 and the Directors foresee minimal business activities taking place during this period.

- (c) Since CCPSB has been placed under JM, all the operations, management and control was handed over to the judicial manager since 13 March 2020. The Malaysian High Court has recently granted the extension of the Judicial Management Order (“**JMO**”) to CCPSB’s judicial manager, CRS Corporate Services Sdn Bhd to complete the JM process by 30 September 2021.
- (d) The Company shall have more clarity on its future business direction subsequent to the Singapore Court hearing which is scheduled on 24 May 2021, completion of the Restructuring and JM process. The Directors target to submit the proposal for resumption of trading from suspension pursuant to Catalist Rule 1304 (1) (“**Resumption Proposal**”) to SGX RegCo by 30 November 2021 which shall include its new business direction and new potential businesses and expect to review and make changes to its existing internal control and risk management systems to align with its new business direction during the implementation of its Resumption Proposal. The Directors expect that they will be in a better position to discuss the scope of the internal audit with the incoming IA for the financial year ending 30 June 2022.

3. Board’s and AC’s Views on the Internal Audit Function

- 3.1 In the absence of an ongoing internal audit function since 29 February 2020, the Board and AC have considered the following mitigating factors:
 - (a) With the significant reduction of operating activities since October 2019, the Directors are of the view that this had significantly reduced the business and financial risks associated with a temporary suspension of the internal audit function. All payments (save for those relating to CCPSB) remain subject to two authorised signatories as per the existing bank mandate. Payments in respect of CCPSB had been controlled by the judicial manager since 13 March 2020.
 - (b) Based on a review on the internal audit function and activities performed in FY2019, the AC is satisfied that there were no material internal control deficiencies identified in respect of FY2019.
 - (c) The AC has reviewed and discussed with the external auditors, Moore Stephens LLP, and as at the date of this announcement, Moore Stephens has not noted any issues relating to material internal control deficiencies or any suspected fraud or irregularity or infringement of any relevant law, rule, or regulation which has or is likely to have a material impact on the Group’s operating results or financial position during the course of their ongoing audit for FY2020.
- 3.2 The Board’s and AC’s view are that the system of internal controls provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and management of business risks and acknowledges that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.
- 3.3 Based on the above factors, the Board and AC are of the view that notwithstanding the absence of the internal audit function for FY2020 and FY2021, the existing internal controls addressing the Group’s financial, operational, compliance and information technology controls and risk management systems are effective and adequate.

The AC has assured the Board that post implementation of the Restructuring and the Resumption Proposal, the AC will review the adequacy, effectiveness and independence of the internal audit

function to ensure the robustness of the internal control framework and will also discuss the scope of the internal audit plan for FY2022 with the incoming IA.

The Company will keep Shareholders updated on the outcome of the applications to SGX RegCo in due course.

Trading in the Company's securities on the SGX-ST has been voluntarily suspended by the Company on 14 February 2020.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests. 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
29 March 2021

*This announcement has 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**") and 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.*

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