
QUALIFIED OPINION AND EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Pursuant to Rule 704(4) of the Catalist Rules, the board of directors (the “**Board**”) of Capital World Limited (the “**Company**” and together with its subsidiaries, “the **Group**”) wishes to inform the shareholders that the independent auditor of the Company, Messrs Moore Stephens LLP (the “**Independent Auditor**”), have in their Independent Auditor’s Report dated 13 October 2022 (the “**Report**”), expressed:

- (i) a qualified opinion in respect of the carrying amounts of inventory properties and property, plant and equipment in relation the previous auditor’s report dated 13 May 2022 on the consolidated financial statements for the previous financial year ended 30 June 2021; and
- (ii) an emphasis of matter in respect of the material uncertainty related to going concern on the audited financial statements of the Group and the Company for the financial year ended 30 June 2022 (the “**Audited FS**”).

The extract of the Independent Auditor’s Report is annexed to this announcement as Appendix I. The relevant notes to the Audited FS are annexed as Appendix II to this announcement.

The Board is of the opinion that all material disclosures have been provided for in Note 2.1 of the Audited FS under Appendix II in relation to the ability of the Group and the Company to continue as going concern.

The Independent Auditor’s Report and a complete set of the Audited FS is contained in the Company’s Annual Report (“**AR**”) for the financial year ended 30 June 2022, which will be released on SGXNET in due course. Shareholders of the Company are advised to read this announcement in conjunction with the Company’s AR for the financial year ended 30 June 2022 in their entirety.

The Company will update Shareholders where there are any material developments in relation to the above.

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 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
13 October 2022

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.

The contact person for the Sponsor is Mr. Shervyn Essex, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

Appendix 1 – Independent Auditor’s Report

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Capital World Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 30 June 2022, and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Qualified Opinion

Our auditor’s report dated 13 May 2022 on the consolidated financial statements for the previous financial year ended 30 June 2021 contained a qualified opinion on the carrying amounts of inventory properties – serviced suites under construction and serviced apartments under construction (“IP”) and property, plant and equipment – hotel under construction (“PPE”). An update of the matter is as follows:

Carrying amounts of IP and PPE

As disclosed in Note 6 to the financial statements, during the previous financial year ended 30 June 2021, the Group wrote down the IP by RM190,603,000 and impaired the PPE by RM36,294,000. However, we were unable to determine whether these amounts in whole or in part (recognised in the consolidated profit or loss for the previous financial year ended 30 June 2021) are related to the financial year ended 30 June 2021 or 30 June 2020; and whether adjustments are to be made in respect of the consolidated financial statements for the financial year ended 30 June 2021 or 30 June 2020 to reflect these amounts in the correct financial year.

Our opinion on the current year’s financial statements is modified because of the possible effect of the above matter on the comparability of the current year’s figures and the corresponding figures.

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ (“IESBA”) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”) and the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements, which indicates that as at 30 June 2022, the Group has net assets of RM169,563,000 (2021: net liabilities of RM79,313,000), which include inventory properties of RM123,473,000 (2021: RM149,180,000), investment properties of RM142,514,000 (2021: Nil) and provision for taxation of RM70,294,000 (2021: RM70,001,000).

The ability of the Group to continue as a going concern is dependent on the:

- (i) successful fulfilment and satisfaction of the conditions precedent and execution of the formal legal documentation in respect of the master tenancy of the Group's retail mall (which includes the inventory properties) with a third party, as disclosed in Note 35; and
- (ii) continuing approval by the Inland Revenue Board of Malaysia for the income tax to be repaid on a monthly instalment basis until the outstanding income tax payable of RM70,294,000 is fully repaid.

The above conditions and events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Inventory Properties</p> <p>We refer to Note 2.7 and Note 9 to the financial statements.</p> <p>As at 30 June 2022, the Group has inventory properties (Retail units of the retail mall) of RM123,473,000, representing 33% of the Group's total assets.</p> <p>Inventory properties are measured at the lower of cost and net realisable value.</p>	<p>Our response:</p> <p>We focused on this area because of the significant judgement involved in making the estimates of the net realisable value of the inventory properties.</p> <p>We evaluated and tested management's assessment of the inventory properties to state them at the lower of cost and net realisable value.</p> <p>Our findings:</p> <p>We found that management's assessment of the net realisable value of the inventory properties to be reasonable.</p>

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Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Classification and Valuation of Investment Properties</p> <p>We refer to Note 2.8 and Note 16(b) to the financial statements.</p> <p>As at 30 June 2022, the Group has investment properties (Retail units of the retail mall) of RM142,514,000, representing 38% of the Group's total assets.</p> <p>Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.</p> <p>Management reviews for any indication of impairment and where such indicator exists, the determination of the recoverable amount required significant management judgement.</p>	<p>Our response:</p> <p>We focused on this area because of the significant judgement involved in making the estimates of the recoverable amount of the investment properties.</p> <p>We designed and performed the following key procedures, amongst others:</p> <ul style="list-style-type: none">- Reviewed management's assessment by whether there is any indication that these investment properties have suffered an impairment loss;- Evaluated and tested management's assessment for the recoverable amount of the investment properties; and- Evaluated the appropriateness of the presentation and classification of the investment properties. <p>Our findings:</p> <p>We found that management's assessment of the recoverable amount of the investment properties to be reasonable and the presentation and classification of the investment properties to be appropriate.</p>

Responsibilities of Management and Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
13 October 2022

APPENDIX II - RELEVANT NOTES TO THE AUDITED FS

EXTRACT FROM THE DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

2.1 Basis of Preparation

Going concern assumption

As at 30 June 2022, the Group has net assets of RM169,563,000 (2021: net liabilities of RM79,313,000), which include inventory properties of RM123,473,000 (2021: RM149,180,000), investment properties of RM142,514,000 (2021: Nil) and provision for taxation of RM70,294,000 (2021: RM70,001,000).

The ability of the Group to continue as a going concern is dependent on the:

- (i) successful fulfilment and satisfaction of the conditions precedent and execution of the formal legal documentation in respect of the master tenancy of the Group's retail mall (which includes the inventory properties) with a third party, as disclosed in Note 35; and
- (ii) continuing approval by the Inland Revenue Board of Malaysia for the income tax to be repaid on a monthly instalment basis until the outstanding income tax payable of RM70,294,000 is fully repaid.

The above conditions and events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, in the preparation of the financial statements, the directors of the Company believe that the use of the going concern assumption is appropriate after taking into consideration:

- (i) Nothing has come to the attention of the Board of Directors and management that the conditions precedent could not be fulfilled and the execution of the formal legal documentation could not be concluded within the timeline as disclosed in Note 35;
- (ii) The Group had written to the Inland Revenue Board of Malaysia ("LHDN") on 12 April 2022 on the tax instalment and received an email response from LHDN on 19 April 2022 confirming the monthly instalment payment for a period of six (6) months. LHDN had also notified the Group that if the Group faced any difficulty in settling the payment for the last month's instalment, the Group can apply for instalment payment rescheduling. An instalment payment appeal must be submitted at a minimum one month before the due date of the last instalment. The Group has since made payment according to the schedule. The Group had submitted an instalment payment appeal on 2 September 2022 and obtained the approval response from LHDN on 3 October 2022 for the payment instalment to continue for the period from 15 October 2022 to 15 March 2023. The Group will continue to make applications with the LHDN to repay the outstanding income tax payable on a monthly instalments basis as and when needed until the outstanding income tax payable is fully repaid. Given that the Group has a positive track record in repayment of the tax instalment and the instalment appeal previously, the Board of Directors and management are of the view that the results of the any further applications will be favourable; and
- (iii) The Board of Directors and management are of the view that the Group will have sufficient working capital and will be able to meet its obligations as and when they fall due based on a cash flow forecast for the next 12 months.

In the event that the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.