Capital World Limited
(Incorporated in the Cayman Islands)
Company Registration Number: CT-276295

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (''FY2018'')

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual (Section B: Rules of Catalist), the Board of Directors of Capital World Limited (the ''**Company**'' and together with its subsidiaries the ''**Group**'') wishes to announce that the Company's Auditors, Messrs Ernst & Young LLP, had without modifying their opinion, included in their Independent Auditor's Report on a ''material uncertainly related to going concern'' in respect of the Group's audited financial statements for FY2018 (the '**'Financial Statements**'').

The Independent Auditors' Report of the Financial Statements and an extract of Note 2.1 from the notes to the Financial Statements which sets out, *inter alia*, the bases for the Board's opinion that the Group will be able to continue as a going concern, are attached to this announcement for further information.

Notwithstanding, the Board is of the opinion that the Group will be able to continue as going concern, for the following reasons:-,

1) The Group has 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;

2) 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.

3) The Group's current liabilities as at 30 June 2018 include:

    (i) deferred revenue of RM94,476,000 (2017: RM126,995,000) which comprises advance payments from customers in respect of the inventory properties sold by the Group for the Capital City mall and Capital Suites. The Group has obtained the Certificate of Completion and Compliance ("CCC") for Capital City mall on 26 April 2018, and construction of Capital Suites, while ongoing, is on track to complete on schedule. The deferred revenue will be recognised as revenue based on the percentage of completion method and will not entail cash outflow.

    (ii) current portion of the cost of land payable to Achwell Property Sdn. Bhd. ("APSB") amounting to RM64,114,000 (RM91,972,000) which has been accrued based on the Group's forecasted cash receipts from the progress billings and projected sales of Capital City mall and Capital Suites. According to the land acquisition agreement signed with APSB, if the forecasted cash receipts do not materialize, the Group will not be required to make the payment to APSB during the construction phase of the development project.

4) The Group will be able to complete the project as scheduled and achieve the projected sales for its inventory properties.

5) The above considerations from (1) to (4) would allow the Group to generate sufficient cash flows from its operations and meet its obligations as and when they fall due.

The Board (i) is in the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner; and (ii) confirmed that all material disclosures have been provided for trading of the Company's shares to continue.

The Board wishes to advise the shareholders and investors of the Company to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By the Order of the Board

Siow Chien Fu
Executive Director and Chief Executive Officer
11 October 2018

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Independent Auditor's Report

TO THE MEMBERS OF CAPITAL WORLD LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Capital World Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018, 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 financial year ended on that date in accordance with International Financial Reporting Standards ("IFRSs").

BASIS FOR 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' Code of Ethics for Professional Accountants ("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, the 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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements. As at 30 June 2018, the Group's current liabilities exceeded its current assets by RM68,072,000. As at 30 June 2018, 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. These factors and the challenging conditions affecting the property market in Johor, Malaysia, which could negatively impact the sale prices of the Group's inventory properties indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the ability of the Group to obtain continuing support from its lender and a key supplier, and to generate sufficient cash flows from its operations as explained further in Note 2.1 to the financial statements.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Revenue recognition for sale of inventory properties

The Group recognises revenue from the sale of inventory properties over time using the input method, which is measured by reference to the proportion of actual development costs incurred for work performed to date to the estimated total development costs. This is determined to be a key audit matter due to the use of significant estimates including estimates of total budgeted development costs and the progress towards completion in determining the percentage of completion, which in turn may have a significant impact on the Group's results.

We obtained an understanding and tested, on a sample basis, the key financial controls surrounding management's internal costing and budgeting process in estimating the total budgeted development costs. We assessed management's assumptions in determining the percentage of completion and the total budgeted development costs. We evaluated the appropriateness of inputs used by management in their estimation of the total cost to complete against the underlying contracts or variation orders. We analysed changes in management's estimates of total budgeted development costs. We enquired with management the rationale for such changes and compared against supporting documentations.

We perused correspondences with contractors and discussed the progress of the projects with management for any variation order claims or significant events that could impact the estimated development costs. For construction costs incurred to date, we assessed the competency, capabilities and objectivity of the quantity surveyor engaged by the Group and compared the cost components to the underlying contracts or variation orders against the progress claims certified by the quantity surveyor. We checked the mathematical accuracy of the revenue and profits recognised based on the input calculations. We also reviewed the adequacy of the disclosures relating to revenue from sale of inventory properties in Notes 2.18, 3(d) and 4 to the financial statements.

2. Accounting and valuation of convertible bonds

As at 30 June 2018, the liability, embedded derivative and equity components of convertible bonds amounted to

RM10,183,000, RM4,044,000 and RM200,000 respectively. Management engaged an independent professional valuer (the "Management's Valuer") to value the liability component and the embedded derivative component of convertible bonds. The accounting and valuation of convertible bonds are complex. Therefore, we identified this to be a key audit matter.

We reviewed the convertible bond agreements to obtain an understanding of the transaction and the key terms and conditions. We assessed management's identification and classification of the liability component and the embedded derivative component of convertible bonds. We evaluated the competency, capabilities and objectivity of Management's Valuer. We involved our internal valuation specialists in reviewing the carrying amount of the liability component and the fair value of the embedded derivative component of convertible bonds, including the reasonableness of key assumptions such as discount rate used in valuation of the liability component as well as share price and the time to expiry used in determining the fair value of the embedded derivative component of convertible bonds.

We also reviewed the adequacy of the disclosures relating to convertible bonds in Notes 2.19 and 25 to the financial statements.

3. Impairment assessment of goodwill, mining infrastructure, and mining rights

During the financial year ended 30 June 2018, management performed impairment assessment on the following assets attributable to the mining cash-generating unit ("CGU"):

- goodwill of RM11,378,000;
- mining rights of RM82,507,000; and
- mining infrastructure of RM7,602,000.

We considered the audit of management's impairment assessment of these assets to be a key audit matter due to the magnitude of the amounts recognised in the financial statements. In addition, the assessment process involved significant management estimate and was based on assumptions that are affected by future market and economic conditions. Management determined the recoverable amounts of these assets based on value-in-use calculation using discounted cash flows up to the forecast concession right period ending in 2044.

We assessed the valuation methodology used by management. We evaluated the key assumptions used in the impairment analysis, in particular the forecasted revenue from sale of marble products (based on estimated sales volume and estimated selling price of the marble products) and the discount rate. We discussed with management to obtain an understanding of the Group's planned strategies for future revenue growth. With the knowledge gained from the discussion and our understanding of the current business climate for the mining industry, we evaluated the reasonableness of the estimated sales volume. We compared the estimated selling price of the marble products to historical data and market comparable data. We evaluated management's forecasting process by comparing previous forecasts to actual results. We involved our internal valuation specialists to assist us in reviewing the reasonableness of the discount rate used. We also reviewed the adequacy of the disclosures made in relation to the impairment assessment of goodwill, mining rights and mining infrastructure in Notes 3(b), 17 and 19 to the financial statements.

4. *Carrying value of inventories and inventory properties*

Inventories

As at 30 June 2018, the Group has inventories of RM8,125,000. The inventories comprise of finished marble products. The Group is exposed to the risk of slow-moving inventories as a result of volatility in the demand and prices for marble products. Significant judgment is required for the estimation of the net realisable value of the slow-moving inventories after taking into consideration factors such as movement in prices, current and expected future market demand and pricing competition. As such, we determined this to be a key audit matter.

We obtained the inventory aging report and discussed with management their procedures to identify slow-moving inventories and assess the adequacy of the inventory write-down for slow-moving inventories. We reviewed the reasonableness of the write-down for slow-moving inventories after considering the historical sales pattern and inventory turnover. We selected samples of marble products and tested whether they were stated at the lower of cost and net realisable value by comparing to the latest transacted sale price of these marble products. We also reviewed the adequacy of the disclosures relating to inventories in Notes 2.10, 3(c) and 10 to the financial statements.

Inventory properties

As at 30 June 2018, the Group has mixed use development inventory properties in Malaysia of RM376,859,000. The estimation of the net realisable value of these inventory properties is dependent upon the Group's expectations of future selling prices. There is a risk that future actual selling prices may be lower than then current carrying value of inventory properties, resulting in losses when properties are sold. Accordingly, we identified this to be a key audit matter.

For development inventory properties under construction, we made inquiries of relevant management personnel and inspected relevant documentation such as budgets, funding agreements, supplier contracts and internal reports to understand project design complexity and sub-contractor reliance which could impact management's estimate of the costs to complete. We also perused contractor correspondences for any potential disputes, variation order claims or known technical issues that could impact the estimated contractual costs. We also evaluated forecast selling prices and forecast total costs by making comparisons to a sample of actual selling prices achieved during the year and subsequent to year end.

For completed development inventory properties, we assessed whether the carrying value of development properties is appropriately stated at the lower of cost and net realisable value by testing a sample of sales made during the year and subsequent to year end to assess the sales margins achieved. Additionally, we compared forecast selling prices to total costs to assess forecast margin.

We also reviewed the adequacy of the disclosures relating to inventory properties in Notes 2.8, 3(c) and 9 to the financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the 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' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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 Ng Boon Heng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 October 2018

Capital World Limited
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Extract from the Annual Report of the Company

NOTES TO THE FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Malaysia Ringgit ("RM") and all values in the tables are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

Fundamental accounting concept

At 30 June 2018, the Group's current liabilities exceeded its current assets by RM 68,072,000 (2017: RM95,139,000). As at 30 June 2018, the Group's total loans and borrowings amounted to RM45,182,000 (2017: RM Nil), of which RM43,330,000 (2017: RM Nil) were classified as current liabilities and exceeded its cash and cash equivalents of RM 23,454,000 (RM23,410,000). These factors and the challenging conditions affecting the property market in Johor, Malaysia, which could negatively impact the sale prices of the Group's inventory properties indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis after considering the following:

(a) Subsequent to year end, the Group has 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;

(b) Subsequent to year end, the Group reached an agreement with a key supplier:

   (i) 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

   (ii) to defer the payment for construction services to be rendered by this supplier over the next 15 months from July 2018 to September 2019.

(c) The Group's current liabilities as at 30 June 2018 include:

   (i) deferred revenue of RM94,476,000 (2017: RM126,995,000) which comprises advance payments from customers in respect of the inventory properties sold by the Group for the Capital City mall and Capital Suites. The Group has obtained the Certificate of Completion and Compliance ("CCC") for Capital City mall on 26 April 2018, and construction of Capital Suites, while ongoing, is on track to complete on schedule. The deferred revenue will be recognised as revenue based on the percentage of completion method and will not entail cash outflow.

   (ii) current portion of the cost of land payable to Achwell Property Sdn. Bhd. ("APSB") amounting to RM64,114,000 (RM91,972,000) which has been accrued based on the Group's forecasted cash receipts from the progress billings and projected sales of Capital City mall and Capital Suites. According to the land acquisition agreement signed with APSB, if the forecasted cash receipts do not materialize, the Group will not be required to make the payment to APSB during the construction phase of the development project.

(d) The directors have reasons to believe that the Group will be able to complete the project as scheduled and achieve the projected sales for its inventory properties.

The directors are of the opinion that the above considerations would allow the Group to generate sufficient cash flows from its operations and meet its obligations as and when they fall due.

If the Group is unable to continue operational existence for the foreseeable future, the Group may be unable to discharge its 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 currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.