
QUALIFIED OPINION AND EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 May 2022 (the “**Report**”), expressed:

- (i) a qualified opinion in respect of the carrying amounts of inventory properties and property, plant and equipment; 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 2021 (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 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 2021, 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 2021 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 May 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 Income at Raffles, 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 2021, 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 2021, 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 16 August 2021 on the consolidated financial statements for the previous financial year ended 30 June 2020 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 at the previous financial year ended 30 June 2020, the Group had IP of RM190,603,000 (Note 9) and PPE of RM36,294,000 (Note 16(d)) respectively. Management had assessed that the net realisable value of these IP and the recoverable amount of these PPE were higher than their carrying amounts and therefore no write down or impairment was 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 previous financial year ended 30 June 2020 were necessary.

As disclosed in Note 9 and Note 16(d) to the financial statements, during the current 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 current financial year ended 30 June 2021) are related to the previous financial year; and whether adjustments are to be made in respect of the consolidated financial statements for the previous financial year ended 30 June 2020 and current financial year ended 30 June 2021 to reflect these amounts in the correct financial year.

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Basis for Qualified Opinion (cont'd)

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements, which indicates that during the financial year ended 30 June 2021, the Group incurred a net loss of RM230,894,000 (2020: RM152,653,000) and total comprehensive loss of RM230,537,000 (2020: RM152,197,000) and net cash flows used in operating activities of RM256,000 (2020: RM2,022,000). As at 30 June 2021, the Group has net current liabilities and net liabilities of RM101,049,000 and RM79,313,000 (2020: net current assets and net assets of RM91,042,000 and RM151,224,000) respectively, and the Company has net current liabilities and net liabilities of RM10,716,000 and RM10,661,000 (2020: net current assets and net assets of RM40,653,000 and RM148,266,000) respectively.

As disclosed in Note 32, a subsidiary of the Group, Capital City Property Sdn. Bhd. (“CCP”) was placed under judicial management pursuant to an order of the Judicial Commissioner of the Malaysia High Court dated 13 March 2020 (“JM Order”) and a judicial manager (“Judicial Manager”) was appointed to manage the affairs, business and property of CCP. On 25 September 2020, the Judicial Manager had circulated a Statement of Proposal (the “SOP”) to CCP’s creditors in connection with the Debt Settlement Proposal under Section 420 of the Malaysia Companies Act 2016 (“Debt Settlement Proposal”). On 9 October 2020, a CCP’s creditors’ meeting was convened with more than 75% in value of creditors present and voting in person or by proxy supporting the Judicial Manager’s SOP. On 16 October 2020, the Judicial Manager had filed the result of the CCP’s creditors’ meeting with the Malaysia High Court, which is the effective date of the SOP. CCP has commenced and is in the process of completing the Debt Settlement Proposal as disclosed in Note 32.

The ability of the Group and the Company to continue as going concerns is dependent on the successful completion of the Debt Settlement Proposal; which includes the cash settlement of an amount due to the Inland Revenue of Malaysia of approximately RM70 million.

The above conditions and events indicate the existence of material uncertainties which may cast significant doubt on the Group’s and the Company’s ability to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

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Material Uncertainty Related to Going Concern (cont'd)

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) The Scheme of Arrangement as disclosed in Note 33 to the financial statements has been completed;
- (ii) The Final Settlement Agreement as disclosed in Note 9 to the financial statements has been entered in relation to the amount due to Achwell Property Sdn Bhd;
- (iii) The Debt Settlement Proposal of CCP as disclosed in Note 32 to the financial statements would be successfully completed in due course;
- (iv) The Group has made an application to the Inland Revenue Board of Malaysia to defer the payment of approximately RM70 million and the Board of Directors and management are of the view that the results of the application will be favourable;
- (v) The Board of Directors and management are engaged in various discussions with potential buyers on the sale of the Group's non-current assets held for sale and inventory properties (retail units of the retail mall);
- (vi) The Board of Directors and management are currently sourcing for new funds; and
- (vii) The Board of Directors and management are of the view that the Group and the Company will have sufficient working capital and will be able to meet their 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 concern, 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. Our opinion is not modified in respect of this matter.

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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 and Non-Current Assets Held for Sale</p> <p>We refer to Note 2.7, Note 2.23, Note 9 and Note 15 to the financial statements.</p> <p>As at 30 June 2021, the Group has inventory properties (Retail units of the retail mall) of RM147,669,000 and non-current assets held for sale of RM226,539,000, representing 37% and 55% of the Group's total assets respectively.</p> <p>Inventory properties are measured at the lower of cost and net realisable value and non-current assets held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.</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 and the fair value less cost to sale of the non-current assets held for sale.</p> <p>We designed and performed the following key procedures, amongst others:</p> <ul style="list-style-type: none">- Evaluated and tested management's assessment of the inventory properties to state them at the lower of cost and net realisable value;- Evaluated and tested management's assessment of the non-current assets held for sale to state them at the lower of the assets' previous carrying amount and net fair value less costs to sell; and- Evaluated the appropriateness of the presentation and classification of the non-current assets held for sale. <p>Our findings:</p> <p>We found that management's assessment of the net realisable value of the inventory properties and the net fair value less costs to sell of the non-current assets held for sale to be reasonable and the presentation and classification of the non-current assets held for sale to be appropriate.</p>

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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.

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.

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

- 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.

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.

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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 May 2022

APPENDIX II - RELEVANT NOTES TO THE AUDITED FS

EXTRACT FROM THE DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

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

These 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.

Going concern assumption

During the financial year ended 30 June 2021, the Group incurred a net loss of RM230,894,000 (2020: RM152,653,000) and total comprehensive loss of RM230,537,000 (2020: RM152,197,000) and net cash flows used in operating activities of RM256,000 (2020: RM2,022,000). As at 30 June 2021, the Group has net current liabilities and net liabilities of RM101,049,000 and RM79,313,000 (2020: net current assets and net assets of RM91,042,000 and RM151,224,000) respectively, and the Company has net current liabilities and net liabilities of RM10,716,000 and RM10,661,000 (2020: net current assets and net assets of RM40,653,000 and RM148,266,000) respectively.

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The ability of the Group and the Company to continue as going concerns is dependent on the successful completion of the Debt Settlement Proposal; which includes the cash settlement of an amount due to the Inland Revenue of Malaysia of approximately RM70 million.

The above conditions and events indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

2.1 Basis of Preparation (cont'd)

Going concern assumption (cont'd)

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) The Scheme of Arrangement as disclosed in Note 33 to the financial statements has been completed;
- (ii) The Final Settlement Agreement as disclosed in Note 9 to the financial statements has been entered in relation to the amount due to Achwell Property Sdn Bhd;
- (iii) The Debt Settlement Proposal of CCP as disclosed in Note 32 to the financial statements will be successfully completed in due course;
- (iv) The Group has made an application to the Inland Revenue Board of Malaysia to defer the payment of approximately RM70 million and the Board of Directors and management are of the view that the results of the application will be favourable;
- (v) The Board of Directors and management are engaged in various discussions with potential buyers on the sale of the Group's non-current assets held for sale and inventory properties (Retail units of the retail mall);
- (vi) The Board of Directors and management are currently sourcing for new funds; and
- (vii) The Board of Directors and management are of the view that the Group and the Company will have sufficient working capital and will be able to meet their 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 concern, 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.