
DISCLAIMER OPINION RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 ("FY2019")

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual (Section B: Rules of Catalyst), 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, included in their Independent Auditor's Report on a "disclaimer opinion related to going concern" in respect of the Group's audited financial statements for FY2019 (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 RM26,475,000 due on 31 October 2019 by a further 12 months to 31 October 2020;
- 2) On 10 July 2019, the Company announced that it had entered into a term sheet in relation to the proposed allotment and issuance of 916,047,277 new ordinary shares in the capital of the Company (the "**Proposed Subscription**") to two new subscribers (the "**Subscribers**"). The term sheet sets out the legally binding agreed key terms between the Company and the Subscribers, and forms the basis for entry into definitive agreements for the Proposed Subscription. Under the term sheet, when the conditions precedent are fulfilled, the Company will issue 916,047,277 new ordinary shares to raise proceeds of approximately S\$17,579,000 (RM52,737,000). The Subscribers are currently in the midst of completing the due diligence process.
- 3) The Group reached an agreement with a key supplier to set an upper limit to the payment in the next 15 months of the outstanding payables to the supplier as at 30 June 2019 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 2019 to September 2020.
- 4) The Group's current liabilities as at 30 June 2019 include:
 - (i) deferred revenue of RM3,068,000 (2017: RM94,476,000) 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 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 RM24,270,000 (RM64,114,000) 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.

- 5) The Directors have reasons to believe that Group will be able to complete the project as scheduled and achieve the projected sales for its inventory properties.
- 6) The above considerations from (1) to (5) would allow the Group to generate sufficient cash flows and meet its obligations as and when they fall due.

The Board (i) is of 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 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
14 October 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST 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. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and Email: sponsorship@ppcf.com.sg).

Independent Auditor's Report

TO THE MEMBERS OF CAPITAL WORLD LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We were engaged to audit 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 2019, 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, notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumption

As at 30 June 2019, the Group's loans and borrowings amounted to RM44,572,000, all of which were classified as current liabilities, and exceeded its cash and cash equivalents of RM2,399,000. The Company's loans and borrowings amounted to RM18,097,000, all of which were classified as current liabilities, and exceeded its cash and cash equivalents of RM47,000. The Group's working capital primarily comprise inventory properties. The Group's financial results for the year were adversely affected by the challenging conditions affecting the property market in Johor, Malaysia and the Group recorded a net loss of RM45,606,000 for the year ended 30 June 2019. These factors and the continuing challenges affecting the property market in Johor, Malaysia, could continue to negatively impact the realisation of the Group's inventory properties. These conditions give rise to material uncertainty over the ability of the Group and Company to continue as a going concern.

The financial statements have been prepared on going concern basis based on the assumptions as disclosed in Note 2.1. 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.

The carrying value of the assets as recorded on the balance sheet of the Group and Company as at 30 June 2019 has been determined based on the continuation as a going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company 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 sheet.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards in Singapore ("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.

Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with International Standards on Auditing ("ISA") and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 2019

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 balance sheet 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

As at 30 June 2019, the Group's total loans and borrowings amounted to RM44,572,000 (2018: RM45,182,000), of which RM44,572,000 (2018: RM43,330,000) were classified as current liabilities and exceeded its cash and cash equivalents of RM2,399,000 (2018: RM23,454,000). The Company's total loans and borrowings amounted to RM18,097,000 (2018: RM19,441,000), all of which were classified as current liabilities (2018: RM17,589,000) and exceeded its cash and cash equivalents of RM47,000 (RM2,356,000). For the financial year ended 30 June 2019, the Group incurred a net loss of RM45,605,000 (2018: net profit of RM56,555,000), which included impairment charges of RM74,602,000 (2018: RM5,984,000). These factors and the challenging conditions affecting the property market in Johor, Malaysia, which could negatively impact the sale of the Group's inventory properties, give rise to material uncertainties on the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the Company.

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 obtained approval to extend the repayment date of loans and borrowings of RM26,475,000 due on 31 October 2019 by a further 12 months to 31 October 2020.
- (b) On 10 July 2019, the Group announced that it had entered into a term sheet in relation to the proposed allotment and issuance of 916,047,277 new ordinary shares in the capital of the Company (the "Proposed Subscription") to two new subscribers (the "Subscribers"). The term sheet sets out the legally binding agreed key terms between the Company and the Subscribers, and forms the basis for entry into definitive agreements for the Proposed Subscription. Under the term sheet, when the conditions precedent are fulfilled, the Company will issue 916,047,277 new ordinary shares to raise proceeds of approximately S\$17,579,000 (RM52,737,000). The Subscribers are currently in the midst of completing the due diligence process.
- (c) 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 2019 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 2019 to September 2020.
- (d) The Group's current liabilities as at 30 June 2019 include:
 - (i) deferred revenue of RM3,068,000 (2018: RM94,476,000) 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; and
 - (ii) current portion of the cost of land payable to Achwell Property Sdn. Bhd. ("APSB") amounting to RM24,270,000 (RM64,114,000) 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.
- (e) 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 taking into considerations the above, the use of the going concern assumption in preparing the accompanying financial statements is appropriate.

If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and Company 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 and Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.