
RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S DISPOSAL OF 80% SHAREHOLDING INTEREST IN SHAANXI HENGYU ARCHITECTURAL INTERIOR ENGINEERING CO., LTD.

The Board of Directors (the "**Board**") of Capital World Limited (the "**Company**") refers to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 20 November 2018 and wishes to provide further information in relation to the Company's disposal of 80% shareholding interest in Shaanxi Hengyu Architectural Interior Engineering Co., Ltd ("**Hengyu**") as announced on 16 November 2018, as follows:

SGX-ST's question 1

It was stated that the net asset value and net tangible asset value of Hengyu which had been consolidated into the Group's latest unaudited consolidated financial statements for the first quarter ended 30 Sep 2018 ("Q1FY2019") was approximately RM0.43 million (Equivalent to approximately S\$0.14 million using exchange rate of S\$1 = RM3.0251). No valuation was performed on Hengyu. The consideration of S\$1.45 million was arrived at after arm's length negotiations with Dr. Wang on a willing-buyer, willing-seller basis, and after taking into consideration the historical financial position of Hengyu.

- (a) 80% stake in Hengyu was purchased in Jan 2015 for cash consideration of S\$2.08 million (the "Proposed Acquisition") using almost 30% of the Group's IPO proceeds. It was stated that the purpose of the Proposed Acquisition is primarily to enable the Group to obtain the Class A licences possessed by Hengyu. Such licences are required for the sale and installation of marble products to the PRC property developers and local governments. Does Hengyu still possess the Class A licenses which are required for the sale and installation of marble products to the PRC property developers and local governments? If so, how are the licenses accounted for and valued in the books of Capital World?

Company's response:

Hengyu still possesses the Class A licenses. There was no value accorded for the license on the balance sheet of Hengyu and Capital World Limited.

- (b) Why was a valuation not performed on Hengyu?

Company's response:

It is not cost effective to perform valuation and the fact that the sales consideration is higher than the net book value of Hengyu.

- (c) Further, it was disclosed in the FY2018 AR of 15 Oct 2018 that the Group is also looking for opportunities to market their marble products to a wider base in the China region. Is this done via Hengyu? If so, with the sale of Hengyu, how will the Company be marketing its marble products to a wider base in China?

Company's response

To the best of the Management's knowledge, the marketing of marble products to general customers in China does not require licenses. Class A licenses are required to reach out to potential clients such as local government or property developers working on government projects. The Company is of the view that the sale of Hengyu will not impact its current marketing effort in China. Since the completion of the RTO in 2017, the marble products produced by the Group have been

sold directly to its customers in China through the Company's wholly-owned subsidiary in Malaysia. Furthermore, the marble products have not been sold to the customers in Hengyu's projects.

SGX-ST's question 2

It was stated that the consideration will be used to repay amounts owing to certain former directors of Terratech Group Limited (the former name of the Company). No sale proceeds will be received by the Company. Pursuant to the sale and purchase agreement, it was agreed that Dr Wang will assume the obligation to make the repayment on behalf of the Company.

- (a) What is the quantum and nature of the amounts owing to certain former directors of the Group which will be assumed by Dr Wang pursuant to the Disposal? Please disclose the amounts owed to each former director.

Company's response:

Name	Amount Owing to directors (S\$)	Settlement (S\$)	Amount to be paid (S\$)	Nature
Zhan Ping	167,916.67	167,916.67	-	Executive director's salary (China)
Zhao Jian	121,881.41	121,881.41	-	Independent director's fee
Tay Yew Khem	125,126.82	125,126.82	-	Independent director's fee
Loh Chang Kaan	590,870.72	554,049.16	36,821.56	Executive director's salary and advance
Wang Xiaoning	262,608.70	262,608.70	-	Non-executive director's fee
Aw Eng Hai	218,417.24	218,417.24	-	Independent director's fee
Total	1,486,821.56	1,450,000.00	36,821.56	

- (b) Will the Group record a gain or loss arising from the Disposal?

Company's response:

The Group will record a gain of approximately S\$1.3 million from the disposal of Hengyu.



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By the Order of the Board

Siow Chien Fu
Executive Director and Chief Executive Officer
5 December 2018

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") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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