

BEST WORLD AGM – Q&As

No.	Questions from Shareholders	Replies
Financials		
1	<p>Please clarify the roles of PwC and E&Y in their audit of the financial results presented. Are they also currently going over 2019 results?</p> <p>When is AGM 2019 going to be held?</p>	<p>The role of PwC is to review specific issues such as verifying the existence of franchisees, validating sales and validating cash received from sales to significant franchisees during FY2018.</p> <p>Following the Notice of Compliance issued by SGX RegCo on 13 May 2019, PwC's scope of review was extended to establishing facts and circumstances surrounding the establishment, appointment and business relationship of the Group's Primary Import Agent, and verifying sales to the Primary Import Agent and other import agents under the Export model, as well as validating cash received from sales to distributors/ customers by the Primary Import Agent.</p> <p>As mentioned above, PwC is the Independent Accountant engaged by the Group to address specific concerns relating to the allegations and SGX RegCo's Notice of Compliance. PwC does not play a role in the audit of the financial results presented.</p> <p>EY is the external auditor of the Group and is responsible for conducting an audit of the financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report and provide reasonable assurance that the financial statements are free from material misstatements.</p> <p>Following completion of the FY2018 audit, EY will be commencing the FY2019 audit upon the re-appointment of EY as the Group's external auditors during the FY2018 AGM.</p> <p>The timing of AGM 2019 will be subject to the time taken to complete the audit of the material subsidiaries by EY, which may potentially be delayed if there are continued travel restrictions and social distancing measures in the various countries that the Group operates in.</p>
2	<p>Cash in balance sheet. In order to improve ROE for shareholder, will management consider using it for investment in securities assets?</p>	<p>The Company's strategy is to use our resources to invest in businesses or assets which are complementary to the Company's business. Depending on opportunities presented, these businesses and assets could be involved in activities that are either upstream or downstream to the Group's business.</p>

		The Group invests surplus cash in quoted bonds and bond funds to generate returns and preserve value. The Group however, does not invest in equity securities as this is a volatile asset class that carries a higher risk level.
3	<p>Please elaborate more on the acquisition Celligenics? At what time do we expect them to make contribution to our top and bottom line?</p> <p>Best World has invested in ASTAR start-up, Celligenics. What is the rationale for making this investment and is this investment likely to start contributing to the group's results in the next 3 years?</p> <p>Is there any update to the Celligenics investment, e.g. will BW be rolling out any promising cutting-edge cell-based products?</p>	<p>The Group's rationale of investing in Celligenics remains the same. Please refer to our announcement dated 14th Jan 2019.</p> <p>As a result of the circuit breaker measures implemented in April 2020, many tests earmarked by Celligenics to be carried out have been delayed. As a result, the initial plans of launching its first cosmeceutical product at the beginning of FY2021 have been postponed. Currently, we can only expect the first product to be launched at the end of 2021.</p> <p>The Group does not foresee Celligenics to be able to make any material top and bottom-line contribution to the Group in the next few years.</p>
Operations		
4	<p>Impact of Covid-19 on businesses.</p> <p>How is Covid 19 affecting Best World's business?</p> <p>What are your greatest concerns from Covid-19? A prolonged lockdown that might lead to a drop in demand? Being unable to secure raw materials to manufacture products?</p> <p>How Covid-19 affected the operation of the Group in coming new few Quarters?</p> <p>In view of the worldwide Covid-19 situation, how is the management handling the situation on the ground? what are the current disruption to business operation?</p> <p>How is the current slowdown in economic activity impact BWL growth? As many more become unemployed, do BWL expect a drop in product sales? As Singapore PM said in recent announcement, Post-Covid Singapore will face headwinds.</p>	<p>Since the outbreak of Covid-19, many provinces and municipalities in China have been locked down. These lockdowns have resulted in logistical delays and are expected to negatively impact our Group's sales in China.</p> <p>On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak a pandemic. Management has since taken precautionary measures in accordance with guidelines provided by the authorities in the respective markets the Group operates in. Since then, the Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020 to 1 June 2020, to arrest the trend of increasing local transmission of Covid-19. This had resulted in the delay of the construction of our Tuas manufacturing facility.</p> <p>Management anticipates additional storage costs for machineries arriving ahead of the initial TOP date and other expenses in relation to the construction delays.</p> <p>In addition, shipments from our contract manufacturers are being delayed and our fillers and packagers are also impacted. We anticipate the possibility of product shortages for certain markets in the quarters ahead.</p>

	<p>How is the company's business been affected by Covid-19? Which markets are badly affected?</p> <p>Is there a significant project cost overrun for the Factory as a result of all the delays?</p>	<p>As there is no clarity as to when normalcy will return, the Group is currently unable to estimate the full extent of the financial impact of the pandemic.</p> <p>Management remains very cautious about the Group's performance outlook and will take necessary steps to ensure business continuity plans are in place.</p>
5	<p>What happens to the progress of the factory development in Tuas? Could you share the progress of your Investments?</p> <p>When is the expected completion of the manufacturing facility in Singapore?</p> <p>When is the expected operational date for the Tuas factory?</p> <p>Is the BWL Tuas facility construction on hold now? When is schedule to complete?</p> <p>When is the expected operational date for the Tuas factory?</p> <p>May I know the reasons for the continued delays for the commission?</p>	<p>On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak a pandemic. Management has since taken precautionary measures in accordance with guidelines provided by the authorities in the respective markets the Group operates in. Since then, the Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020 to 1 June 2020, to arrest the trend of increasing local transmission of Covid-19. As a result, construction has been halted. While our application to resume work has been approved by BCA on 18th June, MOM's schedule to swab-test the dormitory workers is expected to take place in July. The workers can only return to the worksite when the dormitory is declared clean. Assuming construction restarts in August 2020, management anticipates the building to TOP around 2H2021.</p> <p>For purposes of comparison, please refer to the attached photo for a view the status of the construction as of 7th April 2020, and the artist's impression of the completed project.</p>
6	<p>Given it is expected to TOP in 2H2021, what are some of the strategies adopted to overcome the longer lead time?</p>	<p>Prior to the lifting of the Circuit Breaker, our main contractor has applied to BCA several times proactively in order to be able to secure the approval to resume on 18th June 2020. Despite this, we are still subject to MOM's schedule before work could begin.</p> <p>Also, being able to commission our tube filling line in Taiseng earlier this year, presents our production personnel the opportunity to gain practical experience of the line before the completion of Tuas. Examples include predictive maintenance, wastage and rejects minimization, familiarization with operational procedures, cleaning processes and changeover parts to improve efficiency etc. This will ensure that the tube filling line will be operational first upon moving to Tuas.</p> <p>Realistically, if the project had been stopped for 5 months, we can only expect a corresponding delay from the original TOP date of end 2020.</p>
7	<p>How is Covid impact to Indonesia operations?</p>	<p>Although Indonesia has been in semi-lockdown for 2.5 months, recovery is very slow and there's still</p>

		<p>no sign of return to normalcy. As a result, consumer purchasing power and sentiment is very weak and distributors are facing increasing difficulties in their business.</p> <p>Based on the prevailing market sentiments, management is not optimistic of the performance of our Indonesia business for FY2020.</p>
8	Are there any thoughts of reverting the model of business to Export Segment in China?	No, the Franchise model will remain the form of distribution for DR's Secrets products in China.
9	I presume a large part of direct selling involves face-to-face interaction; this should be applicable to the franchise business as well. What are some of the challenges that most customers / franchisees face amidst the lockdown and what are some strategies / solutions to overcome them?	<p>We have ventured into the use of digital marketing tools for our products since late 2017. Since then, we have been active in building our brand on several major social platforms including WeChat, Facebook, Line, Red, Instagram etc. Live webcast available in some of these social platforms mitigate to a large extent challenges posed as a result of the lockdowns and social distancing practiced in the different markets that we operate in.</p> <p>Please refer to the latest released annual report for more information on our digitalisation strategy.</p>
10	It was mentioned in 3Q2019 results that the import duties of US made skin care products was raised from 11% to as high as 31%. With the Tuas facility, does it mean the US import duties do not apply anymore	Yes, products that will be made from the Tuas facility will not be subject to US import duties.
Independent Review		
11	Why is the audit taking so long?	<p>The initial intention was to finalise the FY2018 audit upon the completion of the independent review. However, due to unforeseen circumstances resulting in the independent review being prolonged, the completion of FY2018 audit was consequently delayed.</p> <p>Earlier this year, having received and considered feedback from various stakeholders, the Board, together with management decided that it was in the interest of all shareholders not to further delay the FY2018 AGM beyond 30 June 2020</p>
12	<p>How is the legal review of franchise model in China? Is this a legal model allowed under the China Law?</p> <p>Please provide update on exchange queries on china sales model in china.</p> <p>Could you please provide an update of the investigation on China</p>	<p>To date, our PRC Counsel has substantially completed its review and is close to finalising its legal opinion on the Company's franchise model in China.</p> <p>The PRC Counsel has noted that certain features of the franchise model may pose certain potential legal risks but is of the view that the franchise model adopted by the Company complies with the franchise related laws and regulations in China.</p>

	<p>operation? any potential changes in the China business model?</p> <p>Any update on the legality of business model in China.</p>	<p>The Company has noted the advice of PRC Counsel and will make the required adjustments to address the potential legal risks identified by PRC Counsel.</p>
13	<p>Please clarify if PwC is allowed to share all its findings with E&Y before PwC has concluded their part. If E&Y cannot access the information, would this inability be a key reason why E&Y has to issue a "disclaimer of opinion". What other issues should investors be mindful of, in terms of the financial statements and what specific steps are now holding up the audit. Or is it now just a matter of time and procedural issues?</p> <p>How to ensure the report figures can be reliable since the auditor issued disclaimer of opinion?</p> <p>Why EY issuing disclaimer and reluctant in issuing opinion?</p>	<p>Under PwC's engagement with the Company, PwC is allowed to share its findings with relevant parties, with the consent of the Company.</p> <p>As EY's role is that of an external auditor of the Group and is responsible to conduct a statutory audit of the financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report and provide reasonable assurance that the financial statements are free from material misstatements. EY's scope of work is different from that of PwC.</p> <p>In relation to the disclaimer of opinion, investors should be informed that the grounds for the disclaimer arose from certain issues highlighted in the PwC Interim Update report, and mainly relates to business operations in China during the Export model period and the transitional period after the commencement of the Franchise model. Such issues arose mainly due to the manner in which the business was conducted as we assumed the business from the former import agent. The Board will take proactive steps to ensure that there will be improvements in the internal control weaknesses highlighted and will take legal advice to ensure that the China business is compliant with local laws and regulations.</p> <p>Following completion of the FY2018 audit, EY will be commencing the FY2019 audit upon re-appointment of EY during the FY2018 AGM.</p>
14	<p>Full account of independent audit report</p>	<p>Currently, PwC is still in the process of completing the independent review and the independent review report is close to being finalised.</p>
15	<p>Please elaborate on the lessons learnt from the independent audit process, and if there are any changes to the way business is conducted.</p>	<p>We commissioned the independent review as we believe that the independent review will be helpful in identifying areas which can help us improve the Group's risk management systems and internal controls as well as strengthen the Group's corporate governance.</p> <p>While the independent review is still ongoing, the Group has noted the matters raised in PwC's Interim Update report dated 22 March 2020.</p> <p>Upon the completion of the independent review, the Group will work with its external and internal</p>

		auditors and legal advisors on the matters raised and update all shareholders on the steps taken and to be taken in due course.
16	<p>The 2 founders have said that they will take legal action against the short sellers. Can we get an update? Is there anything fishy as accused by Bonitas and if no any legal action to be taken?</p> <p>Any update on the lawsuit against Bonitas?</p>	<p>A suit has been filed by the Founders and the Company and presently remains pending against the authors of the short sellers' report. The Founders and the Company have been focusing their attention and efforts on facilitating the ongoing independent review by PwC, and will continue to assess the next steps in the suit concurrently.</p>
17	<p>Can board explain what's next now that there is a disclaimer for the independent review?</p>	<p>The Board and Management will find a constructive way to move forward and ensure that the interests of the shareholders will be safeguarded against those matters highlighted in the disclaimer, which arose from the findings set out in the PwC Interim Update report.</p> <p>The Board will also take proactive steps to ensure that there will be improvements in the internal control weaknesses highlighted as well as take legal advice to ensure that the China business is compliant with local laws and regulations.</p>
18	<p>Did PwC already submitted their independent review report to SGX?</p>	<p>Currently, PwC is still in the process of completing the independent review and the independent review report is close to being finalised.</p>
19	<p>Are the adjusted figure in the revised audited report of 2018 agreed by PwC?</p>	<p>The audit of the financial statements of the Group is not part of the scope of the independent review conducted by PwC.</p>
20	<p>If it is not agreed by PwC, how much is the difference as of now?</p> <p>How soon can PwC's findings be followed (up) by BWL?</p> <p>Any discrepancy reflected/corrected in the accounts of 2020 perhaps?</p>	<p>The audit of the financial statements of the Group is not part of the scope of the independent review conducted by PwC.</p>
21	<p>Any updates on the investigation process? It has been more than 1 year since market suspension?</p> <p>When will the independent audit carried out by PwC be ready? Will the report to be submitted to SGX be made public?</p> <p>When u expect the Independent audit to be completed?</p> <p>What is the status of PwC audit?</p> <p>What is the latest progress of PwC Independent Review? It was</p>	<p>The prolonged period of the process was mainly due to the additional work required due to the expansion of the scope of the review, the need for the cooperation of third parties (such as import agent and logistics companies), as well as the Covid-19 pandemic.</p> <p>Since the release of the PwC's Interim Update report on 22 March 2020, PwC is still in the process of completing the independent review and the independent review report is close to being finalised.</p> <p>Any material updates to the independent review will be released via SGXNet.</p>

	<p>announced that the Independent Review is ongoing and close to finalisation and the Company will provide clarifications on the key matters raised in due course</p> <p>Such similar statement has been claimed for months. Share investors like me just want to know when is the outcome expected to be released publicly via company announcement?</p>	
22	<p>Are there the material Corporate governance issues completely resolved?</p>	<p>Material corporate governance issues which are being identified by our Independent Accountant, will be deliberated by the Board and the Board will determine the course of action to resolve these issues in a satisfactory manner.</p>
Outlook/Strategy		
23	<p>Can the board update on the company directions going forward, amid the impact of Covid19 as well as any mitigation plan in event of US-China tension &/or second wave of virus infections.</p> <p>On threat of the US-China potential huge increase of import duties, how shall BWL find a way to overcome the cost margin on your key product (DR's Secret Skin Care line)? Any consideration to find alternative product line, &/or have your proprietary line?</p>	<p>The China-US trade disputes have already negatively impacted the profitability of our China business. Management is uncertain if there will be further retaliatory response from either side that could further impact our business.</p> <p>The Group is currently working towards the completion of our Tuas Facility which could help us mitigate any shocks from the US-China trade tensions.</p> <p>The Group will continue to monitor closely the situation in relation to Covid-19 for all the markets we operate in and will make further announcements to update Shareholders should any material developments arise.</p> <p>We believe the impact of the social distancing measures implemented due to the Covid-19 pandemic could be mitigated since we had implemented digital marketing as one of the key strategies since 2017. WeChat is one of the largest social media platforms in China which our franchisees utilize to communicate and share their experiences with other users that amplifies our brand visibility. Other platforms include RED and Weibo.</p>
24	<p>What's the revised strategy for expansion and distribution in China now with Covid19?</p> <p>Are you able to share some detail on your plan in scaling up the operation or numbers of Franchisee in the</p>	<p>Our strategy of selling deeper into China would require us to work with more franchisees in the market. With Covid-19, our franchisees have moved most of their marketing activities online. WeChat is one of the largest social media platforms in China which our franchisees utilize to communicate and share their experiences with</p>

	<p>current or new province in the next 1~5 years?</p> <p>What are the future plans for China?</p>	<p>other users that amplifies our brand visibility. Other platforms include RED and Weibo.</p>
25	<p>What are the considerations and strategic value in setting up a factory in Tuas, Singapore? Why not outsourced, or setup in low cost country? Or continue the focus on direct selling instead of manufacturing?</p>	<p>The Group's intention in setting up our own manufacturing facility is to have the ability to exercise better control over raw material quality and in-process quality control, so as to ensure the highest quality for our product offerings in response to the growing underlying demand of DR's Secret products. The facility also allows us to reduce our reliance on contract manufacturers and ensure better control over the uninterrupted supply of shipments to our subsidiaries. In addition, our subsidiaries are also able to leverage on the Free Trade Agreements between Singapore and the countries they operate in to enjoy duty free imports.</p> <p>As a premium skincare brand, it is not in line with our brand positioning for our products to be manufactured in a low-cost country. As our facility is designed on the foundation of Industrial 4.0, being situated in Singapore also allows us to tap into the skilled manpower of the region.</p>
26	<p>Best World has purchased a 49% stake in UK beauty firm Pedal Pulses. How will this purchase contribute to the group's results and are there plans to bring this brand to other markets where Best World has operations in?</p> <p>How is the newly acquire company product be sold?</p> <p>Will it be part of BWL product in current business model?</p> <p>Recently the company acquired Pedal Pulses Limited in UK, how it will affect the group results in coming few years, how is the management plan to develop the business after acquired?</p> <p>Pedal Pulses sells products for the feet, hands, and legs as well as podiatry services. Would be great if you can share your thought process on the acquisition. Specifically, what is the market opportunity and how does Pedal Pulses complement with DR's Secret?</p>	<p>Please refer to the Group's announcement in relation to the acquisition of Pedal Pulses</p> <p>Currently, for the Asia market, the brand is distributed through agents in Taiwan and Hong Kong. Pedal Pulses will also leverage on Best World's experience to achieve quicker and more effective penetration in to the Asia markets.</p> <p>As Pedal Pulses is already in operation and profitable for FY2019, we expect Pedal Pulses to contribute to our financial results in FY2020.</p> <p>The Group believes that Pedal Pulses' product and service offerings complement the Group's business. The acquisition will provide the Group with a premium beauty brand specialist established in the United Kingdom and Europe.</p> <p>The newly acquired company will also be able to assist the Group in the development of hand or foot related formulas to be sold in the Direct Selling or Franchise segment under an appropriate Best World brand line.</p> <p>The Group is currently undergoing packaging and formula evaluation for our products for sale in the UK and EU. Upon completion, Pedal Pulse's UK and EU subsidiary will be our vehicles for the online</p>

	Given more than 90% of revenue is derived from DR's Secret products, what are your thoughts on balancing between deepening the company's core expertise (i.e. expanding through DR's Secret) VS diversifying (e.g. Pedal Pulses acquisition)?	sale of DR's Secret and other Best World brand lines to customers located in the UK and EU.
Dividends		
27	When will we be paid dividend and how much?	Please refer to following SGX announcement .
28	<p>What is the forecast dividend for FY2019?</p> <p>Any change in the policy for dividend, like why no dividend for 2nd half of 2019 and any dividend for 1st half 2020.</p> <p>What are the revised guidelines for future dividends payout?</p>	<p>As announced in our results announcement for FY2019, no dividends were declared. In view of the indefinite and prolonged disruption caused by the Covid-19 outbreak in all the markets that the Group operate in, the Board has decided to suspend the dividend policy for FY2019 and not declare a final dividend for FY2019 as a prudent move to conserve cash in the face of heightened economic volatility and business uncertainty. The build-up of our cash buffer will also allow the Group to capitalise on any opportunities that may arise in such turbulent times.</p> <p>Please click on the following link for the full announcement.</p> <p>The Board will continually review the dividend policy and will provide updates to shareholders as and when appropriate.</p>
Trading		
29	<p>When will the shares resume trading?</p> <p>May I know when trading will resume?</p> <p>When would Best World foresee that SGX will lift the suspension?</p> <p>Can the management give us some updates on what are the milestones we have to hit as a company to get the company unsuspending?</p> <p>When can we expect for the shares of Best World to start trading on SGX?</p> <p>When are BWL's shares expected to be traded again?</p> <p>When do u expect the Trading suspension to be lifted?</p>	<p>The trading suspension will only be lifted after we have submitted a trading resumption proposal to and upon fulfilment of the conditions required by SGX RegCo, including the finalisation and issuance of the Group's audited financial statements for FY2018 and FY2019, and SGX RegCo indicating that it has no objections to the resumption proposal.</p> <p>We will make further announcements via SGXNet to inform the shareholders should there be any updates. Thank you for your understanding and patience.</p>

30	<p>Is delisting in your roadmap and if so why? If not, what measures have you and would put in place to protect shareholders' interest.</p> <p>Any possibility to de-list it from the SGX?</p>	<p>We will continue to explore all options from time to time, which will be in the interest of all stakeholders.</p> <p>More importantly, the Group has remained steadfast on growing its business in our targeted markets, either via both organically and inorganically.</p> <p>Especially after the outbreak of Covid-19 this year, the top priority of the Group at this time is to mitigate the short-term impact from the Covid-19 situation while continuing to fortify our business fundamentals amidst unprecedented global challenges and uncertainties.</p>
31	<p>Share buy backs, assuming share price hover around 1.4 range. Will management consider this price to buy back aggressively?</p>	<p>The Company has a track record of repurchasing its shares from the open market in the past. We will continue to do so as and when appropriate to preserve shareholder value.</p> <p>However, we need to strike a balance between repurchasing stocks and ensuring sufficient cash for emergencies especially during this challenging and uncertain the economic environment, as well as serving the cash needs for other important investments, such as building our Tuas factory, growing market share, and investing in innovation.</p>
Others		
32	<p>Over the past few months, the Board has been working tirelessly to resolve the outstanding issues. What are some of the biggest misunderstanding that the media has portrayed BWL?</p>	<p>The Group respects and supports press freedom.</p> <p>We also believe that actions speak louder than words. The primary focus of the Group at this time is to mitigate the impact from the Covid-19 pandemic while the Group is fully focused building its business fundamentals and growing its business operations amidst unprecedented global challenges and uncertainties.</p> <p>We will also continue to focus on developing products, brands and services relevant to our customers' needs, and in doing so, expand our footprint to different parts of the world.</p> <p>Last but not least, we are also working relentlessly with the Independent Auditors and other professional parties towards the conclusion of the Independent Review.</p>
33	<p>I am still compiling the questions. Is there an email that I can send to?</p>	<p>IR@bestworld.com.sg</p>
34	<p>(a) Taiwan - Previously, there was a dream target of NT\$10b for TW revenue by the year 2020. In FY2019, TW's revenue is about S\$110m or</p>	<p>(a) We do not provide guidance for our business performance. Every year and every 5 years, we set sales targets for our distributors and revenue targets for our</p>

	<p>NT\$2b. Is there a revised target timeline to achieve the NT\$10 billion target?</p> <p>(b) China - In one of the RHB research reports in Year 2018, BW aims to capture 5% of China skincare mkt by FY2022 based on 2016 retail value (about CNY10 billion or S\$2b).</p> <p>Recently, it was disclosed that the number of China franchisees have increased. Is this target still on track or what is the revised timeline for the target? What are the more major challenges to meet the target, e.g. increasing competition or difficulty in finding suitable China franchisees?</p>	<p>subsidiaries. These targets are meant for internal use and should by no means serve as a guidance for the shareholders as they are subject to modification from time to time to accommodate to various factors, e.g. distributors' sentiments, market conditions, delays in product launch, once-in-a-century pandemic etc.</p> <p>(b) As shared previously, China management will approve between 3 to 5 new franchisees in the first quarter of every year. The Group do not foresee difficulties in identifying suitable franchisees in China as a major challenge. However, management maintains a cautious outlook about the Group's performance in the next 12 months due to other major challenges ahead of us which include but is not limited to, the uncertainty posed by the Covid-19 global pandemic and the US-China trade disputes. For more details, please refer to Section 10 of Financial Statements and Related Announcements for 1Q2020 Results.</p>
35	<p>What will happen to the 30th anniversary celebration given the Covid-19 situation?</p>	<p>Due to the high turnout rate for the convention and the involvement of attendees from at least 12 jurisdictions around the world, the management has taken various factors into consideration and has decided that the Group will celebrate our 30th and 31st anniversary in one gala event in 2021 instead.</p>