

BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

RESPONSES TO QUERIES REGARDING THE PROPOSED ACQUISITION OF SHARES IN PEDAL PULSES LIMITED

The Board of Directors (the “**Board**”) of Best World International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 3 April 2020 in relation to the proposed acquisition of shares in Pedal Pulses Limited (the “**Announcement**”) and the queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) received on 7 and 8 April 2020 (the “**Queries**”) as set out below. Unless otherwise defined, capitalised terms used in this announcement shall have the meanings given to them in the Announcement.

The Board wishes to respond to the Queries as follows:

- (1) It is disclosed in the Announcement that, the Target has 2 complementary offerings, including a treatment proposition operating a portfolio of reputable Margaret Dabbs London clinics in the UK and internationally, providing podiatry and beauty services carried out by qualified practitioners. Please clarify if the above business activity (i) constitutes a diversification of the Company’s business, given the Company’s disclosure in the prospectus that, the Company is principally engaged in the sourcing, formulating, branding and distribution of a range of health and lifestyle products; and (ii) results in a change in the Company’s risk profile. Please provide further elaboration on the clinics, including the type of licenses required for their operations.**

Company’s response

The Board is of the opinion that the Proposed Acquisition does not constitute a diversification of the Company’s business. The Group’s core business is providing health and lifestyle products, including products for feet under the Group’s existing brand, PentaLab. The Target Group primarily provides health and beauty services and products for feet.

The Board is of the opinion that the Proposed Acquisition would not result in a change in the Company’s risk profile. The Proposed Acquisition is not a major transaction under Chapter 10 of the Listing Manual – the relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 6%. The Target Group is profitable - the Target Group achieved an EBITDA¹ of approximately £1.8 million (approximately S\$3.2 million²) for FY2019. The Proposed Acquisition will not have a significant impact on the Company’s gearing. Last but not least, from an operational standpoint, the existing management of the Target Group are incentivised, through the structure of the Proposed Acquisition, to continue contributing to the success of the Target Group for a number of years after the Group’s entry into the Target Group.

The Target Group currently operates 9 clinics in the United Kingdom, and has licensing agreements regarding 2 clinics in Spain, 1 clinic in the United Arab Emirates and 1 clinic in Qatar. The clinics provide a range of treatments, including routine podiatry with consultation, diagnosis and treatments, where such treatments include but is not limited to laser nail fungal treatment, nail surgery and medical nail reconstruction. All podiatrists are medically qualified in the treatment of feet and are members of the Health and Care Professions Council and the Society of Chiropodists and Podiatrists. Each clinic is overseen by a principal podiatrist and clinic manager.

¹ “EBITDA” means earnings before interest, tax, depreciation and amortisation.

² For the purpose of these responses, the currency exchange rate is £1.00 : S\$1.7672. This exchange rate is presented solely for information and is not a representation that the relevant amounts have been or could be converted at the rate indicated.

The type of licences required for a clinic's operations vary, depending on the services provided by the clinic and the jurisdiction in which the clinic is located in.

- (2) Please clarify how the Target Group will be accounted for, given that pursuant to the completion of the First Tranche, the Purchaser holds 49.9%, Ms Dabbs holds 30% and Mr Richardson holds 20.1% respectively, of the shares in the capital of the Target.

Company's response

The Target Group will be assessed in accordance with the requirements of the Singapore Financial Reporting Standards (International) "SFRS(I)" 10, SFRS(I) 11 and SFRS(I) 28. The accounting treatment will take into consideration all tranches of the Proposed Acquisition. The Group will provide further updates in due course, including during the Group's announcement of its second quarter results for the financial year ending 31 December 2020.

- (3) It is disclosed in the Announcement that, the Proposed Acquisition is not expected to have a material effect on the net tangible assets per share or earnings per share of the Group for FY2019, assuming that the Proposed Acquisition had been effected at the end of such financial year. Please provide the required information per Listing Rule 1010(8) and 1010(9).

Company's response

As disclosed in the paragraph 7 of the Announcement, the Proposed Acquisition is not expected to have a material effect on the net tangible assets ("NTA") per share, or the earnings per share ("EPS") of the Group for FY2019.

1. NTA per share

	Before the acquisition of Shares in the First Tranche	After the acquisition of Shares in the First Tranche
NTA (S\$'000)	235,194	235,194
Number of shares in issue	544,100,114	544,100,114
NTA per share (Singapore cents)	43.23	43.23

2. EPS

	Before the acquisition of Shares in the First Tranche	After the acquisition of Shares in the First Tranche
Net profits after tax ⁽¹⁾ (S\$'000)	88,851	89,947
Weighted average number of issued shares	544,100,114	544,100,114
Earnings per share (Singapore cents)	16.27	16.53

Note:

- (1) Net profits after tax is computed based on profit attributable to the owners of the Company.

The proforma financial effects on the Group after the acquisition of Shares in the First Tranche set out above are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the completion of the acquisition of Shares in the First Tranche, nor a projection of the future financial performance or position of the Group after completion of the acquisition of Shares in the First Tranche.

The proforma financial effects of the acquisition of Shares in the First Tranche are based on the Group's unaudited consolidated financial statements for FY2019 and the following assumptions:

- (a) that completion of the First Tranche had taken place on 31 December 2019 for purposes of the financial effect on the net tangible asset ("**NTA**") per share;
- (b) that completion of the First Tranche had taken place on 1 January 2019 for purposes of the financial effect on the earnings per share ("**EPS**"); and
- (c) the Target Group is accounted for as an associate company of the Group.

- (4) It is disclosed in the Announcement that, the aggregate value of the consideration given, compared with the Company's market capitalisation, based on the total number of issued shares excluding treasury shares amounts to 5.8%. Please disclose how the percentage of 5.8% is being arrived at.**

Company's response

The aggregate value of the consideration of the Proposed Acquisition is £28.2 million (approximately S\$49.8 million). This is calculated by aggregating:

- (i) the consideration of the First Tranche of approximately £13.9 million (approximately S\$24.6 million); and
- (ii) the consideration of the Second Tranche of approximately £14.3 million (approximately S\$25.2 million).

The consideration of the Second Tranche, and the corresponding formula for the Option Price as set out in paragraph 5.4(3) of the Announcement, are computed based on the following assumptions:

- (a) the Option Vendors sell, and the Purchaser acquires, all of the Option Shares; and
- (b) the EBITDA of the Target Group in the formula for the Option Price is based on an average industry growth rate of 3%, derived based on the following industry reports:
 - (i) a report by Euromonitor International³ on Skin Care in the United Kingdom published in June 2019;
 - (ii) a report by Euromonitor International on Skin Care in Germany published in June 2019;
 - (iii) a report by Mordor Intelligence⁴ on the growth, trends and forecasts for the Beauty and Personal Care Products Market in Europe for the period from 2019 to 2024 published in August 2019;

³ Euromonitor International is a leading independent market research company that provides strategic global market research and market analysis.

⁴ Mordor Intelligence is a leading market research consulting firm that provides advisory, insights and investment analysis services.

- (iv) a report by Mordor Intelligence on the growth, trends and forecasts for the Beauty and Personal Care Products Market in Germany for the period from 2020 to 2025 published in August 2019; and
- (v) a report by Statista⁵ on the Beauty and Personal Care market in the United Kingdom published in May 2019.

The Company's market capitalisation is computed as disclosed in Note 2 to paragraph 6 of the Announcement.

Market capitalisation is computed by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement.

As at 2 April 2020, the Company's market capitalisation was computed as S\$863.38 million, by multiplying the existing number of shares of the Company in issue, being 544,100,114 shares, by S\$1.5868, being the weighted average price per share transacted on 9 May 2019.

(5) Please clarify if Listing Rule 1019 is applicable for the proposed acquisition of shares in Pedal Pulses Limited.

Company's response

Rule 1019(1) of the Listing Manual provides that if the option is not exercisable at the discretion of the issuer, shareholder approval must be obtained at the time of grant of the option. The underlying policy of Rule 1019(1) of the Listing Manual is as follows:

"Major acquisitions and disposals which are not undertaken in the ordinary course of business may have a material financial impact or change the risk profile of the issuer. Therefore, Rule 1019(1) requires that shareholders' approval be obtained at the time of the grant of the option."

Even in the event that the Group ultimately acquires all of the shares in the Target pursuant to the Proposed Acquisition, the transactions, considered on an aggregated basis, would nonetheless not constitute a major transaction under Chapter 10 of the Listing Manual and would not have a material financial impact on the Group or change the Company's risk profile.

(6) Please disclose the due diligence conducted by the Company in respect of the proposed acquisition of Pedal Pulses Limited.

Company's response

The Company engaged the following professional advisers in respect of the Proposed Acquisition:

- (a) Alpha Advisory to conduct business due diligence and valuation of the Target Group and assist with negotiating the deal;
- (b) Duane Morris & Selvam LLP to conduct legal due diligence on the Target Group. The legal due diligence consists of a red-flag due diligence report issued in relation to the Target Group; and
- (c) RSM Corporate Finance LLP to conduct financial and tax due diligence on the Target Group. The financial due diligence included analyses of the quality of earnings (EBITDA),

⁵ Statista is a German online portal which provides market and consumer data.

reconciliation of management records to statutory records, and reconciliation of the Target Group's enterprise value to equity. The tax due diligence included considerations of the Target Group's tax records and compliance as well as consideration of the adequacy of current income tax provision.

- (7) Please provide Board's confirmation as to whether the proposed acquisition of Pedal Pulses Limited is in the interest of shareholders.**

Company's response

The Board confirms that the Proposed Acquisition is in the best interests of shareholders and the long-term growth of the Group.

- (8) Please clarify why the unaudited financial statements of the Target Group was used in the computation of relative figures under Listing Rule 1006(b).**

Company's response

The Target Group is subject to English law, and is exempted from audit under English law.

BY ORDER OF THE BOARD

Huang Ban Chin
Director and Chief Operating Officer
13 April 2020