



BEST WORLD INTERNATIONAL LTD

(Company Registration: 199006030Z)

Incorporated in the Republic of Singapore

Annual General Meeting 2019

Questions & Answers

No.	Questions from Shareholders	Replies
Financials		
1	<p>What are the actions that will be taken given that the auditors have issued a disclaimer of opinion on the financial report? I believe investors will be concerned if the reputation of the company will be affected.</p>	<p>The bases of the disclaimer of opinion on the financial report have been addressed by the Company in our annual report and in the resumption proposal submitted to SGX. The Board does not envisage any further action to be taken in relation to the matters which relate to historical matters that ceased following completion of the Group's transition from the Export Model to the Franchise Model.</p> <p>The Board will continue to engage legal advisors to make adjustments to the business model and to assist in the transition to a direct selling model in China, which will involve the expansion of the coverage of its existing direct selling licence. This will further mitigate the potential legal risks of operating in the PRC.</p>
2	<p>What action plan had been implemented by company as irregularities identified from special audit?</p>	<p>The issues highlighted from the special audit are being addressed by detailed actions documented in the Company's resumption proposal to SGX. The action plan covers legal and accounting areas which would be improved upon. BDO and M&T were engaged to verify the implementation of the recommendations.</p>

3	<p>Update on Margaret Dabbs plans.</p> <p>Are there plans to cross-sell BW products to Margaret Dabbs London customers? If so, has a strategy and action plan been put in place?</p> <p>Newly acquired beauty company when can shareholder start seeing the contribution in revenue?</p> <p>Will there be a separate reporting to measure the achievement of the newly acquired company?</p>	<p>Pedal Pulses markets its brand, Margaret Dabbs London (MDL), directly to consumers by providing medical and beauty services for hands, feet and leg through its proprietary clinics and licensed spas. The brand also feature home use products that are available on retail stores, TV shopping channel and online beauty platforms e.g. Lookfantastic and Cult Beauty. The brand is also sold through its own online store.</p> <p>The acquisition of this British brand not only complements with our business, but also provide us with a premium beauty brand established in the United Kingdom (“UK”). As DR’s Secret gains wider awareness even for consumers residing in EU and UK, we are currently in preparation to use Pedal Pulses as our hub to fulfil online orders from UK and other EU markets.</p> <p>Conversely, we are preparing to utilize top selling formulas of MDL and develop them into our own brands for launch in our existing markets in the next 12-18 months. This would considerably decrease the lead time for new product development for the hands, feet and leg, an area our in-house development team may not be very experienced in.</p> <p>As a result of the UK lockdown at the start of 2020 due to Covid-19, clinics are either shut down or could only offer medical treatments. Fortunately, there was a surge in online sales to offset this, hence driving profitability.</p> <p>As announced in our Results announcement for FY2020 on 24th Feb 2021, the 49.9% investment in Pedal Pulses contributed \$0.9 million of net profit to the Group, indicated under Share of Results of a Joint Venture, in the Group’s Consolidated Statement of Profit or Loss.</p>
Operations		
4	<p>Are there any products that the company will be rolling out in the near future?</p>	<p>We strive for product innovation as we believe that it is only through constantly reinventing ourselves, that are we able to be at the forefront of the rapidly evolving trends.</p>

		<p>Every year, we commit to launch about 2 to 4 new products to enhance our brand appeal to customers.</p> <p>For FY2020, we launched the DR's Secret Aqua Boost Serum, DR's Secret Vitalising Eye Mask. We also made improvements to the formula of Avance V-Propolis, Avance Red Yeast Rice Plus and Foodphilo Infuso Flat White Coffee.</p>
5	<p>Could the company give an update on the Tuas factory? When will it be fully operational?</p> <p>What is the progress of new factory?</p> <p>How is the progress of Tuas plant, when do we expect to start manufacturing from Singapore plant?</p> <p>Is the Singapore Tuas Plant affected by the pandemic?</p> <p>And how will this help in BW gross margin?</p> <p>Could you update us on the progress of the Tuas Factory with latest picture of the completed facilities?</p>	<p>For purposes of comparison, please refer to the attached photo for an update of the construction as of 23 February 2021 and the artist's impression of the completed project. As announced in our Annual Report 2019, barring any unforeseen circumstances, we expect the TOP of the Tuas facility to be July/August 2021. This translates to an eight-month delay to the project, which was primarily attributed to delay in delivery of as building materials e.g. precast columns and pre-formed wall slabs, as a result of the Movement Control Order of Malaysia and Circuit Breaker of Singapore.</p> <p>The key objectives of the Tuas manufacturing facility is to provide the Group with 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. The facility would also allow us to reduce our reliance on contract manufacturers and ensure uninterrupted supply of shipments to our subsidiaries.</p> <p>In addition, several of our key subsidiaries are in countries which had entered into Free Trade Agreement with Singapore. This savings by our subsidiaries in tariffs would lower the subsidiaries cost of goods sold and as such, translate to higher gross margin for the Group.</p> <p>For further details on the update of our Tuas facility, please refer to page 13 of our Annual Report 2019.</p>

6	<p>What is the aim of the Group's stake in Celligenics and what does the Group intent to achieve out of this investment?</p>	<p>Celligenics is a regenerative stem cell biotech company that develops breakthrough stem cell solutions to address some of today's pressing lifestyle and clinical needs. Besides holding several patents, Celligenics has the means to extract Celligenics Stem Cells (CSC) from a specific sub-tissue of the human umbilical cord. The conditioned medium (CM) blend of the CSC contains growth factors that out-perform the secretions of other types of stem cells, in terms of consistency and yield.</p> <p>The beneficial properties of this CM blend make it a cosmeceutical active ingredient of immense potential and has direct applications in the development of cleansers, toners serums and masks.</p> <p>Besides other commercial benefits, the immediate relevance of our partnership with Celligenics is to develop the CM based active ingredients for usage in either our existing products or to develop a new cosmeceutical line for distribution through the Group's existing channels around the world.</p>
7	<p>On page 91, the transition arrangement of BW Changsha has ceased on 30th June 2019 and has been replaced by payment gateways licensed by People's Bank of China. Is this arrangement permanent for the Franchise Model and how will this evolve if the Group were to transit to full direct selling in China?</p>	<p>The Group is continuously reviewing our various operational arrangements and will rely on professional and legal advice to ensure that any changes in such arrangements is acceptable according to local regulations and will not materially impact the Company's legal and operational risks.</p>

<p>8</p>	<p>It was stated in the AR2019 that Best World has embarked on a digitalisation strategy since FY2012. Can the management provide some colour on the technology roadmap?</p> <p>For e.g. are there plans to incorporate Artificial Intelligence / Machine Learning/Big data analytics into the app to cater to the personalization trend, for e.g. recommend suitable/related products for prospective customers?</p> <p>Are there plans to provide more holistic wellness on the app, e.g. mental wellness related content to supplement BW products' contents.</p>	<p>Best World launched our first online store in 2012. However, with limited usage by members, it took our IT team some years before sufficient usage data is harnessed for the development of our improved online store and mobile application (for both iOS and Android) in 2016. Our IT team together with other stakeholders developed our technology roadmap, which currently covers 4 key areas:</p> <ol style="list-style-type: none"> 1. E-commerce strategies for optimal sales generation, which include proliferation of Online Stores on mobile applications (for iOS and Android) to serve the customers with various local context and demography, social media marketing, search engine optimization, Pay-per-Click ads, key opinion customers etc. In February of 2021, we have also implemented digital picking technology to our online order warehouse, which enhances our efficiency by 30%; 2. CRM strategies for optimal customer satisfaction, which includes Member Self-service Portal, for customers' self-service functions, product Track & Trace function, online product authenticity checking platform and the up-and-coming BWL Academy, our members' online training platform etc; 3. IT Infrastructure strategies for enabling corporate vision & mission which includes the adoption of cloud infrastructure and monitoring technologies etc; 4. Cybersecurity, Governance and Compliance strategy for safeguarding of data, information and assets. Examples include Cyber Security Framework & Strategies based on NIST / ISO 27001. <p>Through the initiatives we implemented in the above areas, we are currently able to collect sufficient data which could be applied further in the above strategies.</p> <p>Currently, we provide personal development trainings to our distributors through online platforms. These personal development contents will be</p>
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made available online with the launch of the BWL Academy function in our apps in 2Q2021.

Trading

9 When will the suspension be lifted?
When will the trading be resumed?
Is the trading suspension likely to remain if the company is unable to resolve the accounting issues and the business model for China remains status quo?
What is going on with the Audit and lifting of share trading suspension by SGX?
What actions are the Company taking proactively to resolve this suspension issue?
I refer to the following announcements:
i. SGX RegCo Requires Best World to Address Independent Reviewer's Findings (Jul 23, 2020)
ii. Expanded Scope of Independent Review (Jul 15, 2019)
Has the trading resumption proposal submitted to SGX on Nov 2020 addressed all the areas of SGX RegCo's concerns?
If so and given that FY2019 financial statements has been released, what is/are still outstanding that is preventing the shares from trading resumption?

For the trading suspension to be lifted kindly see below:

Conditions for lifting of trading suspension	Status
FY2018 audit	Completed
FY2019 audit	Completed
Trading Resumption proposal	Submitted and pending SGX approval

We have submitted the trading resumption proposal and have addressed several rounds of queries from SGX RegCo. The review of the Resumption Proposal is still ongoing. The Company will continue to devote significant resources and work closely with its legal advisers to provide the requisite assurances to SGX RegCo on all relevant matters in relation with the Resumption Proposal.

Further updates on the efforts taken to resolve each outstanding audit issue were made during the release of our FY2020 [results announcement](#) on 24 February 2021.

We will make further announcements via SGXNet to inform the shareholders should there be any updates.

	<p>How does the Group plan to address the risks identified by M&T Legal (see pages 94-95 2.1 d (i) and (ii)) for direct selling and ChuanXiao in China which may be flagged by Chinese authorities in the near future?</p>	
10	<p>Is the company considering share buybacks if trading resumes?</p>	<p>The Company has a track record of share buyback from the open market. We will continue to do so as and when it is appropriate in order to preserve shareholders' value.</p> <p>In the course of doing so, we are also aware of the need to strike a balance between shares buyback and ensuring adequate cash on hand to meet short and medium term commitments and, including but not limited to, for any M&A opportunities that are relevant to the Group's growth strategy.</p>
11	<p>What is the plan of the company if SGX is still suspended company's share trading and any possibility for requesting delisted by SGX if can't fulfil the resumption condition?</p> <p>Any plan to get Best World delisted with an offer price of a premium?</p> <p>Trading has been suspended for coming to 2 years despite the continued onerous and diligent efforts by the management to work on the independent review. Given the uncertainty on when the shares will/will ever resume trading, has there been any discussion with SGX on the possibility of privatization as a way for investors to exit their investment in Best World?</p>	<p>We are currently working with the regulators in regard to resumption of trading, but management do not preclude other possibilities which may be in the interest of all stakeholders.</p> <p>More importantly, the Group has remained steadfast on growing its business in our targeted markets, both organically and inorganically.</p> <p>Especially after the outbreak of Covid-19 last year, the top priority of the Group at this time is also to mitigate the immediate negative impact while continuing to fortify our business fundamentals amidst unprecedented market challenges and uncertainties.</p>

Outlook/Strategy

12	Future expansion plans for Best World (also refer to question 14)	<p>To continue growing the demand for the Group's products in China, the Group plans to eventually transition from the current Franchise Model to direct selling, in line with the Group's long-term strategy. With the encouraging growth of the Group's China business and increasing brand recognition in China, the Group believes that it is in a better position at this time to pivot its China operations and transition to direct selling.</p> <p>We are constantly on the lookout for opportunities and innovation to drive business growth. This is evident through our recent acquisition of Celligenics as well as Pedal Pulses Limited. Consumer buying behaviour is undergoing a paradigm shift amid Covid-19 in the new digital era. We, as a consumer based company will continue to focus our efforts towards digitalisation and adapt to the changing needs of our consumers.</p> <p>For further information on our future outlook, kindly refer to page 23 of our Annual Report 2019</p>
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13	<p>Taiwan and Malaysia growth has been great. Do we see same momentum in coming quarters?</p> <p>Please update on the plans for Taiwan, etc markets going forward?</p>	<p>Compared to the other markets, Covid-19's impact on Taiwan was considerably lesser compared to the other markets. Taiwan's performance was driven mainly by increased distributors' efforts in online to offline (O2O) interactions with their customers and downline distributors. In addition, Taiwan's anniversary promotion from October to November in FY2019 brought about an increase in revenue in 4Q2019 to S\$47.7 million when compared to S\$36.3 million in 4Q2018. Taiwan management will continue to build on the momentum and further drive more product sales through our marketing campaigns and distributor recruitment strategies which encourages user members to convert into distributor members, which is akin to retail brands setting up more outlets or shops.</p> <p>Similar to Taiwan, Malaysia's revenue has been growing consistently for the past quarters in FY2019 due to the successful recruitment drive resulting in the conversion of a group of young DR's Secret user members into a base of dynamic distributor members. The high paced growth is also partly due to a low revenue base in FY2018, the implementation of effective online strategies for sales follow-ups, trainings and successful marketing events held in 3Q2020 after the MCO ended in mid-June. However, due to resurgence of Covid-19, the government has introduced another form of MCO again in most states since January 2021. In view of the rapidly revolving situation, we will monitor the situation closely and react accordingly.</p>
14	<p>What are the future countries for growth contribution? Korea? Japan? Vietnam?</p> <p>United States and Canada are now online markets as stated in AR2019. How is the business traction in US, Canada, Australia and New Zealand? What are the plans to grow the business in these countries, e.g. targeted social media content?</p>	<p>The Group will continue to focus on our existing and new key markets of China, Taiwan, Hong Kong, Malaysia and Singapore for growth.</p> <p>Also, as we see the Group's online markets of Australia, New Zealand, USA and Canada, gain traction, we expect these markets to contribute positively to the Group.</p> <p>Other online markets that the Group is currently serving include Japan and the UK.</p>

	<p>What will be the key growth drivers of the company in the next 3 years?</p>	
15	<p>How has Covid-19 affected the sales in 2021 or beyond?</p> <p>Can the Board update on the strategy for the company going forward in view of the pandemic?</p> <p>In view of the COVID second and subsequent waves globally as well as new variant in the virus, how is the company planning to sell in all the markets? Digitally? etc? Please update.</p>	<p>Covid-19 has certainly brought about much uncertainties to the markets we operate in. We are fully aware that we are still treading into uncharted territories for FY2021 and as such will adopt conservative and tested strategies.</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 continues to remain very cautious about the Group's performance outlook for the coming years in view of the potential resurgence of Covid-19 which ultimately affect consumer sentiments indirectly leading to reduced consumers' spending.</p> <p>For more information, kindly refer to page 18-20 of our Annual Report 2019.</p>

<p>16</p>	<p>Company plans to convert the China business model from franchise to direct sales, what is action plan if rejected by China authority and any impact to company business?</p> <p>What is the status of direct selling permit application to the Chinese Authority?</p> <p>What cost impact does BW expect to incur with the direct selling model in China?</p> <p>Could you explain the difficulty in attaining direct selling licence in China? (Is it per product per state?)</p> <p>Please clarify the legality of the operating business in China? Your DS license in China only allows you to sell certain products which do not include your bestselling produce (XiZhiMi). So, how can you justify your business in China?</p>	<p>The conversion of one mode of distribution to another is a business decision and is not subject to approval or rejection by any authorities. Moreover, the Group's subsidiary in Hangzhou has already obtained its Direct Selling license in 2016.</p> <p>It is still too early for us to speculate on the cost impact of the direct selling model in China. However, the Group has sufficient experience in the running of a direct selling operations and do not expect any major difference at this point in time, barring unforeseen circumstances.</p> <p>Any products to be sold or discontinued under the existing direct selling license can be amended by informing the authorities for the purpose of putting it on record. The Group do not expect to meet any difficulty in this area. For avoidance of doubt, every individual skin care product to be included into the direct selling license are required to be approved by the National Medical Products Administration (NMPA). This is what we commonly refer to as product registration. All DR's Secret product sold in China currently are approved by the NMPA.</p> <p>In the event a conversion from Franchisee to Direct Selling is triggered, our China subsidiary will notify the relevant authorities to include DR's Secret (皙之密) into the existing direct selling license.</p>
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<p>17</p>	<p>Noticed China sales have not been as good as Taiwan and Malaysia growth. What are the initiative company is doing to drive China sales growth?</p> <p>What is the growth rate going forward for the china market for the year 2021, 2022 and 2023?</p> <p>With China now becoming more than 50% of total revenue. Any plans to set up a manufacturing facility in China?</p> <p>My question will be regarding China. I understand due to Covid-19, things slowed down significantly. Would appreciate if there is an update on the growth.</p> <p>On page 7, Hangzhou is stated as the manufacturing facility (for Aurigen) but on page 12, the Group recognized that US-China trade tension has a negative impact to the Group's profitability. What percentage of products sold in China and made in USA has been affected?</p> <p>Does the company expect to report a lower, the same or a higher profit in 2021?</p>	<p>As mentioned above, the global outbreak of Covid-19 has impacted behaviours of consumers. China is no exception. The cancellation or postponement of all large-scale marketing events till further notice inevitably impacted sales growth. 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 to online platforms such as WeChat, RED and Weibo. However, the usage is limited to experience sharing and company official contents which serves to promote brand visibility. No products are sold online due to the rampant online discounting which caused severe disruptions to the franchisees' business.</p> <p>We do not provide forward looking profit forecast or future guidance.</p> <p>The existing manufacturing facility in Hangzhou is a health supplement manufacturing facility. When our Tuas skin care manufacturing facility is ready for full scale production, we foresee that the capacity is capable of supplying our growth demand for the next 3-5 years.</p> <p>The contribution from the Hangzhou manufacturing facility can be seen from our quarterly results announcement classified as Manufacturing/Wholesale under revenue by segment.</p> <p>However, the impact on the Group's profitability from the US-China trade tension came from the Franchise segment. This is mainly due to US made skincare products imported by our China subsidiary being subject to escalated customs duties. In FY2019, approximately 70% of the revenue contribution to the franchise segment relates to products sold in China which were made in the US.</p>
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18	My question will be regarding Indonesia. I understand due to Covid-19, things slowed down significantly. Would appreciate if there is an update on the growth.	Similar to other markets, Indonesia, has been hit by the pandemic which has negatively impacted consumer confidence. As the upcoming Tuas manufacturing facility will be halal certified, we expect this to offer us a growth opportunity as we will be able to market DR's Secret one of the few imported skin care brand which is certified halal in Indonesia.
Dividends		
19	Why was an auditor required in respect of the Interim Dividend declared in 2019?	As disclosed in the Company's announcement dated 28 August 2019, the Board had engaged the Company's auditors Ernst & Young LLP to conduct certain agreed-upon procedures ("AUP") in respect of a list of significant cash receipts from the People's Republic of China. The AUP for the dividends was to provide assurance to shareholders in relation to receipts from the PRC and to maximise benefits of shareholders' confidence from this exercise.

<p>20</p>	<p>Any plans to utilise the cash and equivalents?</p> <p>How does the company intend to use the cash it saved on dividends this year?</p> <p>I understand resumption for trading is subject to SGXRegCo.</p> <p>I am a retiree. Will SGXRegCo allow Dividends to be declared & paid out?</p> <p>When we expect the declaration of dividend from company even better results than earlier years?</p> <p>When will we declare dividend again?</p> <p>Will dividends be paid for 2019?</p> <p>Hope to see we go back to the dividend payment of target 40% of yearly earning as retail investors are badly affected by to stop in dividend payments and the suspension of trading.</p> <p>The management has been doing a great job in this trying times. I read in the annual report FY2019 that there is a huge increase in top management pay but a drastic drop in dividend payout to shareholders. Consideration should be given to the shareholders who have been standing alongside with the company through thick and thin all this while.</p>	<p>The executive directors' remuneration is based on fixed salary and incentives which are directly linked to the Group's profitability in accordance with their service contract.</p> <p>As announced in Company's results announcement for FY2020, no dividends have been declared/recommended by the Board for the financial period ended 31 December 2020 as the Board has opted to conserve cash in the face of the Group's current circumstances and uncertain business climate, taking into consideration short and medium commitments. The Board will review the Group's dividend policy at a more appropriate juncture.</p> <p>The build-up of our cash buffer will allow the Group to finance the short and medium term commitments such as the construction of our Tuas facility as well as second tranche investment in Pedal Pulses, should the vendors exercise their put option.</p> <p>In addition, the cash buffer will also allow the Group to capitalise on any M&A opportunities that may arise, as the Group is currently unable to raise capital or debt.</p> <p>The Board will continually review the dividend policy and will provide updates to shareholders as and when appropriate.</p>
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Others

21	<p>Please justify the increase in directors fee after all the mesh created and the share suspended for so long without confirmation on the account by the auditor. I suggest withholding all or partial director fee till the account is sort out and the share resume trading.</p>	<p>The directors' fees are to be paid to non-executive independent directors who had put in extra work and additional duties dealing with the queries related to short sellers, independent review, SGX Regco and the trading suspension.</p>
22	<p>On page 160 of the report, the Group owns a 2-storey building in block 726 Ang Mo Kio Avenue 6. What is the purpose of owning this shophouse and what is the business activities involved in this investment?</p>	<p>It was previously used as one of our Regional Centres. Currently, it is being leased out to third parties to generate rental income.</p>
23	<p>May I know what measures have been put in place, to prevent further deliberated allegations and attacks by short-sellers, if the company (BWL) will request lifting of trading halt and resumes trades?</p>	<p>Through the Independent Review, the Company has since engaged professionals to review internal control practices of the Group and improve corporate governance & transparency. A legal review will also be on-going to mitigate the risks of operating in China.</p>
24	<p>Has SGX's investigation unnecessarily disclosed the company's business moats to its competitors?</p> <p>As the business nature of BWL is highly competitive, please ensure that all personnel involved in the investigations (including external parties) had signed the necessary non-disclosure declarations and will be held accountable, if they will to directly or indirectly undermine BWL's business with the privileged information they accessed during the investigation.</p>	<p>No.</p> <p>All professionals will be bound by confidentiality clause in their engagement contracts.</p>
25	<p>May we shareholders get some assurance that SGX now has a clear picture of the overview, context, and operational constraints of BWL's business in china?</p>	<p>We have been in constant communication with SGX in relation to our business in China.</p>