BEST WORLD INTERNATIONAL LTD

(Company Registration: 199006030Z)

Incorporated in the Republic of Singapore

Annual General Meeting 2020

Questions & Answers

No.	Questions from Shareholders	Replies
Financials		
1	Why does Ernst & Young took so long to audit the company's financial statement?	The Company's auditors Ernst & Young LLP ("EY") commenced the FY2020 audit only after the finalisation of the FY2019 audit in February 2021. Also, as disclosed in the announcement dated 25 August 2021, EY took more time to finalise their audit of the Group's financial statements for FY2020 as a result of outstanding audit matters, which included the tax review process for the purposes of the Group's FY2020 audit. Such tax review for the Group's audit typically commences only after the audit field work has been substantially completed, which was delayed due to late completion of the China audit field work.
2	(i) One of the reasons that Auditor issued disclaimer of opinion is that they were unable to verify the 3rd parties commission payments. Please share how Best World is resolving these issues? Can the Board elaborate on how they are going to address this?	(i) As disclosed in Note 2.1 (b) of our FY2020 annual report and Note 2.3 of the Unaudited Condensed Interim Financial Statements for the half year ended 30 June 2021, in our franchise business in China, the sales representatives are not BW employees and instead work for the franchisees, who have in turn entrusted BW Changsha and BWL China to oversee the payment of commissions to their sales representatives through third-party promotion companies which are in line with the company's Customer Relationship Management (CRM) system. In consideration of the third-party promotion companies making commission payments to the sales representatives of the franchisees, withholding and paying the personal income tax of the sales representatives and assisting with recruitment of sales representatives, the service fees paid/payable to the third-party promotion companies were recorded as marketing fees as part of distribution costs. The third-party promotion companies did not comply with our auditor's request for information on the exact breakdown of the service fees paid/payable to them and the actual percentage of fees retained by them respectively, due to their asserted confidentiality obligations owed to the Chinese tax authorities. Nonetheless, we understand that the service fees were based on contractual agreements at a rate which is in line with the fees charged by other payment companies that have provided quotes to our management in China. The Board and management have assessed that the classification of the service fees as marketing fees will not impact the net profit and loss of the Group.

	(ii) Were the Ernst & Young's disclaimer of opinion submitted to SGX?	(ii) The disclaimer opinion had been disclosed to shareholders and SGX via SGXNet on 15 September 2021 and SGX is aware of the matters disclosed in the disclaimer opinion.
	(iii) Will the financial report for FY2021 still be a disclaimer of opinion if the issues highlighted by auditors are not able to be resolved by the management? What is the reason for the issues which are not able to be resolved?	(iii) We are unable to comment on the FY2021 audit opinion as the FY2021 audit has yet to commence.
	(iv) Can the Independent Directors explain what happened to the corporate governance? Is there any proper and independent due diligence done in the new business model? External Auditors found the same issues in FY2019 and FY2020 accounts, did the Board/Management take proper mitigation measures to put things right? Were these dealt with in the Audit Committee? What did the Audit Committee/Independent Directors find after issues in 2019 repeats in 2020?	(iv) Throughout the years, on top of overseeing the sustained performance by the company, the Independent Directors / Audit Committee have consistently put in tremendous efforts to engage and deliberate with management and our advisers to address these issues. To-date, the franchise business model has been reviewed by two separate legal firms, namely Merits and Tree (Beijing) Law Office ("M&T") and Dentons Beijing Office who collectively highlighted the key points below. • Direct selling risk and risk of violation to be remote. • With the clear distinction between the Group's franchise product focused model and Chuan Xiao's typical "investors" recruitment focus, risks of the franchise model violating anti-Chuan Xiao laws and regulations is remote. • Based on a review of a contract between BWL China and a third party promotion company, BWL China and a consulting service provider, and BW Changsha and a franchisee, Merits and Tree (Shanghai) Law Office concluded that the tax risk of the expenses paid by BW Changsha or BWL China under the reviewed contracts being classified as commissions (as defined in the Notice of the Ministry of Finance and the State Administration of Taxation on Policies Regarding the Pre- tax

		Deduction of Handling Fees and Commissions Incurred by Enterprises (No. 29 [2009] of Caishui) for taxation purposes is relatively low. • Work done by the law firms also point to no record of penalties by BW Changsha or BWL China in the past two years. • Statute of limitation supports the legal opinion that these risks are remote The Audit Committee obtained assurance from management that the sole objective of the business activities under the franchise model is the sale of products in China and the Group's business does not profit from recruiting persons and remunerating recruiters based on the number of persons recruited or requiring recruiters to pay to participate and distribute the Group's products. In addition, out of an abundance of caution, management decided to accrue the risk of penalties due to possible association with Chuan Xiao (despite the legal opinions to the contrary) to mitigate any possible financial impact in the future (no matter how remote). The Audit Committee also noted the changes to the business model over the period with the advice from lawyers to ensure the business model is legal, transparent and compliant with the requirements of China laws and regulations, such as working with State Owned vendors to ensure compliance. The Board also approved a recommendation by the Nominating Committee to further strengthen corporate governance which is being implemented. With respect to the issue regarding the relationship with the Group's former import agents and marketing agent, the Audit Committee commissioned BDO to develop a test to determine whether any Best World personnel were involved in the management of any other entities which were not within the Group as part of the agreed-upon audit procedures engagement.

		Based on BDO's work done, there were no significant exceptions noted. The Audit Committee was satisfied with the work done by BDO.
	(v) The Chinese Government, I think rightly, want better transparency, higher adherence to good corporate governance. If all are above board, why don't BWL be more pro-active to simplify? If there were/are technical breaches, especially on legal & tax issues, then be pro-active to rectify.	(v) The Company believes in adhering to good corporate governance practices and plans to engage PRC lawyers to address further areas for improvement for our China business.
	(vi) Are the accounts window dressed? Any detection of fraud?	(vi) The issue the auditors had with the fees related to classification in the profit and loss statement. In accordance with the requirements of SFRS(I) 15 Revenue from Contracts with Customers, certain component of the service fees paid to promotion companies engaged by BW Changsha and BWL China should be recorded as net against revenue instead of operating expenses. Overall, management and the Board are of the view that this carries no impact on the net profit in the profit and loss statement.

3	(i) Based on the latest annual report, noted the top management remuneration have been increased substantially as compared to FY 2019, what is the rationale for the increase in remuneration while the trading of share of the company is being suspension, the financial report was issued with disclaimer opinion and there is no dividend declared since share suspension. Could you highlight in detail what is the exact formula in determining bonuses and total compensation for executive directors? Based on your annual report, we observe that total compensation based on remuneration bands has been increasing on an absolute basis and also as a % of revenue. (ii) Did we have the right composition of Board members for the annual director fees we paid out?	(i) 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 contracts. (ii) The current Board comprises directors who as a group has core competencies, such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary and critical to meet the Group's objectives as a listed company.
Operations		
4	Pedal Pulses' products are starting to be marketed through Best World marketing channels. Could you provide some colours on your plans for these new products? Having the potential to completely acquire Pedal Pulses Limited and positive progress in the UK and European markets, what does this entail for the Group moving forward?	Currently, our product development team is working on the possible launch of some formulas from the Margaret Dabbs London line. Management expects to launch these formula in 2H2022. In addition, we are also completing the product registration of our current line of brands through our associate companies for the UK and EU markets. To date, the registration process is close to completion for the entire line of DR's Secret products. Upon the completion of the registration, we will be able assure our EU/UK customers that all DR's Secret products are in line with EU regulations and we will implement

		strategies to distribute the line to the EU/UK market via our online store with certain level of support from the Pedal Pulses' team.
5	With the current step-up regulatory measures in China, does the management expect the beauty and health sector to come under greater scrutiny?	To date, management is unaware of any potential regulatory measures that have been announced against the beauty and health sector in China that may have a material impact on the Group's business there, However, as disclosed on page 28, Section 4 of the Unaudited Condensed Interim Financial Statements, in the event of any sudden changes in policy and/or regulation that targets the beauty and health sector, there may be wide-ranging implications and long lasting impact for the Group's operations in China, which include negative impact on our top line, profit margins and delayed product licences renewal, etc.
6	Is the current trading suspension affecting the ability to expand the number of franchisees or recruitment of new members in China?	To date, the trading suspension has yet to affect the Group's business operation in China.
7	It was mentioned that the Aqua Boost Serum 10 launched in Dec 2020 contains skin barrier restoring ingredients. Does this product cater to people suffering from eczema? Are there already existing Best World products that are able to cater to specific medical conditions?	The Aqua Boost Serum 10 contains ingredients (e.g. Centella Asiatica Ferment, Lactobacillus Ferment and Panthenol) that serve to strengthen the skin barrier, and may help soothe irritated skin and alleviate symptoms of mild eczema. However, it should be noted that DR's Secret is a skin care line and its products are not meant to treat chronic medical conditions. Users with specific medical conditions to address are advised to seek professional medical advice.

8	Can you provide an update on the status of the new Tuas manufacturing plant? Please share when will it be operational?	As disclosed on page 26 of Annual Report 2020, barring any unforeseen circumstances, management expects the manufacturing facility in Tuas to obtain Temporary Occupation Permit (TOP) by December 2021 with completion by the end of FY2021. This translates to a twelve months' delay to the project due to COVID-19 restrictions implemented by the authorities on both sides of the border which resulted in the delayed delivery of vital building materials and shortage of labour. The recent increase in new cases of Covid infections in Singapore is of considerable concern to the project team. Management will continue to monitor the situation. Please refer to the attached photo for an update of the construction as of Tuas Factory.
9	(i) Please share will the manufacturing be phased over to the new manufacturing facility in Tuas? (ii) How long will it take to reach close to breakeven for the Tuas facility? (iii) How much remaining CAPEX is required for the Tuas facility? (iv) Were the German engineers able to travel to Singapore (SG) through the Germany-SG Vaccinated Travel Lane (VTL) for the purpose of Site Acceptance Testing for the Tuas factory?	(i) The phasing over of a formula from our contract manufacturer to our Tuas plant is a complex process which requires some time due to the usage of different machines and production under different environmental parameters. For 2022, management has planned for the commissioning of 4 to 5 formulas. (ii) Based on our preliminary estimation, the likelihood of a break-even is estimated to be 2 to 3 years from the commissioning of the Tuas facility based on the current economic conditions and demand. (iii) Barring any unforeseen circumstances which may lead to additional costs, the estimated remaining capital expenditure for the Tuas facility is approximately S$10 million. (iv)Tentatively, the foreign engineers from the different vendors will arrived between late October to mid-December for installation and leave before the Christmas holidays. Their next visit will be in early January for further installation leading to Site Acceptance Test. To date, all visits via

		the German-SG VTL will take place as planned despite the situation still remaining fluid due to the ongoing pandemic. Management will continue to monitor the situation and react accordingly should the need arise.
10	(i) Compared to setting up branch offices/service outlets and working with many authorities for the China Direct Selling model, the franchise model seems to be much more cost/resource efficient and more easily scalable. BW had also gotten the permission from MOFCOM and it was mentioned in the Auditor's report (Sep 2021) that "Based on the conclusions in the 2021 M&T Legal Opinion and the Dentons Legal Opinion, management believes that the risk of the Group's operations' non-compliance with the direct selling and ChuanXiao laws in China is remote". Also, there appear to be also certain restrictions unique to the China Direct Selling market compared to the countries e.g. multi-level commissions. Thus, even if BW transition to Direct Selling model in China, it may not be entirely "in sync" with the rest of the BW's operating Direct Selling model in other countries/markets. As such, can the Board explain the rationale for not planning to continue with the franchise model? (ii) Given the China Direct Selling coverage approval process may involve several different authorities/levels as described above, what is the exact total number of individual Direct Selling licence approvals that BW need to apply to cover each and every existing franchisees? What would be a realistic approval timeline to complete all of them (based on factors such as whether BW be submitting each required approval individually or wholesale at one go, will authorities approve all at one go)? Does BW already have significant experience and capabilities in working with all applicable authorities?	(i) As announced in our status update on 16 Mar 2021, following consultation with SGX RegCo, the Company believes that the suspension of the trading of the Company's shares will continue until such point that we are able to transition to a direct selling model in China, as SGX RegCo continues to have some regulatory concerns about the current franchise model. The Board's rationale to transition to the direct selling model is to be able to address SGX RegCo's concern and achieve trading resumption. Also, since currently not all the markets which the Group operate under the direct selling model is "in sync", it is also not necessary to expect that China's direct selling model to be "in sync" with the rest of the markets, should China transition to one. However, to date, MOFCOM has neither resumed accepting applications for direct selling licenses nor accepting filings for expansion of the coverage of existing direct selling licenses. (ii) In the event MOFCOM resumes the acceptance of filings for expansion of coverage of existing direct selling license, management estimates an approval timeline of 2 years to cover all the key markets today. China management has established good working relationship with the Provincial Department of Commerce under the current franchise model. As such we do not expect any major obstacles as fillings for expansion involves the same department.

	(iii) Given China's rigorous testing/ quarantine regime and a somewhat zero-covid policy, does BW / legal advisor anticipate more challenges compared to the pre-covid period in obtaining the Direct Selling licence approvals? (iv) Can shareholders get more clarity on the condition “until the Group is able to make progress on its transition to a direct selling model in China” required for trading resumption? What specifically does it mean by “make progress”, for e.g. is the requirement fulfilled once MOFCOM resume coverage expansion licenses approval and at the point when BW submits the first application? Is the requirement only fulfilled after all the existing franchisees obtain Direct Selling licence approval from respective authorities? What is the MOFCOM approval process like – does it involve working in tandem with any other authorities before approval can be granted? (v) To meet the China Direct Selling requirement, has BW started work on procuring/converting each and every site to set up branch offices/service outlets, hiring the required headcount, etc. What is the current implementation status and targeted completion timeline? What challenges have BW encountered so far? Does BW foresee significant capex? In previous announcements, BW mentioned it is formulating its strategy for the eventual transition to direct selling in China. Can updates be provided on the strategy based on the Direct Selling requirements (at least at a high level) for coverage extension (other than setting up branch offices/service outlets), implementation progress and target completion dates?	(iii) Application for the direct selling license is a completely different process compared to the filing for expansion of coverage for an existing license. During the period when MOFCOM is operational in this regard, the former is definitely a more challenging and lengthy process. (iv) and (v) In very simplified terms, for the Group’s Hangzhou subsidiary (in Zhejiang province) to be able to expand the coverage of its existing direct selling license to a new district/city/province, our Hangzhou subsidiary is first required to set up a branch company in the new city/province. Through the branch company, service outlets will be setup strategically. A request will then be issued to the Department of Commerce (DoC) of the new province to verify that these service outlets meet the requirements of the *Regulation on Direct Selling Administration* and relevant regulations. A letter of verification will be issued by the DoC of the new province to the DoC of Zhejiang province, who will in turn submit to the Ministry of Commerce in Beijing, all review materials for the inclusion of the new branch company into the existing direct selling license. However, since 2018, the Ministry of Commerce has ceased accepting any filings with regards to direct selling. At present, there is no clear schedule for resumption of approvals and filings. The Group’s Hangzhou subsidiary to date has eight (8) branch companies for the provinces of Hunan, Henan, Heilongjiang, Sichuan, Guizhou, Guangdong, Fujian and the municipality of Chongqing.

Trading		
11	What is the plan for this share to resume trading? Given the opinions expressed by M&T and Dentons in their 2021 Legal Opinions, what would be the next steps in respect of lifting the suspension on the company's shares? As the share has been suspended for almost 2 years and it is still unforeseen when the share can be resumed from trading, what is the plan of the management for the shareholders? Is meeting this condition sufficient to lift the suspension or it may possibly be subjected to yet further review by SGX even after MOFCOM resume accepting applications? Are there any alternate corporate initiatives (e.g. carving out the China franchise business as a separate entity) considered that is acceptable to SGX for trading resumption, especially if meeting the conditions are not within the control of BW e.g. dependent on MOFCOM/ relevant authorities? Is there a deadline for resumption of listing by SGX?	With regards to trading resumption on SGX, we do not have any significant updates since the last announcement dated 16 March 2021. The Company believes that the suspension of the trading of the Company's shares will continue until the Group is able to transition to a direct selling model in China, as required by SGX RegCo due to some regulatory concerns it has on the Group's current sales and distribution model in China. In this regard, the Company had sought advice from its China legal counsels to ascertain that its current operations are not in violation of any regulations. (Please refer to answer to Question 2 (iv)) However, MOFCOM has not resumed accepting filings for expansion of the coverage of existing direct selling licenses since 2018. Accordingly, the Group is unable at this time to file for the expansion of the coverage of its existing Direct Selling License. Despite this, the Board and management are working with SGX RegCo with regards to the issue of the suspension of trading and are exploring all available options and corporate initiatives to resolve this matter. However, we are not in a position to comment about these options until such point that they are finalised. The Company will make further announcements via SGXNet should there be any developments.

12	(i) Why the need for share buyback mandate now, given that trading is still suspended? (ii) Are we able to proceed with buy back during suspension? (iii) Will the management consider a maximum buy back of share as per resolution? (iv) Are we allowed to continue our buy back next year too?	(i) The Share Buyback Mandate permits the Company to effect Share Buybacks, which can be done via Market Purchases if the Company resumes trading, or via Off-Market Purchases in accordance with an equal access scheme. (ii) Yes, the Company can buy back shares via Off-Market Purchases in accordance with an equal access scheme. (iii) The management will consider buying back the maximum number of shares permitted, subject to, inter alia, the Group's financial position, amount of surplus cash available, and whether there might be a material adverse effect on the liquidity/ orderly trading of the Group's shares in a resumption scenario. (iv) The share buyback mandate that the Company is seeking at the FY2020 AGM will expire on the earliest of: (a) the date on which the next AGM of the Company is held or is required by law to be held; (b) the date on which the share buybacks are carried out to the full extent mandated; or (c) the date on which the authority contained in the share buyback mandate is varied or revoked by the shareholders in a general meeting. The Company may seek to renew the share buyback mandate thereafter.
13	Covid pandemic may hinder investigations but 2 long years of suspension and same disclaimer by independent external auditors. Independent Directors and Non-Executive Directors are paid Director Fees yearly, Can Independent/Non-Executive Directors comment on these and what are their next steps to protect interests of minority/retail investors going forward	Please refer to response in Question 2(iv). The Independent directors are always mindful of shareholder interests, including those of minority and retail investors. In addition, for corporate actions affecting shareholders, mechanisms to protect minority shareholders are built into the process to ensure minority shareholder interests are taken care of.

14	There seemed to be uncertainty of getting out of suspension from SGX and the chances of getting a license from China is remote (due to current Political Climate). Is the company thinking of taking it private? Given that more than 2 years have passed and with no end seemingly in sight, does the Board still consider it in shareholders' interests to continue incurring listing related expenses? Is privatization being considered by the Board and if not, why?	We will continue to explore all available options to seek a resolution to the current situation. More importantly, the Group has remained steadfast on growing its business in our targeted markets, both organically and inorganically. Especially after the outbreak of Covid-19 in 2020, the top priority of the Group is also to mitigate the immediate negative impact while continuing to fortify our business fundamentals amidst unprecedented market challenges and uncertainties. Despite this, the Board and management are working with SGX RegCo with regards to the issue of the suspension of trading and are exploring all available options and corporate initiatives to resolve this matter. However, we are not in a position to comment about these options until such point that they are finalised.
15	(i) Will the Board consider setting up a dedicated legal/regulatory department with particular focus on China direct selling regulations to work more closely with SGX Regco even after trading resumption, as a pre-emptive measure to prevent possible future trading suspensions? (ii) Does the Board foresee the need to perpetually engage external legal advisors for its China business to comply with SGX listing rules?	(i) The Board plans to continually engage PRC lawyers to advise on legal and regulatory issues concerning the China direct selling licence. (ii) We will separately seek advice on compliance with SGX listing rules as and when necessary.

Outlook/Strategy		
16	Which market (after China, Taiwan) is management most focused on and see the meaningful contribution to top & bottom line in the next 2~3 years?	The respective management teams for the different markets that the Group operates in work diligently to achieve their respective KPIs. Besides the China and Taiwan markets, barring unforeseen circumstances, management expects positive contributions to be coming from our markets of Singapore, Malaysia, Hong Kong and the collective contribution from our online markets.
17	It was mentioned in the 2Q2021 results those orders from contract manufacturers and vendors are also delayed, and in some cases indefinitely. Can BW share about its approach to supply chain resilience and whether there is any affected critical supplier where there is no substitute?	The delays mentioned in our 2Q2021 results refer primarily to logistical delays, our contract manufacturers facing possible forced closure, limited operational hours, loss of key workers and their key suppliers being faced with similar challenges, as a result of the pandemic. This inevitably will lead to delayed fulfilment of orders, reduced fulfilment and/or cancelled orders. Due to the specificity of each products registration with regards to a specific manufacturer and country of origin, it is not feasible to implement multi-sourcing strategy. To mitigate this, the Group has implemented measures like inventory buffer both at HQ & subsidiaries level and proactive communications with contract manufacturers & logistics providers, as part of our supply chain resilience strategy.

18	The "Digital Marketing of DR's Secret in China" section on Best World's website is informational and insightful, particularly when it is not straight forward for non-chinese citizens to create social media accounts, e.g., require another existing user to confirm the identity. Will Best World consider updating the website contents, e.g., on the digital tools employed by Best World within the WeChat ecosystem, etc?	Thank you very much for your feedback on the relevancy of our 2019 ad-hoc publication "Digital Marketing of DR's Secret in China" for local shareholders like yourself. In view of your feedback, we will be following-up with an updated report on the topic of BWL's digital marketing effort in 4Q2021.
Dividends		
19	(i) Why there is no dividend for shareholder? Will the company consider resuming dividend payments in 2021 given cash balance of SGD390m and good financial performance exhibited? Can the management explain clearly why cash has not deployed in a bigger and meaningful way instead of hoarding them and not unlocking shareholder's value by either returning them to shareholders or making further significant acquisitions or making land or property purchases? What are the company plans for the cash balance of SGD 390m (as at 30 June 2021) given that the bulk of Tuas facility is nearing completion? (ii)The past dividend policy of more than 55% of earning to be paid out. May I know this policy remains in force?	(i) As disclosed in Note 21 of the Unaudited Condensed Interim Financial Statements for the half year ended 30 June 2021: No dividends have been declared/recommended by the Board for the financial period ended 30 June 2021 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. (ii) As a clarification to this question, the last dividend policy announced in 2017 was for the period of FY2017 to FY2019, whereby the Company revised its dividend policy to be at least 40% of its Net Profit (previously 30%) for the financial years. There was no further dividend policy announced thereafter.

Others		
20	(i) Would the Independent Directors recommend to the Board to assess whether local listing is the most suitable option moving forward, considering amongst other factors that? (ii) After encountering the unexpected sudden suspension, which is more than 2 years and counting, shareholders might be inclined to think that Best World is a type of stock which is potentially susceptible to suspension (hopefully not indefinite) based on the nature of business it is in (Direct Selling), even if this round of suspension can be resolved. This affects the confidence of long-term shareholders. How would the Independent Directors assure shareholders that perhaps the fear is unwarranted? (iii) Based on the experience of the current suspension episode so far, can we conclude that the China Direct Selling regulations perhaps contains some form of flexibility that is subjected to interpretation? If so and given the factors above (e.g. evolving regulatory environment), how would the Independent Director assess the risks of Best World not being aligned with SGX rulebook and being suspended yet again?	(i) We will review all possible options which will benefit all shareholders and the Company. However, we are not in a position to comment about these options until such point that they are finalised. (ii) We will always seek necessary legal advice and conduct necessary due diligence. (iii) We acknowledge the complexity of operating our business in China and will do the necessary to mitigate the regulatory risks. For more information, please refer to Q10.