BEST WORLD INTERNATIONAL LIMITED
Company Registration No. 199006030Z

RESPONSES TO SGX-ST QUERIES

The Board of Directors (the "**Board**") of Best World International Limited ("the **Company**") had on 4 October 2023 received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The queries as well as the Company's responses are set out as below:

SGX Queries: -

1. The Exchange has received feedback regarding the Company's dividends and remuneration policy. In this regard, it was highlighted that the Company's directors were paid high remuneration level yet no dividends were declared by the Company.

2. Principle 7 of the Code of Corporate Governance 2018 requires the level and structure of remuneration of the Board and key management personnel to be appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company. Please disclose

(i) the Remuneration Committee's considerations in determining the remuneration of the Board; and

(ii) the board's assessment on the concerns regarding a lack of dividends and high remuneration level, including the basis for its assessment.

Company's responses to (i) and (ii)

Remuneration

The Board would like to clarify that for FY2022, more than 90 per cent of each executive director's ("ED") annual remuneration is in the form of performance-based bonus calculated with reference to the audited group profit before tax of the immediate preceding financial year. This was duly disclosed in the Company's annual report presented to shareholders at the Company's AGM in April 2023. The AGM in April 2023 adopted and approved the Company's audited consolidated financial results for FY2022.

The annual remuneration package for each of the EDs has progressively been more performance-based, as the group increased its turnover and profitability over the years. This started after the Group was listed in 2004 on the Singapore Exchange. The practice of structuring the annual remuneration of the EDs to be substantively performance-based and benched-marked against the annual group profitability is widely recognized and accepted in Singapore, especially for Singapore-listed companies whose controlling shareholders or founders are in management.

In 2019, the Board on the recommendation of the Remuneration Committee ("RC"), engaged Korn Ferry ("KF"), a global organizational consulting firm, to provide independent advice to the RC on the components structure in relation to the remuneration for the EDs. KF's report was duly disclosed in the Company's public response to the queries of the Securities Investors Association (Singapore) on the Company's annual report for FY2021 on 24 July 2022. KF reviewed and validated the aggregate quantum and compensation structure of the EDs against 22 comparable listed companies in Singapore where the controlling shareholders are similarly in management as in the case of Best World. The Board is satisfied that the level and structure of the EDs' annual remuneration, as approved, are appropriate and commensurate with their value add to the Group.

The RC has been proactively reviewing the EDs' remuneration and has asked for a market benchmarking exercise to be conducted on a fairly regular basis. In June 2023, the RC and the Board engaged HRGuru for another market benchmarking exercise which was completed in August 2023, and is slated to be announced in the upcoming FY2023 Annual Report.

The remuneration policy for the EDs is also consistent with the Board's aim to continually create and sustain long term growth and profitability of the group.

The RC will periodically engage professional consultants to advise on the metrics, policy guidelines and remuneration structures for the EDs to ensure that the annual remuneration are in-line with prevailing market standards and practices. Any updated professional consultant's report on the group's remuneration for the EDs, once adopted by the RC and the Board, will be duly disclosed in the company's Annual Report.

Dividends

The Board also wishes to clarify that the company has since 2004 till 2019 paid out more than S$121 million in dividends. When considering declaration of dividends, the Board takes into consideration both the short term business outlook and the short to medium term working capital requirements of the group. The Board also considers uncertain and potential events such as changes in business performance that may materialize in the short term.

With more than 50% of the group's FY2022 total revenue being derived from China, management is aware that the revenue contribution from China will continue to decline in the face of consumers' growing feeling of economic uncertainty ahead, and as such, consumers will be more careful than ever with their spending and are less likely to make the type of purchases we used to see in the pre-Covid years. As previously disclosed in the recent FY2022, 1Q2023 and 1H2023 results announcements as well as the Q&A responses for the AGMs held on 25 July 2022 and 27 April 2023, the company has not been paying dividends in order to preserve cash to primarily support operating cash needs, expansion into new markets, investing in production capabilities, setting up or refurbishing 2-3 Regional Centers (RCs) per year, current M&A obligations, and capitalizing on any M&A opportunities that may arise. On grounds of prudence, the company preserves cash to address uncertainties that may arise, especially given the current high interest rate environment.

While the Company stopped paying dividends during the trading suspension period, we conducted market equal access offers on 2 separate occasions which were completed in March 2022 and June 2022. The total amount of cash given back to shareholders who participated in the equal access offers is approximately $140 million. It should be noted that these equal access offers were extended to all shareholders and amount to a significant amount distributed to shareholders, enhancing total shareholder return. Subsequent to the lifting of the share trading suspension, from November 2022 up to 5 October 2023, the company has conducted on-market share buybacks totalling about 8.5 million shares with a total consideration amounting to approximately $14.6 million. The Board is of the view that share buybacks provide liquidity opportunities for thinly traded shares like ours and is a widely recognized practice for returning shareholder value over the long term.

Moving forward, the Company will review its cash requirement and reevaluate accordingly if circumstances change for the Group in the short to medium term.

BY ORDER OF THE BOARD

Huang Ban Chin
Director and Chief Operating Officer
5 October 2023