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**Issuer:** Best World International Limited

**Stock code:** CGN

**Meeting details:**

Date: 25 July 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

**Q1.** Following the publication of the annual report for the financial year ended 31 December 2021, the company provided shareholders with an update on the future plans of the company the following day.

With an improved audit opinion from the new external auditor, the company is of the view that there is clarity on the financial statements of the company. Having implemented the recommendations from the independent review and having considered the legal opinions of the Chinese counsels, the company is of the view that it can satisfactorily address the concerns raised by SGX RegCo in the 23 July 2020 Regulatory announcement<sup>1</sup>.

In view of the above developments, the company announced that it will commence to prepare a resumption proposal to be submitted to SGX RegCo.

- (i) **What are the (remaining) milestones to be achieved before the company can submit its resumption proposal to SGX RegCo?**
- (ii) **Who has been put in charge of driving the operational changes in the group to satisfactorily address the concerns of SGX RegCo?**
- (iii) **What is the level of involvement of the board, especially the independent directors, in the resumption proposal application?**
- (iv) **Has the board set management a timeline to submit the resumption proposal?**
- (v) **When is the earliest date on which the trading of the company's shares can resume?**

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<sup>1</sup> <https://links.sgx.com/FileOpen/Best%20World%20International%20-%20Regulatory%20Announcement.ashx?App=Announcement&FileID=624847>

**Q2.** Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **China franchise business:** For the benefit of shareholders, can management elaborate further on the differences between the current franchise model and the business model/practices used by the group in 2018-2019?
- (ii) **Lifestyle Centres:** What is the group's strategy to acquire new franchisees and expand its network of Lifestyle Centres?
- (iii) **China consumers:** What was the impact on the group's operations due to the lockdown(s)? What is the sentiment on the ground in China (including consumer sentiment) given the country's zero-covid policies? Was the group's supply chain affected, especially during the lockdowns?
- (iv) **Revenue recognition:** Revenue recognition is also a key audit matter (KAM) highlighted by the independent auditor in the report on the audit of financial statements (pages 100-101). **What are the internal controls that had been put in place to ensure that the group recognise 100% of the sales to the Chinese franchisees?**
- (v) **Tuas:** How will the group's supply chain and business model evolve once the Tuas manufacturing facility is fully operational? What are the cost efficiencies, if any? How much more working capital is required to run the Tuas facility at full capacity?
- (vi) **Hangzhou factory:** Can management confirm that it has already obtained the Food Product license (or the Good Manufacturing Practice (GMP) certificate-equivalent) for the Hangzhou factory? What are the main supplements and food products made in Hangzhou?

**Q3.** The company carried out two off-market purchase of shares in January 2022 and April 2022 under the Equal Access offer, buying back a total of 54.4 million shares and 49.0 million shares in the respective periods. The offer price was \$1.36 for each share and all the shares that were bought back were cancelled.

In the November 2021 update, the company stated that the suspension of the trading of the company's shares will continue until the company is able to make progress on its transition to a direct selling model in China. It further added that given the circumstances in China, the board has come to the view that it might be appropriate to consider a delisting while concurrently exploring options to provide shareholder with certain liquidity for their shares as the trading has been suspended on the SGX-ST.

In the latest annual report, and after the completion of the two equal access offers, the company disclosed the following in the annual report:

*Both legal opinions have also opined that the Group has not been administratively penalised by any China authorities for engaging in Direct Selling or ChuanXiao activities based on the searches of the Enterprise Credit Website of the State Administration for Market Regulation as of the date of audited financial statements. Further, the risks of violation will become remote with the passage of time as Article 36 of Law of the People Republic of China on Administrative Penalties ("Article 36") provides that the competent authorities will not launch an investigation of an unlawful act that does not involve a citizen's life and health security or financial security after two years of its commission. M&T have further clarified that if the potential non-compliance risk exists during the period from 1 June 2018 to 31 December 2019, and ended on 31 December 2019, 31 December 2019 will be the commencement date of the two years period. If any non-compliance risk ended on 31 December 2019 and is not discovered within the two years of its commission, an administrative penalty will not be imposed unless it involves citizens' life and health security or financial security and causes harmful consequences.*

Based on the Chinese counsels' interpretation of Article 36, it would appear that the board and management had clarity on the risks and prospects of the group's operations in China, especially after passing the two-year limit, i.e., 31 December 2021.

- (i) **When was the board first made known of Article 36 which in essence states that the group's non-compliance risk would be eliminated/significantly reduced after 31 December 2021, i.e., two years after the commission of any non-compliance acts, unless it involves citizens' life and health security or financial security?**
- (ii) **Did the independent directors consider this information pertinent and make the appropriate disclosure to shareholders on SGXNet as part of its continuing disclosure obligations, especially when the company offered to repurchase shares under the equal access offers in January 2022 and April 2022?**

**(iii) How was the offer price of \$1.36 per share determined?**

In addition, the former auditor had pointed out the following as bases for their disclaimer of opinion for the financial year ended 31 December 2020:

- a. Business model in China
- b. Relationship with the group's import agents and marketing agent
- c. Classification of payments to promotional companies

Nexia, the newly appointed independent auditor, has issued a qualified opinion in their audit of the financial statements for the financial year ended 31 December 2021. Nexia were unable to carry out any alternative audit procedures to obtain sufficient and appropriate audit evidence to determine whether adjustments or disclosures, if any, are required to be made to the opening balances, and whether there will be possible effects on the comparability of current financial year's figures with corresponding financial year's figures.

Details of the relationship with the group's import agents and marketing agents and the classification of payments to promotional companies can be found in Note 2.1(b) and Note 2.1(c) (pages 114 & 115).

- (iv) Can the audit committee (AC) help shareholders better understand their efforts to resolve the issues highlighted by the former independent auditor?**
- (v) With the new auditor issuing an "improved" audit opinion (a qualified opinion), will the AC continue to follow up on the two outstanding matters, namely the relationship with the group's import agents and marketing agent and the classification of payments to get clarity on the appropriateness of the practices before 2019?**

Lastly, with the trading of the company's shares still suspended, the executive directors, Dora Hoan Beng Mui and Doreen Tan Nee Moi, each received \$12.75 million to \$13.0 million in total remuneration while Huang Ban Chin received \$7.75 million to \$8.0 million.

- (vi) Can the board/remuneration committee (RC) help shareholders better understand the key performance indicators used to assess the directors' performance?**
- (vii) Did the RC benchmark the remuneration to comparable companies on SGX-ST and other exchanges?**
- (viii) Did the RC, when reviewing the remuneration of key executives, consider the issues raised by SGX RegCo in its Regulatory announcement and the trading suspension of the company's shares by SGX RegCo since 9 May 2019?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

**Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.**

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation  
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)