



# **BEST WORLD INTERNATIONAL LTD**

(Company Registration: 199006030Z)

Incorporated in the Republic of Singapore

## **Annual General Meeting**

## **Questions & Answers**

# Appendix 1

No.	Questions from Shareholders	Replies
1	<p>I have read comments in the newspapers that the salary of the executive directors is quite high and based on financial statements and Annual Report 2023, it is in the range of S\$10 million thereabout for the main two executive directors. Can we understand how all these numbers are determined and given that the profit of the Company has been decreasing, what are the changes and given the sum of S\$10 million, the executive directors are drawing a salary similar to the Chief Executive Officer (“CEO”) of DBS, UOB and OCBC. Can you provide a bit more colours and statistics?</p>	<p><b>Remuneration Committee (“RC”) Chair:</b> The RC conducts regular compensation benchmarking with other comparable companies to ensure that the remuneration of executive directors (“EDs”) is in line with industry and market. The information on remuneration is disclosed on page 65 of the Annual Report 2023 and are mainly performance linked. As the Company performs better, the executive directors are entitled to profit share. I would like to invite our Remuneration Consultant (from HR Guru) who is also present at this AGM to give you more colours on how the remuneration are determined.</p> <p><b>Remuneration Consultant:</b> HR Guru has been engaged by the Company to review and study the competitiveness of the remuneration of the EDs. The study involved the Listed companies in Singapore (about 400 companies). Based on our research, the remuneration of the top 3 EDs of the Company is based on approximately 17% of profits before tax (PBT). In 2004, the PBT was about S\$4 million. Today, the PBT has grown over S\$100 million. 17% of PBT is neither high nor low. Our study is based on percentage of profit. Most companies also use similar formula. Our research showed that 30% of the listed companies pay their EDs higher than what Best World pays its EDs (i.e. 17% of PBT).</p>
2	<p>How has this trend change over the years? Given that the Company is delisting, has the remuneration come down in accordance with the formula?</p>	<p><b>Remuneration Consultant:</b> The formula has been there for about 10 years. There were recently about 1% adjustment for each executive director in terms of the profit-sharing rate.</p>

3	<p>A question for the RC Chairman. You have kept the same formula for bonus payout for 10 years based on what the Remuneration Consultant has recommended. Is it still relevant and appropriate? For instance, when the Company makes a profit of S\$4 million, it is 17% of PBT. When the Company makes S\$100 million, it is still 17% of PBT. Your Remuneration Consultant said that the remuneration that Best World pays its EDs is above average. Question to the remuneration consultant and to the Board as a whole, is this still appropriate?</p>	<p><b>RC Chairman:</b> From a different perspective, because we are in the process of delisting, it would probably not be appropriate to change or reset the formula for paying remuneration to the EDs. When the Company announced to the public that the Company is pursuing a delisting in 2021, the RC has decided that stability and consistency is probably more important. We have deferred the reconstruction of the remuneration framework because of this impending delisting exercise. It is something that the RC can consider moving forward, if the delisting fails.</p> <p><b>NC Chairman:</b> added to that there have been some adjustments in the formula for bonus payout for EDs previously. This Company has much stronger performance. From the profit standpoint, it is much profitable than other companies until recent years. That is the reason why compensation for the EDs must be competitive. The fact that the Company's profits had come down in the last couple of years, were mostly attributed to China which resulted in the decrease in compensation.</p>
4	<p>There is a lack of data, it is opaque. There is a base and performance bonus. To what extent has it met the target? How are you setting your internal targets. As the press statement correctly alluded, it would appear unusual due to the lack of statistics and transparency. It is probably fair for shareholders to request for more transparency going forward if the privatisation fails.</p>	<p><b>RC Chairman:</b> The listing rules have changed and next year, it would become mandatory to disclose the exact remuneration of CEOs and directors. There would be more market information on remuneration of CEOs and directors next year.</p>

5	<p>When I read the Annual Report 2023 and follow up to Annual Report 2021, the Annual Report 2021 said that no independent consultant was engaged for advising on the remuneration of all directors and key management personnel. However, in your Annual Report 2023, an independent remuneration consultant was engaged for market benchmarking studies. Why is there a disparity here?</p>	<p><b>RC Chairman:</b> There was an oversight in the FY2019 Annual Report. The Company omitted to mention the engagement of an independent consultant for advising on the remuneration matters but has since taken remedial action.</p> <p><b>Koh Hui</b> added that due to the trading suspension, the Company's FY2019 annual report was very much delayed and only released in February 2021. The omission occurred due to the prolonged audit process.</p> <p>In addition, we wish to clarify that FY2020 to FY2022 annual reports were correctly disclosed and that there was no independent consultant engaged for the period.</p>
6	<p>I went back a decade and tabulated the change in the variable and fixed component of the remuneration published in the past Annual Reports. When the business took off in the critical years in 2015 and 2016, the variables increased significantly whilst the fixed component reduced. The variable component has increased over time. Is there a change in the formula in the last 24 months? Is this the market practice?</p> <p>If possible and for the benefit of minority shareholders, we would like to have more information and justification on the remuneration to enable the shareholders to have a better understanding on the remuneration matters.</p>	<p><b>RC Chairman:</b> Moving forward, the Company will provide more disclosures on the breakdown of remuneration and how certain numbers are derived. Due to the impending delisting exercise, even the service agreements of the EDs have been renewed on a short-term basis. What is important for now is stability and consistency. There was no change in the calculation formula in the last 24 months and the formula in the service contracts of the EDs has not changed for the past 2 years.</p> <p><b>Dr Dora Hoan</b> added that as direct selling company, it is a commissions and sales driven company. Such incentives motivate and increase the performance of our sales force. We believed in the formula – incentive is the motivation. Our staff and management in the region and headquarters were given sale incentives and profit sharing. They do not draw high fixed salary but entitled to profit sharing. 5 years ago, the variable (profit sharing) was not high because the profits were not that high at that time. The variable component increases were mainly due to the profit generated for that year and not because of a change in our formula.</p>

7	Profits should be shared with shareholders. You get a high salary of S\$10 million and the shareholder should be entitled to a decent dividend.	<p><b>Chairman:</b> Since the post-suspension period, market conditions have changed. The markets in which the Company operates, particularly China, have shown slow growth. Global market trends indicate that consumers remain cautious in their spending habits under the current economic conditions. Furthermore, the global market outlook remains uncertain, and the negative perception of our company as a direct selling entity adds to the challenge. Therefore, the Company will take cautious actions to ensure stable financial performance.</p> <p><b>Dr Dora Hoan</b> added, stating that any dividends that the Company declare, substantially goes to the substantial shareholders (65% share). In addition, Chairman has explained earlier the reasons and cash required for the delisting process.</p>
8	Does the Company face any issues when repatriating funds from China?	<p><b>Koh Hui:</b> After completing statutory and tax audits and paying withholding taxes, the Company did not encounter any major issues when repatriating funds from China, aside from a longer waiting period.</p>