

BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

MATERIAL DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Best World International Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”) refers to the unaudited full year results announcement for the financial year ended 31 December 2019 (“**FY2019**”) released on 31 March 2020 (the “Unaudited Full Year Results”).

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that there were certain material differences between the audited financial statements and the Unaudited Full Year Results in respect of FY2019 following the finalisation of the audit. Details and clarifications of the differences are set out as follows.

1) Statements of Comprehensive income for FY2019

	Group			Note
	Unaudited	Audited	Differences	
	S\$'000	S\$'000	S\$'000	
Revenue	424,249	384,305	(39,944)	1,2,3
Cost of sales	(117,792)	(110,941)	6,851	1,2
Gross profit	306,457	273,364	(33,093)	
Interest income	1,632	1,632		
Other operating income	3,490	4,026	536	3
Distribution costs	(107,160)	(87,062)	20,098	3
Administrative expenses	(74,549)	(68,879)	5,670	4
(Other losses) other gains, net	(4,209)	(2,995)	1,214	5
Finance costs	(601)	(529)	72	
Share of results of an associate	(210)	(210)		
Profit before income tax	124,850	119,347	(5,503)	
Income tax expense	(36,097)	(29,798)	6,299	6
Net profit for the period	88,753	89,549	796	
Profit net of tax attributable to:				
Owners of the Company	88,851	89,622	771	
Non-controlling interests	(98)	(73)	25	
	88,753	89,549	796	
Earnings per share:				
Basic (cents)	16.27	16.42	0.15	
Diluted (cents)	16.27	16.42	0.15	

2) Statements of Financial Position of the Group as at 31 December 2019

	Group				Company			
	Unaudited S\$'000	Audited S\$'000	Differences S\$'000	Note	Unaudited S\$'000	Audited S\$'000	Differences S\$'000	Note
Assets								
Non-current assets								
Property, plant and equipment	14,892	21,728	6,836	7	4,757	4,220	(537)	
Investment property	1,127	1,127			-	-		
Right-of-use assets	14,501	13,219	(1,282)	7	6,371	5,040	(1,331)	7
Intangible assets	1,287	1,198	(89)		18	18		
Other Intangible assets	7,975	7,975			-	-		
Investment in subsidiaries	-	-			33,987	33,794	(193)	
Investment in an associate	5,415	5,415			-	-		
Deferred tax assets	7,787	13,662	5,875	6,8	-	-		
Other financial assets	535	535			535	535		
Cash and bank balances	-	1,000	1,000	9	-	-		
	<u>53,519</u>	<u>65,859</u>	<u>12,340</u>		<u>45,668</u>	<u>43,607</u>	<u>(2,061)</u>	
Current assets								
Inventories	96,147	103,695	7,548	1,2,5	56,984	56,984		
Trade and other receivables	18,130	14,941	(3,189)	12	53,791	54,603	812	
Other assets	28,439	20,188	(8,251)	7	9,360	9,360		
Other financial assets	12,848	12,848			12,848	12,848		
Cash and bank balances	241,071	240,071	(1,000)	9	102,873	102,873		
	<u>396,635</u>	<u>391,743</u>	<u>(4,892)</u>		<u>235,856</u>	<u>236,668</u>	<u>812</u>	
Total assets	<u>450,154</u>	<u>457,602</u>	<u>7,448</u>		<u>281,524</u>	<u>280,275</u>	<u>(1,249)</u>	
Equity and liabilities								
Current liabilities								
Trade and other payables	165,071	137,627	(27,444)	1,4,5	60,847	56,617	(4,230)	4
Contract liabilities	-	44,609	44,609	10	-	-		
Other financial liabilities	817	817			817	817		
Lease liabilities	2,884	3,894	1,010	11	1,718	1,235	(483)	11
Other liabilities	1,302	1,302			1,082	1,082		
Income tax payable	23,608	18,406	(5,202)	6	12,432	12,730	298	
	<u>193,682</u>	<u>206,655</u>	<u>12,973</u>		<u>76,896</u>	<u>72,481</u>	<u>(4,415)</u>	
Net current assets	<u>202,953</u>	<u>185,088</u>	<u>(17,865)</u>		<u>158,960</u>	<u>164,187</u>	<u>5,227</u>	
Non-current liabilities								
Deferred tax liabilities	138	5,441	5,303	6,8	138	2,572	2,434	6,8
Lease liabilities	11,878	8,848	(3,030)	11	4,746	3,351	(1,395)	11
	<u>12,016</u>	<u>14,289</u>	<u>2,273</u>		<u>4,884</u>	<u>5,923</u>	<u>1,039</u>	
Total liabilities	<u>205,698</u>	<u>220,944</u>	<u>15,246</u>		<u>81,780</u>	<u>78,404</u>	<u>(3,376)</u>	
Net assets	<u>244,456</u>	<u>236,658</u>	<u>(7,798)</u>		<u>199,744</u>	<u>201,871</u>	<u>2,127</u>	
Equity attributable to owners of the Company								
Share capital	10,027	10,027			10,027	10,027		
Retained earnings	230,486	223,277	(7,209)		189,395	191,522	2,127	
Other reserves	5,888	5,277	(611)		322	322		
	<u>246,401</u>	<u>238,581</u>	<u>(7,820)</u>		<u>199,744</u>	<u>201,871</u>	<u>2,127</u>	
Non-controlling interests	<u>(1,945)</u>	<u>(1,923)</u>	<u>22</u>		<u>-</u>	<u>-</u>	<u>-</u>	
Total equity	<u>244,456</u>	<u>236,658</u>	<u>(7,798)</u>		<u>199,744</u>	<u>201,871</u>	<u>2,127</u>	
Total equity and liabilities	<u>450,154</u>	<u>457,602</u>	<u>7,448</u>		<u>281,524</u>	<u>280,275</u>	<u>(1,249)</u>	

3) Consolidated Statement of Cash Flows for FY2019

	Group			Note
	Unaudited	Audited	Difference	
	S\$'000	S\$'000	S\$'000	
Operating activities				
Profit before income tax	124,850	119,347	(5,503)	
<i>Adjustments for:</i>				
Impairment loss on product licenses	2,355	-	(2,355)	5
Inventory written down	-	1,211	1,211	5
<u>Changes in working capital</u>				
Increase in inventories	(64,724)	(71,938)	(7,214)	1,2,5
increase in trade and other receivables	(12,940)	(9,756)	3,184	12
Increase in trade and other payables and contract liabilities	71,428	89,896	18,468	1,4,5,10
<u>Investing activities</u>				
Purchase of property, plant and equipment	(8,677)	(16,512)	(7,835)	7

Notes

- Adjustments for goods sold but undelivered residing at the third-party logistics service provider and warehouse as at 31 December 2019 of \$45.6M of gross sales revenue, adjusted for sales related expenses net of revenue amounting to \$19.3M in accordance with the requirements of SFRS(I) 15 and cost of sales of \$17.7M. The increase in cost of sales is offset by the elimination of Group's unrealised profit of \$7.3M as a result of net increase in inventories held in a China subsidiary. Correspondingly, accruals for sales related expenses reduced by \$19.3M.
- Increase in gross sales revenue of \$11M, adjusted for sales related expense net of revenue amounting to \$4M and cost of sales of \$3.6M due to recognition of franchise sales in FY2019 that was reversed in FY2018.
- Reclassification of consulting service fees of \$20.6M paid to sales representatives from distribution cost to be net off against revenue in accordance with the requirements of SFRS(I)15 and reclassification of other operating income of \$0.5M from distribution cost.
- Over provision of directors and staff incentive of \$4M of the Company as a result of decrease in Group profit before tax and over provision of legal and professional fee of \$1M of the Company.
- Reversal of impairment for intangible assets of \$2.9M and the respective amortisation of intangible assets for 2019 of \$0.5M for a China subsidiary as this impairment was recognised in FY2018, netting off the allowance for stock written down of \$0.8M for inventory held in a China subsidiary and other provisions of \$0.4M.
- Reduction in income tax expenses and the corresponding impact on income tax payables, deferred tax assets and deferred tax liabilities were due to the following:
 - Over provision of income tax expenses of \$1.1M (corresponding impact on deferred tax liabilities) for the undistributed earnings from a China subsidiary;
 - Under provision of income tax expenses of the Company of \$2.4M (corresponding impact on deferred tax liabilities) for the undistributed earnings from a Taiwan subsidiary;
 - Net decrease in income tax expenses of \$6.5M (corresponding impact on income tax payable) relating to net P&L impact on adjustment of franchise sales in Note 1 and Note 2;
 - Net decrease in income tax expense of \$1.7M (corresponding impact on deferred tax asset) due to tax effect on group's adjustment on unrealised profit in Note 1 and Note 2;
 - Under provision of income tax expenses of \$0.6M for the Company (corresponding impact on income tax payable) due to tax adjustments on final tax computation.

7. Reclassification of deposits to property plant and equipment of \$8.2M relating to deposits paid for production facilities in Tuas, offset by the reclassification of property plant and equipment relating to the estimated cost of reinstatement for office space of \$1.3M to right-of-use assets as a result of adoption of SFRS(I) 16.
8. Reclassification of deferred tax liabilities from deferred tax assets relating to undistributed earnings from subsidiaries in total of \$4.1M for the Group and \$2.4M for the Company.
9. Reclassification of cash and cash equivalent of \$1.0M from current assets to non-current assets due to fixed deposits for a subsidiary which was restricted in use for more than one year.
10. Increase in contract liabilities of \$44.6M due to deposits received from franchisees of \$38.6M relating to Note 1 and reclassification from trade payables and other payables relating to deposits from customers of \$6M.
11. Net decrease in total lease liabilities of \$2M as a result of audit adjustments relating to adoption of SFRS(I) 16.
12. Decrease in trade and other receivables of \$3.2M is mainly due to reversal of accounts receivables due to sales adjustments in Note 1.

For and on behalf of
Best World International Limited

Huang Ban Chin
Director and Chief Operating Officer
11 February 2021