

**BEST WORLD INTERNATIONAL LIMITED**Company Registration No. 199006030Z

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**FURTHER INFORMATION ON RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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The Board of Directors (the “**Board**”) of Best World International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the unaudited Financial Statements and Related Announcement for the ended 31 December 2018 (the “**FY2018 Results Announcement**”) released on SGXNet on 26 February 2019 and wishes to provide further information to shareholders in relation to the FY2018 Results Announcement following the investor briefing:

**Query:**

*Explain how the minimal export revenue in 1H2018 resulted in a decline in cost of sales for FY2018, and elaborate on the reason for the drop in cost of sales from \$68m in FY2017 to \$59m in FY2018, despite an increase in revenue of 24%.*

**Response:**

The Group recorded minimal Export segment sales in 1H2018, as the Export Agent for China placed advance orders for three to six months in 4Q2017 in anticipation of the transition to the Franchise segment. Accordingly, the cost of sales recorded by the Group in 1H2018 was significantly lower, which resulted in a drop in the Group’s cost of sales in FY2018.

**Query:**

*Provide further information on the sales related expenses disclosed in paragraph 8 which resulted in an increase in distribution costs for FY2018.*

**Response:**

In FY2017, the Group was operating only the Direct Selling, Export and the Manufacturing/ Wholesale segments. In particular, the Group did not incur much expenses when operating the Export segment as the Group provided limited support in marketing, logistics and customer services.

Under the new Franchise segment, which commenced in June 2018, the Group incurred higher sales-related expenses amounting to \$12.1 million to third-party vendors for marketing support and expansion related services, for example, providing training services, organizing marketing events and customer support services. Such support services were required throughout 11 provinces and 1 municipality in China.

**Query:**

*What is the nature of the sales related expenses from the Franchise segment which resulted in an increase in trade and other payables for FY2018?*

**Response:**

Trade and Other Payables increased from \$45.9 million as at 31 December 2017 to \$95.1 million as at 31 December 2018 mainly due to sales related expenses from the Franchise segment, higher accruals for commission and convention expenses. As at 31 December 2017, there were no Franchise sales related expenses as the Franchise segment commenced in June 2018.

Sales related expenses from the Franchise segment comprised of the following:

- (i) expenses incurred on marketing support and expansion related services (for example, providing training services, organizing marketing events and customer support services of \$3.7 million payable to third party vendors), which were recorded as Distribution Costs in the Statement of Profit or Loss; and
- (ii) sales rebates and allowances on franchisees' sales of \$10.9 million payable to franchisees and workshops, which was netted off against Revenue in the Statement of Profit or Loss;

The amounts described above accrued as at 31 December 2018 will be paid in 2019.

**Query:**

*Seasonality trends of the Direct Selling segment.*

**Response:**

The Group has historically experienced lower sales volumes in the first quarter of the year due to celebration of Chinese New Year, and because Direct Selling Members would typically increase their purchases in the fourth quarter of the year in order to achieve sales targets and to prepare for the year-end holiday season.

**Query:**

*Referring to paragraph 8 of the FY2018 Results Announcement, certain expenses previously recorded in distribution costs are to be recorded as reduction in revenue pursuant to new accounting standards. Does this relate to the amount of \$6,069,000 as described in paragraph 5 of the FY2018 Results Announcement? What is the basis for the reclassification?*

**Response:**

Yes, this relates to the amount of \$6,069,000 described in paragraph 5 of the FY2018 Results Announcement. These commission expenses were paid to the direct selling members as a rebate for their purchases of products and have been netted against Revenue in the Statement of Profit and Loss in accordance with SFRS(I)15, which the Group adopted on its effective date on 1 January 2018 and applied retrospectively.

**BY ORDER OF THE BOARD**

Huang Ban Chin  
Director and Chief Operating Officer  
4 March 2019