

## BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

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### FURTHER INFORMATION ON RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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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 year ended 31 December 2019 (the “FY2019 Results Announcement”) released on SGXNet on 31 March 2020 and the queries from the Singapore Exchange Securities Trading Limited ( “SGX-ST”) received on 7 April 2020 ( the “Queries”) and wishes to provide further information to shareholders in relation to the FY2019 Results Announcement.

#### **Query:**

*a) It is disclosed on page 15 of the unaudited financial statements for the financial year ended 31 December 2019 that net other losses of \$4.1 million in 4Q2019 and \$4.2 million in FY2019 were largely attributable to allowance of \$2.4 million for impairment on product licenses, fair value loss of \$0.8 million on forward contracts as well as net foreign exchange loss of \$0.8 million for 4Q2019 and \$1.3 million for FY2019 respectively due to a weakened USD and Renminbi against SGD. In this regard, please disclose the following information.*

- (i) the nature of these product licenses;*
- (ii) how the amount of impairment was determined;*
- (iii) the Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and*
- (iv) the reasons for the impairment losses.*

#### **Response:**

(i) As at 31 December 2018, included in intangible assets of \$4.155 million, were \$2.4 million for 36 product permits and production formulae relating to our manufacturing/wholesale segment, which arose from the Group’s acquisition of a subsidiary, Best World (China) Pharmaceutical Co., Ltd (“BWC”) in 2014. The original book cost represented the difference between purchase consideration and the fair value of identifiable assets and liabilities determined by a purchase price allocation exercise at date of acquisition.

BWC’s product licenses were amortised over their estimated useful lives of between 10-15 years and are assessed for impairment by comparing the licenses’ recoverable amount and net carrying value. The amortisation period and the amortisation method are reviewed at each financial year-end.

(ii) The recoverable amount of the intangible assets relating to BWC’s product licenses was determined based on value in use calculations using cash flow projections from management financial budgets covering a five-year period. Sales in the manufacturing/wholesale segment has declined considerably, resulting in loss from continuing operations (before allowance for impairment loss of \$2.4 million) of \$2.8 million in 2019. As the recoverable amount of BWC’s product licenses is nil, accordingly, the carrying value has been reduced to nil amount through an allowance for impairment loss of \$2.4 million.

The accounting policy on determination of impairment for product licenses has been consistently applied.

(iii) The Board confirms that it is satisfied with the appropriateness of the methodology and assumptions used to determine the amount of impairment.

(iv) Reasons for impairment losses include the obsolescence of these product licenses and the slowing down of health supplements sales in drug stores for the foreseeable period moving forward.

**Query:**

*b) Please provide an explanation for the increase in other financial assets (current) from \$9,596,000 for the financial year ended 31 December 2018 to \$12,848,000 for the financial year ended 31 December 2019.*

**Response:**

The increase in other financial assets was mainly due to the addition of UOBAM United SGD Fund-Class A(Acc) USD of \$2.2 million, fair value gain on UOBAM bonds amounting to \$0.6 million and reclassification of certain other financials assets from non-current to current portion amounting to \$0.5 million.

**Query:**

*c) Please provide the breakdown for the Group's trade and other receivables amount of \$18,130,000 and \$5,219,000 for the year ended 31 December 2019 and 31 December 2018 respectively. Please elaborate the higher trade receivables from Hunan franchisees as set out in paragraph 8 under "Review of the Performance of the Group".*

**Response:**

Breakdown of trade and other receivables as follows:

	As at 31.12.2019	As at 31.12.2018
	\$'000	\$'000
Trade Receivables	12,353	2,046
Refundable Deposits	2,183	2,009
Other Receivables	3,594	1,164
<b>Total</b>	<b>18,130</b>	<b>5,219</b>

The higher trade receivables were mainly due from franchisees to Hunan branch due to certain credit terms granted to franchisees and higher sales carried out mainly at the last week of December that were subsequently settled.

BY ORDER OF THE BOARD

Huang Ban Chin  
Director and Chief Operating Officer  
13 April 2020