

BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

RESPONSE TO SGX-ST QUERIES ON FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2016

The Board of Directors of Best World International Limited (“the Company”) refers to the queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) on the Results Announcement for the quarter ended 31 March 2016 and wishes to provide further information as follows:

SGX’s queries

1. We note that gross profit margin for the Group increased marginally from 74.9% in 1Q2015 to 75.5% in 1Q2016 while Group revenue for 1Q2016 recorded a huge increase of 160.8% compared to the same period last year. The Company has provided an explanation that the increase in revenue of 1Q2016 was due to higher revenue contribution from the Group’s key markets, namely Taiwan, China and Indonesia. We also note on page 14 that Taiwan continued to achieve strong revenue growth through a successful new product launch as well as the opening of its RC in Kaohsiung in 1Q2016.

In this regard, please:

- (i) provide detailed explanations for increase in revenue of the export orders from the China Agent;
- (ii) provide a breakdown of the increase in the revenue attributable to new product launch;
- (iii) provide detailed explanations for the increase in the gross profit margin; and
- (iv) advise what is a RC.

Company’s responses

- 1.(i) Currently we export our products into China via an importing agent which will distribute such products to the consumers in the market. The increase in revenue is as a result of increased orders from our importing agent due to increase in demand for our products in China.
- 1.(ii) New product launched during the grand opening day of our Kaohsiung RC. The one-day event recorded approximately 1% of Taiwan’s 1Q2016 Revenue.
- 1.(iii) The increase in the gross profit margin is as a result of increased contribution from our export segment.
- 1.(iv) A Regional Centre (“RC”) refers to an office set up by Best World International in different parts of the markets that we operate in. Primarily it is to provide customer service to our members, serves as a showroom as well as a centre to conduct trainings for our distributors.

SGX's queries

2. We note on page 12 that Net other losses of S\$1.6 million in 1Q2016 was mainly driven by losses from forward contract for hedging purposes.

In this regard, please:

- (i) provide a breakdown of Net other losses of S\$1.6 million;
- (ii) explain the purpose of the forward contracts

Company's responses

- 2.(i) The Net other losses of S\$1.6 million consists of loss on forward contract of approximately \$729,000, net unrealized foreign exchange losses of approximately \$686,000 and net realized foreign exchange losses of approximately \$218,000.
- 2.(ii) The purpose of the foreign exchange forward contract is to hedge for trade purchases which are denominated in USD.

SGX's queries

3. We note on page 13 that (i) the total membership for the Group's direct selling business increased 2.6% to 412,904 members when compared to 31 December 2015; and (ii) some of Lifestyle centers in some subsidiaries were closed and the number of lifestyle center decrease from 73 as at 31 December 2015 to 66 as at 31 March 2016.

In this regard, please:

- (i) provide an explanation for the closure of some lifestyle centers; and
- (ii) provide detailed explanations of the financial impact of the closure of the lifestyle centers and increase in numbers of membership.

Company's responses

- 3.(i) E-commerce has become an important tool to small and large business worldwide. In line with management objectives to expand its business through the digital space, lifestyle centres model of distributing products slowly becomes obsolete, leading to the closure of some lifestyle centres.
- 3.(ii) Financial impact of closure of the lifestyle centres is negligible. The number of membership refers to number of members including new members less attrition.

On Behalf of the Board

Huang Ban Chin
Director and Chief Operating Officer

8 June 2016