

BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

RESPONSE TO QUERIES REGARDING TRADING ACTIVITY

The Board of Directors (the “**Board**” or “**Directors**”) of Best World International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 8 May 2019 (the “**Clarification Announcement**”) and the queries from SGX RegCo on 9 May 2019 (the “**Queries**”). Unless otherwise defined, capitalised terms used in this announcement shall have the meanings given to them in the Clarification Announcement.

Before the Company responds to the Queries, the Company would like to provide shareholders with a clarification of the background of the Primary Import Agent and its business dealings with the Group.

The Company recognises that it had earlier failed to provide a fuller picture of the ownership of the Primary Import Agent and sincerely apologises for any confusion and unease that may have been caused.

Background of the Primary Import Agent

The Primary Import Agent is a company incorporated in China owned by Koh Kim Chuan, who is the brother-in-law of Dora Hoan¹ through his marriage with Mary Huan, Dora Hoan’s sister. Koh Kim Chuan is a self-made businessman who currently owns and manages two companies in Singapore. Dora Hoan has no financial or shareholding interest in the companies owned by Koh Kim Chuan.

The Primary Import Agent was incorporated on 10 July 2014 by Yan Weijun² (“**Yan**”) and his team of executives with seed funding of approximately US\$100,000 from Koh Kim Chuan as a personal investment. Yan was introduced to Koh Kim Chuan by Jansen Tang³, as Yan was seeking investment for the establishment of the Primary Import Agent. Jansen Tang had previously worked with Yan at Best World (Hunan) Health Sciences Company Limited, a former subsidiary of the Company, and was aware that Yan had experience working with skin care product distributors and also had the necessary business contacts required in the business such as customs agents, logistics and product registrations. Jansen Tang has no shareholding interest in the Primary Import Agent.

Koh Kim Chuan, who is based in Singapore, was at all times a passive investor in the Primary Import Agent and was not involved in the management or business operations of the Primary Import Agent.

¹ The Company’s Co-Founder, Co-Chairman, Group Chief Executive Officer and Managing Director.

² Yan is a Chinese citizen, and is not related to the Directors and substantial shareholders of the Company, or their associates. Yan was the general manager of the Primary Import Agent, and was responsible for the management and business operations of the Primary Import Agent. Following the Group’s transition to the Franchise Model, Yan and his team of executives joined BWL China. Yan is currently a marketing director of BWL China, and is responsible for marketing and branding for the Group in China. Yan’s spouse owns a franchisee under the Group’s standard franchise arrangement.

³ Jansen Tang is the Senior Country Manager, China and Hong Kong of the Group, and is the nephew of Dora Hoan and Mary Huan. He assumed responsibility as Deputy Country Manager, China and Hong Kong in 2012 and was subsequently promoted to Country Manager for China and Hong Kong in 2015, where his role was expanded to include the strategic planning and business development in the region. Jansen Tang was appointed as the Group’s Senior Country Manager, China and Hong Kong on 1 March 2018 and is responsible for the overall supervision of the Group’s operational and business processes in China and Hong Kong.

Yan and his team of executives were responsible for the management and business operations of the Primary Import Agent, as well as its strategic direction.

Koh Kim Chuan and Mary Huan had never been involved in the management or business operations of the Primary Import Agent or the Group.

Distribution Agreement with the Primary Import Agent

On 1 August 2015, the Company entered into a distribution agreement with the Primary Import Agent (the “**Distribution Agreement**”), which governed the terms of the purchase of Products by the Primary Import Agent from the Company. The terms of the Distribution Agreement were agreed on a willing-seller and willing-buyer basis, after discussions conducted on an arm’s length basis. The discussions were conducted on behalf of the Group by Huang Ban Chin⁴ with the management of the Primary Import Agent. Dora Hoan was not involved in the Company’s decision to work with the Primary Import Agent.

Pursuant to the Distribution Agreement, the Company agreed to (a) advise on the overall marketing strategy for the Products in China; (b) provide product and sales management training to the employees and distributors of the Primary Import Agent, which was typically conducted by the Founders and specialist trainers; and (c) provide promotional literature, brochures and commercial and technical information regarding the Products. The training of the Primary Import Agent’s employees and distributors in the marketing of the Products promoted the Group’s brand in China and helped the Group to position itself for future expansion of its business into China – which the Group capitalised on by transitioning from the Export Model to the Franchise Model in 2018.

As part of the Group’s transition from the Export Model to the Franchise Model in June 2018, the Distribution Agreement was terminated on 30 September 2018. Yan and his team of executives joined BWL China to allow for a seamless transition from the Export Model to the Franchise Model, given their familiarity with the Group’s operations under the Export Model. Yan is currently a marketing director of BWL China, and is responsible for marketing and branding for the Group in China.

Assessment of Independence

The Company regrets the confusion and unease caused by its failure to provide a fuller picture of the ownership of the Primary Import Agent. However, the management of the Company has dealt with the Primary Import Agent as an independent third party at all times, and believes that the Primary Import Agent is independent of the Group for the following reasons:

- (a) while Koh Kim Chuan was the sole shareholder and legal representative of the Primary Import Agent, he was a passive investor, and neither he nor his wife, Mary Huan, were involved in the management or business operations of the Primary Import Agent or the Group⁵;
- (b) Yan, who is not related to the Directors or substantial shareholders of the Company or their associates, was responsible for the management and business operations of the Primary Import Agent;
- (c) the Company’s relationship and transactions with the Primary Import Agent were governed by the terms of the Distribution Agreement, which was agreed on a willing-seller and willing-buyer basis, after discussions conducted on an arm’s length basis;

⁴ Director and Chief Operating Officer of the Company.

⁵ Since the incorporation of the Primary Import Agent, neither Koh Kim Chuan nor Mary Huan has received any salary from the Primary Import Agent.

- (d) Dora Hoan was not involved in the Company's decision to partner with the Primary Import Agent, or, save as disclosed in this announcement, in the Group's dealings with the Primary Import Agent;
- (e) other than through her shareholding interest in the Company, Dora Hoan had no personal interest whatsoever in the sales by the Group to the Primary Import Agent and received no financial benefits from the Primary Import Agent;
- (f) save as disclosed in this announcement, no Directors, substantial shareholders of the Company or their respective associates had any direct or indirect shareholding interest in the Primary Import Agent, or were involved in the business operations of the Primary Import Agent; and
- (g) the Primary Import Agent is not an interested person in relation to the Group under Chapter 9 (Interested Person Transactions) of the SGX-ST Main Board Rules.

Dora Hoan has personally affirmed to the Company that, to the best of her knowledge and belief, the Primary Import Agent is independent of the Group, as disclosed in this announcement, and that she has no financial or shareholding interest in the Primary Import Agent.

The Company's responses to the Queries

Further to the above, the Board wishes to respond to the Queries as follows:

1) Please confirm if Koh Kim Chuan, shareholder and legal representative of Changsha Best Commodity Trading Co., Ltd. (as referred in the Announcement) (the "Primary Import Agent"), is the brother-in-law of Dora Hoan, Group CEO and Managing Director of the Company.

Company's Response

The Company confirms that Koh Kim Chuan is the brother-in-law of Dora Hoan, as his wife, Mary Huan, is a sister of Dora Hoan.

2) Please confirm if the Primary Import Agent, its directors, substantial shareholders, key management (and their associates), have any relationship (direct or indirect) with the Company, its directors, substantial shareholders (and their associates).

Company's Response

Save as disclosed in this announcement, the Company confirms that the Primary Import Agent, its director, sole shareholder (being Koh Kim Chuan), key management (and their associates) do not have any relationship (direct or indirect) with the Company, its directors, substantial shareholders (and their associates).

3) Please state when the Group commenced dealings with Changsha Best Commodity Trading Co., Ltd.

Company's Response

The Group commenced dealings with the Primary Import Agent in August 2015. Please see above for further details of the business dealings between the Group and the Primary Import Agent.

4) Board of directors are responsible for the accuracy and completeness of information via SGXNet. Please state the board's basis for the statement that the Primary Import Agent is an independent party of the Group, its directors, substantial shareholders and their associates.

Company's Response

The Directors are of the view that, save as disclosed in this announcement, the Primary Import Agent is independent of the Group, its directors, substantial shareholders and their associates for the following reasons:

- (a) for the reasons set out under "Assessment of Independence" above;
- (b) the affirmation provided by Dora Hoan to the Company that, to the best of her knowledge and belief, the Primary Import Agent is independent of the Group as disclosed in this announcement, and that she has no financial or shareholding interest in the Primary Import Agent; and
- (c) the Company has received confirmations from Koh Kim Chuan, Jansen Tang and Yan that the statements in this announcement relating to each of them are true and accurate.

The Company will make the agreements entered into between the Company and the Primary Import Agent available for PwC's review. The Company will also procure the Primary Import Agent to grant PwC access to all necessary records for the period from 1 January 2017 to 31 May 2018 for the purpose of PwC's review of the Group's sales to the Primary Import Agent during that period.

Franchise Model

As stated in the Clarification Announcement, the Company developed the Franchise Model with advice from its professional advisors. The Company's legal counsel in China, Beijing Dacheng Law Offices, LLP (part of the global law firm Dentons), one of the largest law firms in China, was provided with a description of the Franchise Model, which included a description of the Group's distribution and commission structure⁶, as well as the various agreements entered into under the Franchise Model, and following review of the information provided, opined that the Group's business under the Franchise Model is in compliance with applicable laws and regulations.

Shareholders and investors are reminded to exercise caution when dealing in the Shares and to refrain from taking any action in respect of their Shares which may be prejudicial to their interests. In the event that shareholders and investors are in doubt when dealing in the Shares, they should consult their legal, financial, tax or other professional adviser(s).

BY ORDER OF THE BOARD

Huang Ban Chin
Director and Chief Operating Officer
12 May 2019

⁶ As described on pages 17 and 18 of the Clarification Announcement.