

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 2020

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 2020 (“**FY2020**”) released on 24 February 2021 (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 FY2020 following the finalisation of the audit. Details and clarifications of the differences are set out as follows.

1) Statements of Comprehensive Income for FY2020

	Group			Note
	Unaudited	Audited	Differences	
	S\$'000	S\$'000	S\$'000	
Revenue	545,614	548,634	3,020	1
Cost of sales	(134,950)	(136,784)	(1,834)	2
Gross profit	410,664	411,850	1,186	
Interest income	1,455	1,455	-	
Other operating income	3,301	3,301	-	
Distribution costs	(143,149)	(138,390)	4,759	1, 2, 3, 4
Administrative expenses	(85,865)	(81,489)	4,376	5
(Other losses) other gains, net	2,507	(2,274)	(4,781)	6
Finance costs	(462)	(464)	(2)	
Share of results of a joint venture	929	787	(142)	
Share of results of an associate	(240)	(242)	(2)	
Profit before income tax	189,140	194,534	5,394	
Income tax expense	(56,782)	(59,730)	(2,948)	7
Net profit for the period	132,358	134,804	2,446	
Profit net of tax attributable to:				
Owners of the Company	132,569	135,205	2,636	
Non-controlling interests	(211)	(401)	(190)	
	132,358	134,804	2,446	
Earnings per share:				
Basic (cents)	24.36	24.85	0.49	
Diluted (cents)	24.36	24.85	0.49	

2) Statements of Financial Position of the Group as at 31 December 2020

	Group				Company			
	Unaudited	Audited	Differences	Note	Unaudited	Audited	Differences	Note
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	
Assets								
Non-current assets								
Property, plant and equipment	30,956	31,518	562	8	3,293	3,306	13	
Investment property	1,109	1,109	-		-	-	-	
Other Intangible assets	7,744	7,744	-		-	-	-	
Intangible assets	1,150	1,176	26		39	39	-	
Right-of-use assets	9,619	10,749	1,130	9	3,598	4,033	435	9
Investment in subsidiaries	-	-	-		73,485	73,478	(7)	
Investment in a joint venture	25,691	48,958	23,267	6	-	-	-	
Investment in an associate	5,175	5,173	(2)		-	-	-	
Deferred tax assets	25,953	27,138	1,185	7,10	-	-	-	
Other financial assets	791	5,376	4,585	6	791	791	-	
Cash and bank balances	-	-	-		-	-	-	
	108,188	138,941	30,753		81,206	81,647	441	
Current assets								
Inventories	102,365	102,787	422		27,952	27,952	-	
Trade and other receivables	3,889	6,712	2,823	4,7,12	124,621	126,555	1,934	15
Other assets	17,394	15,282	(2,112)	8,9,12	8,712	8,790	78	
Other financial assets	12,634	12,634	-		12,634	12,634	-	
Cash and bank balances	334,032	334,032	-		175,104	175,104	-	
	470,314	471,447	1,133		349,023	351,035	2,012	
Total assets	578,502	610,388	31,886		430,229	432,682	2,453	
Equity and liabilities								
Current liabilities								
Trade and other payables	173,964	142,519	(31,445)	3,5,11,13	70,520	69,019	(1,501)	5,15
Contract liabilities	6,828	7,506	678	11	-	-	-	
Lease liabilities	3,942	3,731	(211)	9	1,257	1,389	132	9
Other financial liabilities	800	800	-		800	800	-	
Other liabilities	1,306	1,586	280		1,082	1,239	157	
Income tax payable	36,673	39,475	2,802	7,10	21,746	21,984	238	7
	223,513	195,617	(27,896)		95,405	94,431	(974)	
Net current assets	246,801	275,830	29,029		253,618	256,604	2,986	
Non-current liabilities								
Trade and other payables	-	23,126	23,126	13	-	-	-	
Deferred tax liabilities	7,850	8,298	448	7	4,900	4,899	(1)	
Lease liabilities	5,533	6,362	829	9	2,086	2,388	302	9
Other financial liabilities	-	32,798	32,798	6	-	-	-	
	13,383	70,584	57,201		6,986	7,287	301	
Total liabilities	236,896	266,201	29,305		102,391	101,718	(673)	
Net assets	341,606	344,187	2,581		327,838	330,964	3,126	
Equity attributable to owners of the Company								
Share capital	10,027	10,027	-		10,027	10,027	-	
Retained earnings	328,641	314,810	(13,831)	14	317,489	320,615	3,126	
Other reserves	5,322	21,923	16,601	14	322	322	-	
	343,990	346,760	2,770		327,838	330,964	3,126	
Non-controlling interests	(2,384)	(2,573)	(189)		-	-	-	
Total equity	341,606	344,187	2,581		327,838	330,964	3,126	
Total equity and liabilities	578,502	610,388	31,886		430,229	432,682	2,453	

3) Consolidated Statement of Cash Flows for FY2020

	Group			Note
	Unaudited	Audited	Difference	
	S\$'000	S\$'000	S\$'000	
Operating activities				
Profit before income tax	189,140	194,534	5,394	
<i>Adjustments for:</i>				
Fair value change in call option derivatives	-	1,600	1,600	6
Fair value change in put option derivatives	-	3,204	3,204	6
Increase in trade and other receivables	11,594	8,766	(2,828)	4,7,12
(Increase)/decrease in other assets	2,794	4,906	2,112	8,9,12
Increase in trade and other payables	35,243	27,946	(7,297)	3,5,11,13

Note

1. Adjustments in sales related expenses of \$3M to be net off against revenue as a result of audit adjustments relating to franchise sales for a China subsidiary.
2. Mainly as a result of reclassification of custom duties related expenses of \$2.4M from distribution cost to cost of sales in a China subsidiary.
3. Over provision of convention expenses of \$4.4M of the Group.
4. Reclassification of input VAT tax of \$1.2M relating to marketing fees expenses for a China subsidiary to VAT receivable.
5. Over provision of directors and staff incentive of approximately \$1.7M and over provision of legal and professional fee of \$1.4M of the Company.
6. Cost of investment in joint venture increased by \$23.3 M and other losses by \$4.8M as a result of the following:
 - (a) the initial recognition of the value of the put and call options amounting to approximately \$23.3 million as part of the cost of investment in joint venture pursuant to a put and call option agreement that was entered into on 3 April 2020 for the acquisition of Pedal Pulses Limited following the completion of the purchase price allocation exercise and the valuation of the call and put options; and
 - (b) subsequent fair value changes related to the put and call options amounting to approximately \$4.8 million as at 31 December 2020, recorded as fair value changes of call and put options in other losses.

The net impact of the above during FY2020 would be reflected as an increase in other financial assets of approximately \$4.6 million and other financial liabilities of approximately \$32.8 million in the audited FY2020 Financial Statements.

7. Increase in income tax expenses and the corresponding impact on income tax payables, deferred tax assets and deferred tax liabilities were due to the following:
 - a. Under provision of income tax expenses of \$0.2M for the Company and \$1.5M for certain subsidiaries due to tax adjustments on the final tax computation (corresponding impact on income tax payable);
 - b. Under provision of income tax expenses of \$0.6M (corresponding impact on deferred tax liabilities) for the undistributed earnings from a China subsidiary;
 - c. Over provision of income tax expenses of \$0.3M (corresponding impact on deferred tax asset) relating to impairment on inventories for a China subsidiary;
 - d. Reclassification of prepaid withholding tax expenses of \$0.6M to income tax expenses (corresponding impact on other receivables) for an Indonesia subsidiary.
8. Reclassification of advance payment for machineries to property plant and equipment of \$0.6M relating to production facilities in Tuas and \$0.1M relating to progress payment for renovation for an Indonesia subsidiary.
9. Increase in right-of-use assets of \$1.1M mainly arising from lease addition and lease modifications for the company and subsidiaries in Taiwan and Indonesia, which correspondingly increase in total lease liabilities of \$0.8M and reduction in other assets of \$0.3M for prepaid lease payment.
10. Reclassification of deferred tax asset of \$1.1M to income tax payable relating to the surtax provision for a Taiwan subsidiary.
11. Reclassification of contract liabilities of \$0.7M from trade and other payable due to deposits received from distributors for a Singapore subsidiary.
12. Reclassification of import tax receivables from prepaid freight charges and customs duties in other assets amounting to \$1.0M to input tax receivables for an Indonesia subsidiary.
13. Reclassification of accrual for convention of \$23.1M from trade and other payable to non-current other liabilities as a result of the deferment of the gala event which was originally scheduled in 2021 to 2022.
14. Transfer of \$16.6M from retained earnings to other reserves upon finalisation of accounts. This is in accordance with the relevant regulations to the subsidiaries in China and Taiwan to make appropriation to statutory reserve fund based on a certain percentage of statutory profit after tax.
15. Reclassification of credit balances of \$1.9m from other receivables due from related companies to other payables due to related companies of the Company.

For and on behalf of
Best World International Limited

Huang Ban Chin
Director and Chief Operating Officer
15 September 2021