

## BEST WORLD INTERNATIONAL LIMITED

Company Registration No. 199006030Z

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### CLARIFICATION ANNOUNCEMENT IN RELATION TO BUSINESS TIMES ARTICLE

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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 Business Times article entitled “*Best World to buy back 10% of its shares for S\$1.36*” published on 28 April 2022 (the “**Article**”) and wishes to clarify/respond to the following statements in the Article:

- 1) **Paragraph 5 – “The counter has been suspended from trading after the regulatory arm of the Singapore Exchange, SGX RegCo, raised concerns over the legality of its business model in China.”**
  - a) As mentioned in the 16 March 2021 announcement by the Company in relation to the status update of its trading resumption proposal (the “**16 March Announcement**”):
    - i) as of the date of the 16 March Announcement, MOFCOM had not resumed accepting applications for direct selling licenses and accepting filings for expansion of the coverage of existing direct selling licences; and
    - ii) following consultation with SGX RegCo, the Company was then of the opinion that the suspension of the trading of the Company’s shares would continue until the Group is able to make progress on its transition to a direct selling model in China, as SGX RegCo continues to have regulatory concerns on the Group’s current sales and distribution model in China.
  - b) As of the date of this announcement, the Company is of the view that the suspension of trading by SGX RegCo will continue as:
    - i) there has been no update provided by MOFCOM on the matter of accepting filings for expansion of the coverage of existing direct selling licenses; and
    - ii) SGX RegCo continues to have the same regulatory concerns on the Group’s current sales and distribution model in China.
  - c) Notwithstanding that above, with reference to note 2.1(d) “*Legality of the Franchise Model*” of the Company’s Annual Report for 2020 dated 15 September 2021 (“**2020 Annual Report**”), the legal opinions issued by Merits and Tree (Beijing) Law Office dated 30 August 2021 and Dentons Beijing Office dated 19 May 2021 (the “**Legal Opinions**”) clearly state that any risks arising from the Group’s China operations being non-compliant with direct selling and Chuan Xiao laws in China, is remote. Furthermore, as stated in the 2020 Annual Report, the Audit Committee of the Company was satisfied that adequate resources had been deployed to assess the legality of the franchise model and agrees with management that based on the conclusions in the Legal Opinions, the risk of the Group’s operations’ non-compliance with the direct selling and Chuan Xiao laws in China is remote and that the associated VAT claims and corporate income tax payments were properly made.

2) Paragraphs 12 and 13 – ***“The long-running Best World saga traces back to a February 2019 report by The Business Times that first raised concerns over difficulties in reconciling sales of Best World’s DR’s Secret line of skincare products in China with consumer demand...Short-seller Bonitas Research also cast doubt on the company’s skincare product distribution model in China and its financials, which culminated in an independent review that uncovered questionable dealings.”***

- a) The Company wishes to emphasise that all allegations made against the Company had been addressed and refuted in the 2020 Annual Report to be baseless and false.
  - i) In respect of the allegation relating to the *“skincare product distribution model”*, this has been addressed at pages 106 to 108 of the 2020 Annual Report.
  - ii) In respect of the allegation relating to the *“financials, which culminated in an independent review that uncovered questionable dealings”*, the findings set out in the independent review report relating to: (i) the potential sales cut-off issue for goods sold which were paid for but remained undelivered by the third-party logistics service provider; and (ii) the potential understatement of sales and expenses, have been addressed at pages 104 to 105 of the 2020 Annual Report and had been resolved.
- b) The Board wishes to confirm that the outstanding issue faced by the Company is its transition to the direct selling model in China, and there are no on-going investigations into the Group in connection with the aforesaid allegations or arising from the findings of the independent review.

As mentioned in the Company’s announcement dated 11 November 2021, the Board wishes to reiterate that it is still considering a delisting and will be exploring all feasible options to achieve the same, including a delisting under Rule 1309 of the Listing Manual of the SGX-ST.

BY ORDER OF THE BOARD

Huang Ban Chin  
Director and Chief Operating Officer  
9 May 2022