

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 2018

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 2018 (“**FY2018**”) released on 26 February 2019 (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 FY2018 following the finalisation of the audit. Details and clarifications of the differences are set out as follows.

1) Statements of Comprehensive income for FY2018

	Group			Note
	Unaudited	Audited	Differences	
	S\$'000	S\$'000	S\$'000	
Revenue	266,300	257,280	(9,020)	1,2
Cost of sales	(58,801)	(57,256)	1,545	1
Gross profit	207,499	200,024	(7,475)	
Interest income	840	840	-	
Other operating income	16,323	16,323	-	
Distribution costs	(79,917)	(77,926)	1,991	2
Administrative expenses	(51,380)	(49,998)	1,382	3
Other losses, net	(132)	(3,800)	(3,668)	4
Finance costs	(91)	(91)	-	
Profit before income tax	93,142	85,372	(7,770)	
Income tax expense	(20,570)	(21,439)	(869)	4,5
Net profit for the year	72,572	63,933	(8,639)	
Profit net of tax attributable to:				
Owners of the Company	72,892	64,253	(8,639)	
Non-controlling interests	(320)	(320)	-	
	72,572	63,933	(8,639)	
Earnings per share:				
Basic (cents)	13.26	11.69	(1.57)	
Diluted (cents)	13.26	11.69	(1.57)	

2) Statements of Financial Position of the Group as at 31 December 2018

	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	8,246	7,470	(776)	4	3,062	3,062	-	
Investment property	1,146	1,146	-		-	-	-	
Other intangible asset	8,206	8,206	-		-	-	-	
Intangible assets	4,155	1,263	(2,892)	4	5	5	-	
Investment in subsidiaries	-	-	-		30,234	30,234	-	
Deferred tax assets	441	441	-		-	-	-	
Other receivables, non-current	-	-	-		-	-	-	
Other financial assets	1,097	1,097	-		1,097	1,097	-	
	23,291	19,623	(3,668)		34,398	34,398	-	
Current assets								
Inventories	31,423	32,968	1,545	1	15,175	15,175	-	
Trade and other receivables	5,219	5,218	(1)		32,734	32,734	-	
Other assets	21,741	14,400	(7,341)	6	12,424	12,424	-	
Other financial assets	9,596	9,596	-		9,596	9,596	-	
Cash and bank balances	197,124	197,124	-		64,851	64,851	-	
	265,103	259,306	(5,797)		134,780	134,780	-	
Total assets	288,394	278,929	(9,465)		169,178	169,178	-	
Equity and liabilities								
Current liabilities								
Trade and other payables	95,053	76,697	(18,356)	2,3,6,7	24,897	23,515	(1,382)	3
Contract liabilities	-	16,661	16,661	7,8	-	-	-	
Other financial liabilities	2,049	2,049	-		-	-	-	
Other liabilities	961	961	-		882	882	-	
Income tax payable	17,813	18,848	1,035	4,5	9,633	11,521	1,888	5
	115,876	115,216	(660)		35,412	35,918	506	
Net current assets	149,227	144,090	(5,137)		99,368	98,862	(506)	
Non-current liabilities								
Deferred tax liabilities	1,734	1,568	(166)	4,5	138	138	-	
	1,734	1,568	(166)		138	138	-	
Total liabilities	117,610	116,784	(826)		35,550	36,056	506	
Net assets	170,784	162,145	(8,639)		133,628	133,122	(506)	
Equity attributable to owners of the Company								
Share capital, net of treasury shares	18,608	18,608	-		18,608	18,608	-	
Retained earnings	149,315	140,676	(8,639)		114,698	114,192	(506)	
Other reserves	5,827	5,827	-		322	322	-	
	173,750	165,111	(8,639)		133,628	133,122	(506)	
Non-controlling interests	(2,966)	(2,966)	-		-	-	-	
Total equity	170,784	162,145	(8,639)		133,628	133,122	(506)	
Total equity and liabilities	288,394	278,929	(9,465)		169,178	169,178	-	

3) Consolidated Statement of Cash Flows for FY2018

	Group			Note
	Unaudited	Audited	Difference	
	S\$'000	S\$'000	S\$'000	
Operating activities				
Profit before income tax	93,142	85,372	(7,770)	
<i>Adjustments for:</i>				
Impairment loss on plant and equipment	-	776	776	4
Impairment loss on intangible assets	324	3,216	2,892	4
<u>Changes in working capital</u>				
Increase in inventories	(3,229)	(4,774)	(1,545)	1
Decrease in trade and other receivables	41,907	41,908	1	
Decrease in other assets	(17,419)	(10,079)	7,340	6
Decrease in trade and other payables and contract liabilities	49,344	47,650	(1,694)	2,3,6-8

Note

1. Adjustments for undelivered goods residing at the third-party logistics service provider warehouse. This amount was arrived at based on gross selling price of \$11M, net of sales related expenses amounting \$2M in accordance with the requirements of SFRS(I)15; cost of sales of \$1.5M as a result of the sales adjustment and elimination of Group's unrealised profit as a result of increase in inventories held in a China subsidiary.
2. Over-recognition and over-accrual of sales related expenses relating to franchise sales adjustment in Note 1.
3. Over provision of directors and staff incentive of \$1.4M of the Company as a result of decrease in Group profit.
4. Impairment of plant and equipment (\$0.8M), intangible assets (\$2.9M) for a China subsidiary and the corresponding reversal of income tax expenses and deferred tax liabilities of \$0.7M.
5. Differences in income tax expenses, income tax payables and deferred tax liabilities were due to the following:
 - (i) Under-recognition of income tax expenses and deferred tax liabilities of \$1M for the undistributed earnings from a China subsidiary;
 - (ii) Under provision of income tax expenses of \$1.7M for the Company due to tax adjustments on final tax computation;
 - (iii) Decrease in income tax expenses and income tax payable of \$0.8M relating to net P&L impact on over-recognition of franchise sales in Note 1;
 - (iv) Increase in income tax expenses and income tax payable of \$0.2M relating to overprovision of directors and staff incentive in Note 3 and
 - (v) Decrease in income tax expense and increase in deferred tax asset of \$0.5M (netting off deferred tax liabilities) due to tax effect on group's adjustment on unrealised profit in Note 1.
6. Reclassification of deposits paid for convention expenses (in other assets) amounting to \$7.3M against provision for convention expenses as the provision balance already included amount which have been paid for and recorded under deposits.

7. Reclassification of other payable to contract liabilities of \$5.6M relating to deposit received from customers.
8. Increase in contract liabilities of \$11M due to deposit received from franchisee relating to Note 1.

For and on behalf of
Best World International Limited

Huang Ban Chin
Director and Chief Operating Officer
7 June 2020