BEST WORLD INTERNATIONAL

ANNUAL REPORT 2015

# Growth In Dimension

| | |
|---|---|
| Vision | 03 |
| Financial Highlights | 04 |
| Chairmen's Message | 06 |
| Group Structure | 10 |
| Board of Directors | 11 |
| Key Management Team | 14 |
| Financial Calendar | 22 |
| Corporate Information | 23 |
| Corporate Governance | 24 |
| Disclosure Guide For Corporate Governance | 38 |
| Statement By Directors | 46 |
| Independent Auditor's Report | 48 |
| Consolidated Statement of Profit or Loss | 49 |
| Consolidated Statement of Comprehensive Income | 50 |
| Statements of Financial Position | 51 |
| Statements of Changes in Equity | 52 |
| Consolidated Statement of Cash Flows | 54 |
| Notes to the Financial Statements | 55 |
| Major Properties of The Group | 102 |
| Shareholding Statistics | 103 |
| Notice of Annual General Meeting | 105 |

bestworld

# Becoming the preferred choice for health & wellness

Founded in 1990, Best World International ("Best World" or "the Group") is a Singapore headquartered direct selling company which specializes in the development and marketing of premium quality skincare, personal care, nutrition and wellness products to discerning customers around the world. Best World has a strong global outreach through a network of more than 402,422 independent distributors and member customers.

## Growth in Dimension

2015 is a definitive year where our business growth took on new perspectives. Constantly evolving business climate and diverse market demands have inspired us to develop multi-faceted channels to engineer growth.

As the deepening and widening of our direct selling network in Asia gain new momentum, sustainable growth is supported by comprehensive e-commerce capabilities to penetrate markets and enhance the buying experience.

Our manufacturing/wholesale segment in China, fulfilled by our Hangzhou health supplement manufacturing facility, added complimentary dimensions to generate steady revenue stream.

Intensified marketing and sales activities continue to fuel growth, while our understanding of Asia, and our ability to stay nimble and vigilant enable us to be active in shaping the transformation of the Asian century.

**12** countries
**13** regional centres
**73** lifestyle centres
**402,422** members

## VISION

To be a global leading health and wellness company dedicated to creating products that enhance the lives of our customers.

## MISSION

### The Preferred Choice for Consumers

We strive to provide health and wellness products of the highest quality and maintain our competitive edge through continuous product innovation, embracing advanced R&D technology, and safeguarding our customer-focused values.

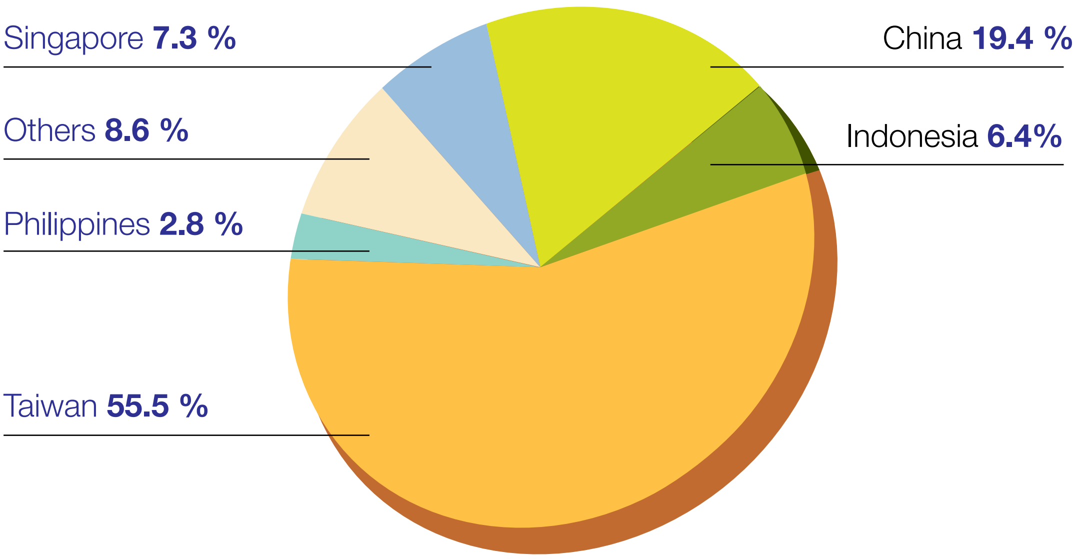
### The Premier Choice for Distributors

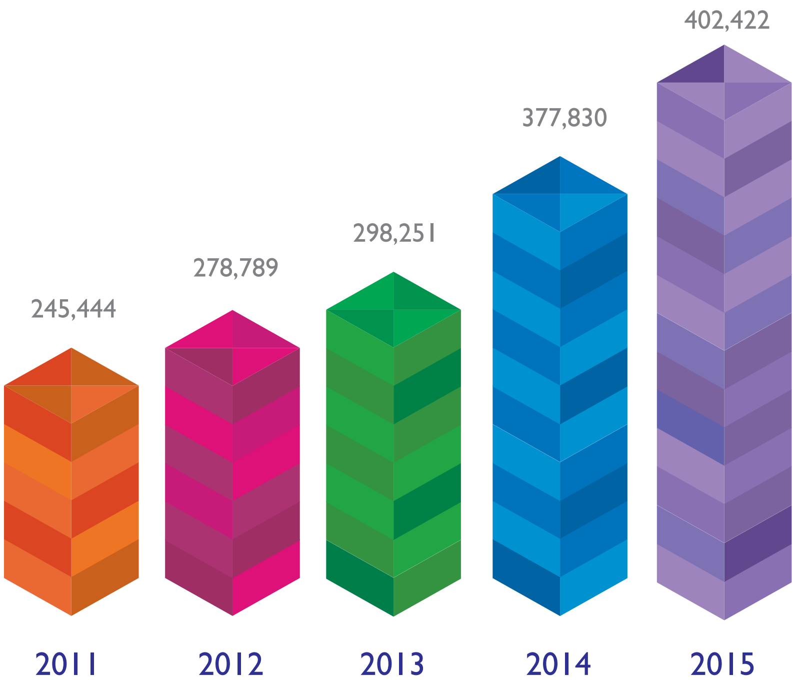
We will expand our distribution network globally, and establish an entrepreneurial platform which offers a unique financially rewarding programme for any individual to pursue their financial freedom with Best World.

### The Best Choice for Partnership

We are committed to developing a positive, harmonious and respectable working community and our continual investment in their development will keep our distributors and staff motivated, improving productivity and efficiency, thereby maximizing our shareholders' value.

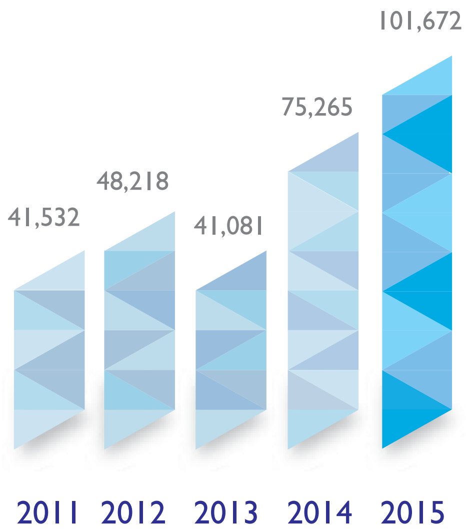
# 2015 Performance At A Glance



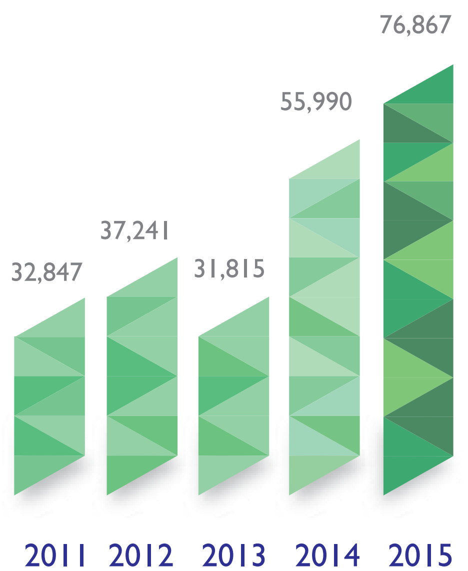




OVERALL MEMBERSHIP GROWTH

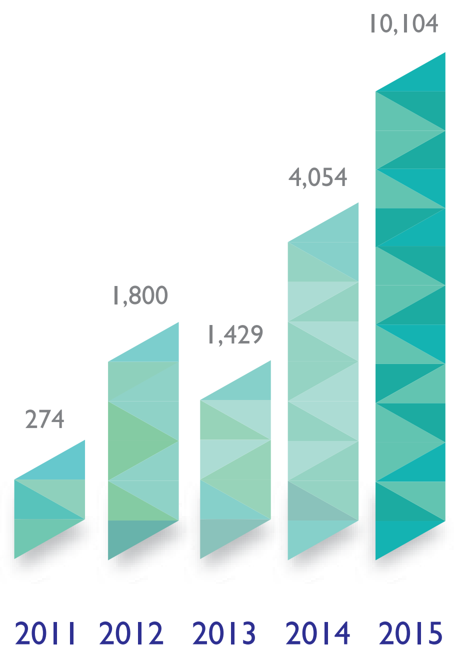
# 2015 Financial Highlights




REVENUE (S$'000)




GROSS PROFIT (S$'000)




NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (S$'000)


**Dear Shareholders,**

On behalf of the Board of Directors, we are pleased to present the Annual Report of Best World International Limited ("Best World" or the "Group") for the financial year ended 31 December 2015 ("FY2015").

## Review on FY2015

The results we achieved in FY2015 is a validation of our strategies.

Our revenue increased 35.1% year-on-year to S$101.7 million as a result of the strong sales push towards the last quarter of the year for our core business as well as a significant growth in our exports to China. We also improved our gross margins from 74.4% in FY2014 to 75.6% in FY2015 as a result of export growth and better margins from certain subsidiaries. This translates to an improvement of 37.3% to S$76.9 million in gross profit.

With the increase in distribution and administration expenses being lower than improvement in our gross profit, our profit grew 149.2% to S$10.1 million. We are thus pleased to propose a final one-tier tax-exempt dividend of 1.5 cents per ordinary share for FY2015.

## Review of Business in Geographical Markets

Since 2013, we have placed extra emphasis on training our distributors in Taiwan, to prepare them for our long term growth plans for the Taiwan and China markets. Our Taipei centre, which was opened in 2014, have since grown to account for 15% of the Group's overall sales in 2015. To cater to this growth, we have not only expanded our Taichung HQ in 2015 but have also opened a new centre in Kaohsiung, all in a new refreshing concept and design.

In the annual ranking survey conducted by the Fair Trade Commission of the Republic of China (中華民國公平交易委員會), the results we achieved will rank us among the Top 15 Direct Selling companies in Taiwan. While we continue to grow in the Taiwan market in this financial year, we will also leverage on the experience we have gained in the market and emulate the success in our existing and new markets.

# DR DOREEN TAN
Co-Chairman, President

In FY2015, our business in China grew by 52.3%, as demand for our product lines continues to build. Barring any unforeseen circumstances, we believe our license could be approved in the next 12 to 16 months, upon which, we will convert our agent and its network of beauty salon owners into our network distributors, marking another significant growth phase of our business in China.

Apart from Taiwan and China, we have also been implementing marketing strategies across our existing markets, notwithstanding the challenges we are facing in some of them.

Red tape on imports, cancellation of certain product licenses and the devaluation of rupiah resulted in our Indonesia market taking a severe hit back in the financial crisis of 2009. During the period that follows, we diligently applied for new product licenses and attracted in new distributors. We are pleased that these strategies are gaining traction as we begin to witness positive results from the market. Amidst the backdrop of a stabilizing rupiah, we are cautiously optimistic that the Indonesia market will continue to grow in the latest financial year.

Negative political climate, a depreciating ringgit and the introduction of GST are some of the challenges our new management in our Malaysia subsidiary faced in 2015. Notwithstanding, we still managed an improvement in our results for the financial year. This is attributable to a price increase to mitigate the weaker ringgit and the approval of Halal certification for 10 of our products, enabling us to penetrate the Muslim market which we previously could not. Moving forward, we believe the new management is on track to upend the downward trend of the Malaysian market, especially when the ringgit stabilizes.

In our home market of Singapore, we continue to set the tone of the Group's overall strategy of brand building. In 2015, on top of all the awards and accolades we have won over the years, our direct selling brand BWL emerged as the Overall Winner of the Maybank Regional Brands Award and was also publicly voted The Most Popular Regional Brand in the Singapore Prestigious Brand Award (SPBA). Being a 4 times winner of the SPBA, BWL was hence officially inducted into the SPBA Hall.

## Planning for the Future

Looking ahead, our main focus is to continue our efforts in developing the China market. While awaiting the approval of our direct selling license, we are picking up the pace of training our Taiwanese distributors to be ready to engage the network distributors there.

On top of that, as shopping behaviours evolves and online shopping is gaining traction by the day, we will also be implementing a B2B platform and digital marketing campaign to further our wholesale/manufacturing business in FY2016. Upon successful implementation, these platforms could crossover to support also our core business of direct selling in existing markets and even new markets.

On the subject of new markets, we are currently preparing to set up our Dubai Regional Centre (RC). Through the sale of our Halal certified products, we plan to use the Dubai RC to springboard into the other GCC markets of Saudi Arabia, Qatar, Bahrain, Oman and Kuwait, in the next 2 to 3 years.

In line with our strategy to tap into the value chain of upstream manufacturing activities, to take control of product quality and to cater to the high demand from the growing China and Taiwan markets in the coming years, we are in preparation to set up a state-of-art skincare manufacturing facility in Tuas. Slated for completion next year, this centralized manufacturing facility will enable us to achieve higher economy of scale, contribute to cost savings in freight charges and possibly improve our gross margins.


Other than organically expanding our business, we are also keeping a lookout for possible M&As and JV opportunities with businesses that could offer products and services which complement with our core business, as a strategy to access new markets. In the near term, we expect more volatility in currency fluctuations and will thus monitor closely the possible forex risks that the Group is exposed to.

## Our CSR Efforts

As a growing company, we understand the social responsibility of inspiring and improving the lives of people around us. We have supported the activities in local communities of Pasir Ris GRC and Radin Mas CC, through donation drives and volunteering work.

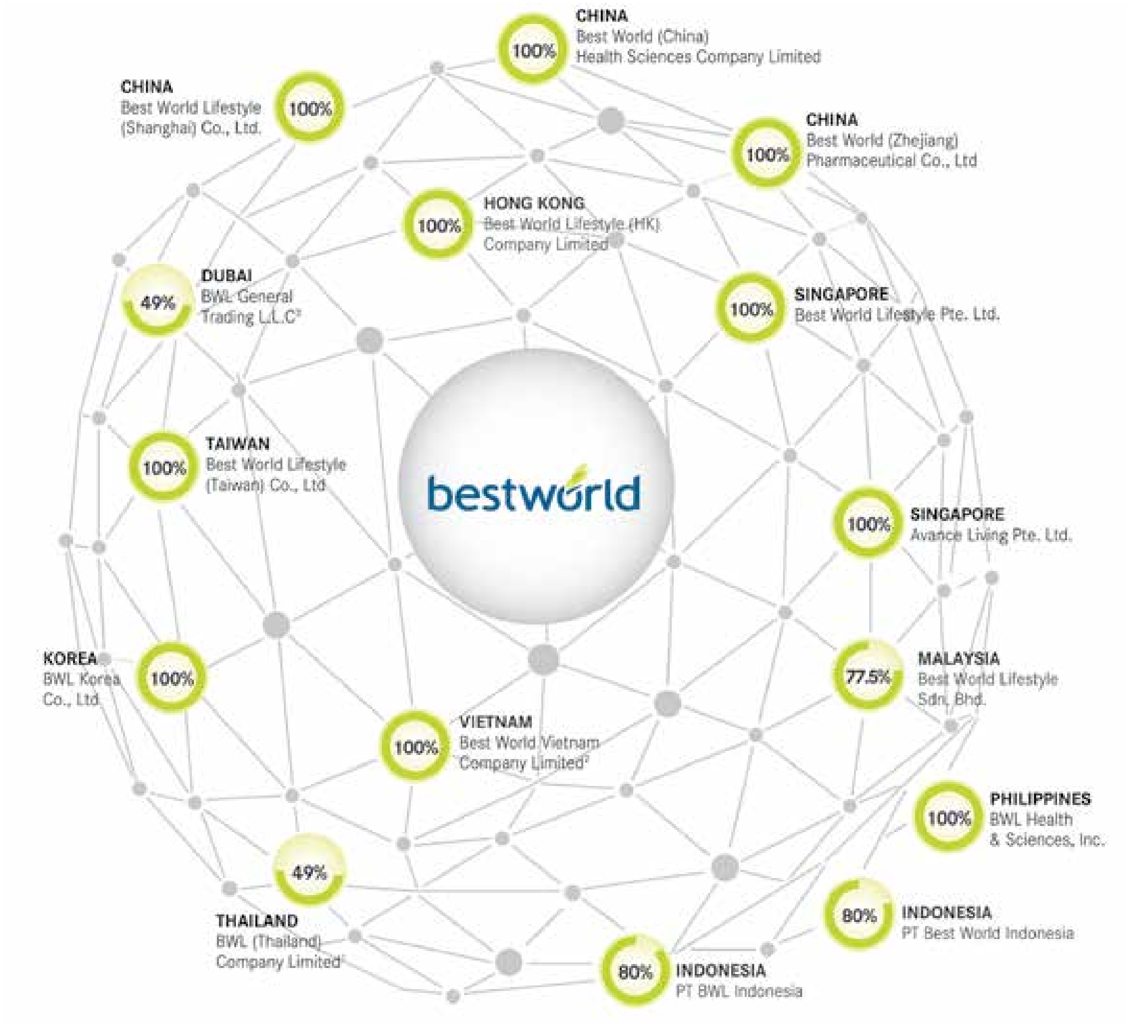
The World Learner Student Exchange Scholarship (WLSES) is into its 6th year, raising its number of scholarship recipients and extending its geographical reach to more rural schools in Sichuan earthquake regions. Inaugurated in FY2010 by Minister of Manpower, Mr Lim Swee Say, the WLSES has since awarded over 180 exchange scholarships to 34 beneficiary schools. This year, the 8-days learning journey includes learning immersions in Pei Chun Public School, Nanyang Primary School and Singapore heritage tour hosted by the largest youth organisation in Singapore, NTUC nEbO youth volunteers.

## In Appreciation

We would like to thank all our distributors, management and staff for their diligence and commitment in making FY2015 a successful year. We would also like to thank the Board of Directors for their guidance and wisdom. We thank also our customers, business associates and suppliers for their continued support. Last but not least, we would like to acknowledge our shareholders for your confidence in us over these years.

**DR DORA HOAN**
Co-Chairman,
Group CEO/
Managing Director

**DR DOREEN TAN**
Co-Chairman,
President


1 The Group considers the company as a subsidiary of the Group as the Group has management control over the company through a shareholders' agreement.

2 On 16 July 2015, the Company acquired the entire equity in the capital of Vista Link Company Limited (a company incorporated in Vietnam) and is now known as Best World Vietnam Company Limited. Following the acquisition, the entity became a wholly owned subsidiary of the Group.

3 On 6 January 2016, the Company established a joint venture company in Dubai, UAE known as BWL General Trading L.L.C. Following the establishment, the Group holds 49% of the paid-up capital. The remaining 51% is held by a local Dubai partner.

## DR DORA HOAN BENG MUI, PBM

Co-Chairman, Group CEO/Managing Director

| | | |
|---|---|---|
| Date of first appointment as a director | : | 11 December 1990 |
| Date of last re-election as a director | : | NA |

(According to Article 89 of the Company's Article of Association, Dr Dora Hoan Beng Mui, being the Co-Chairman, Group CEO/Managing Director, shall not be subject to retirement by rotation)

| | | |
|---|---|---|
| Length of service as a director (as at 31 December 2015) | : | 25 years |

**Board committee(s) served on:**
Nominating Committee

**Academic & Professional Qualification(s):**
Bachelor's Degree in History, Nanyang University, Singapore

MBA, National University of Singapore

Honorary PhD, Kennedy Western University, USA

PhD in Business Administration, Western Pacific University, USA

**Present Directorships (as at 31 December 2015)**
Best World International Limited

**Other principal commitments**
Chairman, Direct Selling Association of Singapore

Chairman, World Learner Exchange Program Committee

Vice Chairman, Radin Mas CCC

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Nil

**Past principal commitments**
President and Council Member, Association of Small & Medium Enterprises

## DR DOREEN TAN NEE MOI

Co-Chairman, President

| | | |
|---|---|---|
| Date of first appointment as a director | : | 11 December 1990 |
| Date of last re-election as a director | : | 28 April 2015 |
| Length of service as a director (as at 31 December 2015) | : | 25 years |

**Board committee(s) served on:**
Nil

**Academic & Professional Qualification(s):**
Applied Nutrition, American Academy of Nutrition

Honorary PhD, Kennedy Western University, USA

Doctorate Degree in Naturopathy, Canyon College, USA

**Present Directorships (as at 31 December 2015)**
Best World International Limited

**Other principal commitments**
Corporate Council Board Member, ASEAN Alliance of Health Supplement Associations

Vice-Chairman, World Learner Exchange Program Committee

Patron, Pasir Ris West CCC

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Nil

## MR HUANG BAN CHIN
Executive Director and Chief Operating Officer

| | | |
|---|---|---|
| Date of first appointment as a director | : | 13 September 1994 |
| Date of last re-election as a director | : | 30 April 2014 |
| Date of next re-election as a director | : | 22 April 2016 |
| Length of service as a director (as at 31 December 2015) | : | 21 years 3 months |

**Board committee(s) served on:**
Nil

**Academic & Professional Qualification(s):**
Bachelor of Science, National University of Singapore

**Present Directorships (as at 31 December 2015)**
Best World International Limited

**Other principal commitments**
Nil

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Nil

## MR LEE SEN CHOON
Chairman of Audit Committee and Lead Independent Director

| | | |
|---|---|---|
| Date of first appointment as a director | : | 24 May 2004 |
| Date of last re-election as a director | : | 28 April 2015 |
| Length of service as a director (as at 31 December 2015) | : | 11 years 7 months |

**Board committee(s) served on:**
Audit Committee
Remuneration Committee
Nominating Committee

**Academic & Professional Qualification(s):**
Bachelor of Science (Hons) degree, Nanyang University, Singapore
Diploma in Management Studies, University of Salford, United Kingdom
Member of Institute of Chartered Accountants in England and Wales
Practicing Member of Institute of Singapore Chartered Accountants

**Present Directorships (as at 31 December 2015)**
Best World International Limited
Hor Kew Corporation Limited
Soon Lian Holdings Limited

**Other principal commitments**
Practicing Partner at UHY Lee Seng Chan & Co
Chairman, Hwa Chong Institution Board of Directors
Treasurer and Chairman of Finance Committee, Hwa Chong Institution Board of Governors
Chairman of the School Advisory Committee of Xingnan Primary School

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Rokko Holdings Ltd

## MR RAVINDRAN RAMASAMY
Chairman of Nominating Committee

| | | |
|---|---|---|
| Date of first appointment as a director | : | 24 May 2004 |
| Date of last re-election as a director | : | 30 April 2013 |
| Date of next re-election as a director | : | 22 April 2016 |
| Length of service as a director (as at 31 December 2015) | : | 11 years 7 months |

**Board committee(s) served on:**
Nominating Committee
Audit Committee
Remuneration Committee

**Academic & Professional Qualification(s):**
LL.M, National University of Singapore
LLB (Hons), National University of Singapore
Advocate & Solicitor, Singapore
Member of the Law Society of Singapore
Member of Singapore Academy of Law

**Present Directorships (as at 31 December 2015)**
Best World International Limited
Serial System Ltd

**Other principal commitments**
Practicing Partner at Colin Ng & Partners LLP

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Nil

## MR CHAN SOO SEN
Chairman of Remuneration Committee

| | | |
|---|---|---|
| Date of first appointment as a director | : | 7 March 2016 |
| Date of next re-election as a director | : | 22 April 2016 |
| Length of service as a director (as at 31 December 2015) | : | NA |

**Board committee(s) served on:**
Nominating Committee
Audit Committee
Remuneration Committee

**Academic & Professional Qualification(s):**
Master of Science in Management Science, University of Stanford
Bachelor of Arts in Mathematics (Second Class Honors), Keble College University of Oxford

**Present Directorships (as at 31 December 2015)**
BreadTalk Group Limited
Midas Holdings Limited
Cogent Holdings Limited

**Other principal commitments**
Adjunct Professor, Nanyang Technological University

**Past Directorships held over the preceding three years in other listed companies (from 1 January 2013 to 31 December 2015)**
Sunmoon Food Company Limited

**Past principal commitments**
Executive Vice President, SingBridge International Singapore Pte Ltd
Minister of State, Various Ministries in Singapore
Chief Executive Officer, Sino – Singapore Suzhou Industrial Park

## JERRY LU

Senior Group Manager, Southeast Asia Market Development
Senior Country Manager
Best World Lifestyle Pte. Ltd., Singapore
BWL (Thailand) Company Limited
Best World Vietnam Company Limited, Vietnam
Best World Lifestyle Sdn Bhd, Malaysia
PT Best World Indonesia
BWL Health & Sciences, Inc., Philippines

Mr Lu first joined the company as Marketing Manager in July 1995 and has been extensively involved in the strategic expansion and development of the Group's direct selling business within the region.

During this period, his consistent performance has led to his promotion as Senior Area Manager in 2007 and Regional General Manager in 2009. In 2011, he was subsequently appointed as Group Manager, Southeast Asia Market Development where his current role has been focused on the growth and development of the Group's interests in regions comprising Singapore, Thailand, Vietnam, Philippines and Indonesia. These responsibilities include overseeing the strategic planning, business development, operational business processes of these individual markets and mapping out strategies to strengthen market networks. Mr Lu holds a Bachelor's Degree in Commerce (Information Systems) from Curtin University, Australia.

## KOH HUI

Senior Group Financial Controller

Ms Koh joined Best World in 2003 and has served in a number of finance and managerial positions. In 2004, Ms Koh was appointed Group Finance Manager where she headed the finance team and was instrumental in the successful listing of the company. She was subsequently assigned as Deputy General Manager, Best World (Hunan) Health Sciences Company Ltd, China from 2008 to 2009. Her consistent work performance led to her promotion to Senior Group Financial Controller in 2013, where her current responsibilities include overseeing accounting, finance, treasury, risk management and tax functions of the group. She also assists the executive director on all investor relations matters.

Prior to joining Best World, Ms Koh served as a senior auditor with Ernst and Young. She holds a Bachelor of Accountancy from Nanyang Technological University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

## DR GAN KOK WEE

Senior Group Manager,
Training and Human Resource Development

Dr Gan oversees the Group's education and training system. One of his key responsibilities is to design, develop and implement leadership training programmes for distributors and staff that meet the Group's vision and mission. He also works closely with the Group CEO in the strategic planning and development of the Group's human resources where his day-to-day operations include organising training workshops, one-to-one consultations, group facilitations and individual performance coaching of distributors.

Prior to joining Best World, Dr Gan has been in the education and training industry for close to 20 years, holding leadership positions in mainstream elementary to tertiary educational institutions as well as special education. He has over 20 years of coaching and mentoring experience with mature students in life skills acquisition and leadership development. Dr Gan holds double doctorate degrees in Computer Science from the National University of Singapore and Chinese Philosophy from East China Normal University.

## HO KOK TONG

General Manager,
Best World (Zhejiang) Pharmaceutical Co., Ltd, China

Mr Ho has served in the past as General Manager of Operations and Corporate. In 2008, he was appointed as Country Manager for Taiwan and was subsequently promoted as Senior Country Manager in recognition of his consistent work performance and positive contributions. At the end of 2013, Mr Ho was appointed as Senior Group Manager, Business Development, as he returned to Singapore. His responsibilities included overseeing the strategic planning, business development and day-to-day operations of the Group.

Mr Ho was subsequently appointed as Acting Deputy General Manager, China in which he oversees the management and operations of our dietary supplement manufacturing subsidiary in Hangzhou City of China. A key function of his role is maintaining distributor relationships with the objective of further expanding the existing market share in China. With effect from 2016, he is designated as General Manager of Best World (Zhejiang) Pharmaceutical Co., Ltd for the Hangzhou operations.

Prior to joining the Group in 2007, Mr Ho has had more than 20 years of finance and managerial experience working in both MNCs and SMEs. He also has over 10 years of experience in marketing health-related products in Southeast Asia. He graduated with a Bachelor of Commerce (Hons) from Nanyang University and is a Fellow Chartered Accountant of Singapore and a Fellow member of the Association of Chartered Certified Accountants.

## SUGIHARTO HUSIN
Senior Group Manager, Information System

Sugiharto joined Best World in 2006 and is responsible for all aspects of information technology at the foundation, where he provides technological direction and partners with senior executives to design and plan complex global technology initiatives, project implementation strategies, organizational change management, communications, training programs, disaster recovery and business continuity programs.

Sugiharto has been endeavouring in the IT field since 1993, working within the realms of software development, retail, healthcare and commerce industries. Prior to joining Best World, he was General Manager of IT Services in a local direct selling company. His experience in this industry enables him to effectively implement best practices and make IT one of Best World's competitive tools. Sugiharto holds a Bachelor's Degree with Honours in Computing & Information Systems from University of Central England. He is also a certified Architect for Enterprise Java Applications.

## ANG PING
Group Manager, Branding

Mr Ang was appointed Group Manager, Branding in 2007 where his role includes leading a brand management team that specialises in the development of brand positioning, brand creation, extension and proliferation. He is responsible for managing the company's portfolio of brands, ranging from skincare, healthcare to wellness products. This includes driving strategic marketing initiatives in product launches, promotional campaigns and experiential events, as well as overseeing the consistent implementation of brand standards across diverse media in global markets. In addition, Mr Ang also heads the company's corporate responsibility initiative, the World Learner Student Exchange Scholarship.

Prior to Best World, Mr Ang spent over 10 years in brand consulting. His rich experience and expertise ensures our brand experience stays unique and fresh in global competition. Mr Ang holds an MBA from the University of Chicago Graduate School of Business.

## PHYLLIS TAN HUI KENG

Group Manager, Logistics

Ms Tan joined Best World in 1997 as an Accounts Executive. She was promoted to Supply Chain Manager in 2005 and subsequently as a Division Manager, Supply Chain in 2008. In 2015, she was promoted to Group Manager, Logistic. Her latest portfolio includes overseeing the Group's inventory planning and supply chain management.

Ms Tan holds a Bachelor's Degree in Commerce from Murdoch University, Australia

## JANSEN TANG

Group Manager, Regional Membership & Commission
Country Manager
Best World Lifestyle (HK) Company Limited

Mr Tang joined the company in 2005 as a Management Trainee and was promoted as a Manager in 2006, where his responsibilities include supervising the calculation and distribution of bonus commission for distributors. His consistent performance saw him posted to China in 2007 to oversee the customer service and logistical operations for the Group's business in China. He was later promoted as Division Manager and subsequently as Group Manager, Regional Membership & Commission in 2010 and 2015 respectively. He assumed further responsibility as Deputy Country Manager, China & Hong Kong in 2012 and was subsequently promoted to Country Manager China & Hong Kong in 2015, where his role was expanded to include the strategic planning and business development in the region.

Mr Tang holds a Bachelor's Degree in Psychology and Economics from National University of Singapore.

## SIMON YEH KUO TANG

Senior Country Manager,
Best World Lifestyle (Taiwan) Co., Ltd.

Appointed as the Country Manager of Taiwan from January 2014, Mr Yeh is a direct selling veteran with over 18 years of management experience within the Industry. His proven track record, coupled with his wealth of industry know-how, will be instrumental in propelling BWL Taiwan into the next level of development. With his management experience and deep-seated sensitivity of the Asian markets, Mr Yeh brings even greater diversity and capability to our regional management team.

Prior to joining Best World, Mr Yeh was the General Manager of 2 separate Direct Selling companies in Taiwan, over a span of 12 years. Mr Yeh has a degree in Economics from Tamkang University in Taiwan.

## DANIEL CHANG

Country Manager,
PT Best World Indonesia

Mr Chang joined PT Best World Indonesia as Finance Manager in 2005 and was promoted to Deputy Country Manager in 2007, subsequently assuming the position of Country Manager in 2009. In his current role, Mr Chang has taken an executive responsibility for the development and expansion of Best World's direct selling activities in Indonesia. He oversees the day-to-day operations and is in charge of sales, finance, marketing, leading business development efforts and maintaining distributor relationships in this region.

Prior to joining Best World, Mr Chang has held managerial positions with companies located in Indonesia. He holds a Bachelor's Degree in Accounting from Trisakti University, Indonesia, and an Executive MBA degree from California State University, East Bay, USA.

## KIM BAKSIN
Country Manager,
BWL Korea Co., Ltd

Mr Kim joined BWL Korea in July 2010 and played a key role in setting up the Group's Korean subsidiary. He was subsequently appointed as Country Manager in July 2011 when operations commenced and is tasked with overseeing the day-to-day operations of the Group's Korean subsidiary and growing the Group's business in the Republic of Korea.

Mr Kim has extensive knowledge of the Korean direct selling market and has held various senior management positions of several Korean companies over the last 20 years. He was most recently Representative Director of Nikken Korea, Inc. He holds a Bachelor's Degree from Chosun University.

## FOO CE YU
Deputy Country Manager,
Best World Lifestyle Pte. Ltd., Singapore

Mr Foo joined Best World as a Management Trainee in 2005 and was placed in-charge of the distributor training system for the directing selling business.

The exposure to the distributor network in Singapore helped to develop his marketing skills, and he was subsequently promoted to Marketing Manager in 2006. In 2008, he was promoted to Division Manager and given a wider scope of responsibility covering marketing, training, and day-to-day operations in Singapore.

Proactively involved in Singapore's sales performance and distributor network development, he was promoted to Deputy Country Manager in 2015 to officially take on these responsibilities. He also hosted company events which made him the choice-host for the Group's annual international convention awards ceremony.

Mr Foo holds a Bachelor's Degree in Business Administration (Marketing) from the National University of Singapore.

## YONG FULL LOONG

Deputy Country Manager,
Best World Lifestyle Sdn Bhd, Malaysia

Since joining Best World Lifestyle Malaysia as an IT Executive in 2004, Mr Yong has served in a variety of roles that include IT support, customer support services, communications and all sales activities for the company. He has been promoted to IT Asst. Manager in 2006, in which he provides consistent, reliable and effective services to customers and distributors. Mr Yong was subsequently involved in Marketing Communications in helping to promote the BWL brand image and marketing in Malaysia as Marcom Asst. Manager. In 2008, Mr Yong was assigned as Operation Asst. Manager to be involved in the development of Malaysia market.

In 2011, Mr Yong was transferred to BWL Singapore to assume the Marketing & Network Relations Manager role. He was also involved in managing the day-to-day operations, marketing and direct selling activities of distributors in Singapore region.

Mr Yong was subsequently promoted as Deputy Country Manager of Malaysia in 2014. He holds a Bachelor's Degree in IT, University Tun Abdul Razak, Malaysia

## CHANSATID KAEMAVICHANURAT

Deputy Country Manager,
BWL (Thailand) Company Limited

Mr Chansatid heads Best World's marketing initiatives and direct selling activities in Thailand, whereby his primary responsibilities include overseeing day-to-day operations, managing Best World's involvement in sales events and business development, and enhancing customer and distributor awareness in the region. Mr Chandsatid, first joined the company as Marketing Development Manager in 2007 and was promoted to Deputy Country Manager in 2010 in recognition of his consistent work performance. In 2014, Mr Chansatid was appointed to be a committee member of Thailand Direct Selling Association (TDSA).

Prior to joining Best World, Mr Chansatid has accumulated 17 years of experience in sales, marketing, operations and general management assignments. He holds a Bachelor's Degree in Commerce (Statistical Science) and an MBA (Marketing) from Chulalongkorn University.

## TONY WEN

Deputy Country Manager,
Best World Vietnam Company Limited, Vietnam

As the Deputy Country Manager of Vietnam since 2015, Mr Wen joined the company as a direct selling veteran with over 20 years of management experience. Highly accomplished in marketing and business development, coupled with deep-rooted sensitivity of the Vietnamese market, Mr Wen brings even greater diversity and capability to our regional management team and will be instrumental in propelling BWL Vietnam into the next level of development.

**25 February 2016**
Announcement of full year results for the financial year ended 31 December 2015

**26 February 2016**
Analyst Brief

**22 April 2016**
Annual General Meeting

**9 May 2016**
Book Closure Date

**11 May 2016**
Proposed announcement of first quarter results ended 31 March 2016

**23 May 2016**
Payment of final dividends

**5 August 2016**
Proposed announcement of first half year results ending 30 June 2016

**8 August 2016**
Proposed Analyst Brief

**9 November 2016**
Proposed announcement of third quarter results ending 30 September 2016

## Board of Directors

Dr Dora Hoan Beng Mui
Dr Doreen Tan Nee Moi
Mr Huang Ban Chin
Mr Lee Sen Choon
Mr Ravindran Ramasamy
Mr Chan Soo Sen

## Audit Committee

**Chairman**
Mr Lee Sen Choon

**Members**
Mr Ravindran Ramasamy
Mr Chan Soo Sen

## Nominating Committee

**Chairman**
Mr Ravindran Ramasamy

**Members**
Dr Dora Hoan Beng Mui
Mr Lee Sen Choon
Mr Chan Soo Sen

## Remuneration Committee

**Chairman**
Mr Chan Soo Sen

**Members**
Mr Lee Sen Choon
Mr Ravindran Ramasamy

## Company Secretary

Ms Joanna Lim Lan Sim

## Registered Office & Business Address

26 Tai Seng Street #05-01
Singapore 534057
www.bestworld.com.sg
info@bestworld.com.sg

## Share Registrar & Share Transfer Office

**Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.)**
80 Robinson Road #02-00,
Singapore 068898

## Auditors

**RSM Chio Lim LLP Public Accountants and Chartered Accountants Singapore**
8 Wilkie Road, #03-08
Wilkie Edge
Singapore 228095

## Audit Partner-in-charge

Mr Lee Mong Sheong
(effective from year ended 31 December 2012)

## Principal Bankers

**The Hong Kong and Shanghai Banking Corporation Limited**
21 Collyer Quay,
HSBC Building, #10-02
Singapore 049320

**United Overseas Bank Ltd**
80 Raffles Place
UOB Plaza 1, #07-01
Singapore 048624

## Investor Relations

**Financial PR Pte Ltd**
4 Robinson Road, #04-01
The House of Eden
Singapore 048543
Tel: (65) 6438 2990
Fax: (65) 6438 0064

The Board of Directors (the "Board") of Best World International Limited (the "Company" or "Best World") firmly believes that good corporate governance is essential for the long term sustainability of the Company's business and performance. The Company is fully committed to maintain its high standard of corporate governance to ensure greater transparency, accountability and protection of shareholders' interest.

This report describes the Company's corporate governance practices with specific reference to the revised Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012 and other applicable laws, rules and regulations, including the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Board confirms that for the financial year ended 31 December 2015 ("FY2015"), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

## THE BOARD'S CONDUCT OF AFFAIRS

Principle 1
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board oversees the activities of the Group, and is responsible for the Group's overall entrepreneurial leadership, strategic direction and performance to meet shareholder and stakeholder obligations.

The Board comprises six directors as at the end of FY2015 and as at the date of this report. Together, the directors command a wide range of business, legal and financial experience that collectively contribute to the success of the Group.

| | |
|---|---|
| Dr Dora Hoan Beng Mui | Co-Chairman, Group CEO / Managing Director |
| Dr Doreen Tan Nee Moi | Co-Chairman, President |
| Mr Huang Ban Chin | Executive Director and Chief Operating Officer |
| Mr Lee Sen Choon | Lead Independent Director |
| Mr Ravindran Ramasamy | Independent Director |
| Mr Robson Lee Teck Leng | Independent Director |
| Mr Chan Soo Sen | Independent Director |

Mr Robson Lee Teck Leng has stepped down from the Board and the Board Committees on 22 February 2016. Mr Chan Soo Sen was appointed as an Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee on 7 March 2016.

The Board's principal functions are:

a) Setting strategic and financial objectives of the Company and monitoring the performance of Management;
b) Considering sustainability issues including environmental and social factors in the formulation of the Group's strategies.
c) Approving annual budgets, funding requirements, expansion plans, capital investment, major acquisitions and divestments proposals;
d) Approving nominations of board directors, committee members and key personnel;
e) Overseeing the framework of internal controls to ensure its adequacy, make sure risks are assessed and managed, including safeguarding of shareholders' interests and the company's assets, accurate financial reporting and compliance with relevant laws, regulations and policies;
f) Determining the Group's values and standards including ethical standards; and
g) Approving transactions involving interested parties.

The Company has formulated guidelines setting forth matters reserved for the Board's decision. The Management of the Company (the "Management") was also given clear directions on matters, including financial authorization and approval limits for operational matters and capital expenditure. The Board approves transactions exceeding certain threshold limits and while delegating authority for transactions below these limits to Management so as to facilitate operational efficiency.

The Board continues to approve matters which, under the Singapore Companies Act, Chapter 50 and SGX-ST Listing Manual require Board approval. Specifically, the Board has the responsibility to approve the following:
- Joint ventures, mergers and acquisitions
- Appointment of directors and key management staff of the Company;
- Acquisition and disposal of non-routine assets, investments and treasury products exceeding $500,000; and
- Declaration of interim dividends by the Company

To facilitate effective management, certain functions have been delegated to various board committees, namely the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC") to assist the Board in the execution of its responsibilities. These Board Committees are made up wholly or predominantly of and chaired by independent directors. Each Board Committee has its own written Terms of Reference, which clearly set out the objectives, duties, powers, responsibilities as well as qualifications for committee membership. Minutes of all Board Committees have been circulated to the Board so that Directors are aware of and are kept informed as to the proceedings and matters discussed during the Board Committees' meetings.

The full Board meets at least 4 times a year and additional meetings are convened as and when deemed necessary. The Company's Articles of Association ("AoA") provide for the Board to convene meetings via telephone or other similar communication facilities whereby all persons participating in the meeting are able to communicate as a group, and such meeting shall be deemed to take place where the majority of Directors present is assembled.

The frequency of the Board and Board Committees' meetings and the attendance of each Director at these meetings for the financial year ended 31 December 2015 is set out in the table below:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| **Total number of meetings held#** | 4 | 4 | 1 | 1 |
| Meetings attended: | | | | |
| Dr Dora Hoan Beng Mui | 4 | – | 1 | – |
| Dr Doreen Tan Nee Moi | 4 | – | – | – |
| Mr Huang Ban Chin | 4 | – | – | – |
| Mr Lee Sen Choon | 4 | 4 | 1 | 1 |
| Mr Ravindran Ramasamy | 4 | 4 | 1 | 1 |
| Mr Robson Lee Teck Leng | 4 | 4 | 1 | 1 |
| Mr Chan Soo Sen* | – | – | – | – |

* Appointed on 7 March 2016
# No. of meetings held whilst a Director

No new director was appointed in FY2015. A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as a director. New directors will also be briefed during the orientation program on the overview of the business operations, the latest results announced, the company's corporate governance practices, regulatory regime, their duties as directors and the relevant committee's terms of reference. The director is also introduced to key management personnel and given the opportunity to visit the Group's operational facilities.

Board members are encouraged to attend seminars at least annually and receive training to keep abreast of current developments to properly discharge their duties as directors. The Company works closely with professionals to provide its directors with updates on changes to relevant laws, regulations and accounting standards. Our independent directors are also engaged full time in their respective profession, keeping them updated in their fields of knowledge.

In FY2015, the list of training attended by Executive Directors is as follows:

| Training Program | Participant |
|---|---|
| Global Leadership & International Relations | Dr Dora Hoan Beng Mui |
| ASEAN CEO Program | Dr Dora Hoan Beng Mui |
| ASEAN Health Supplements 2015 and Beyond | Dr Doreen Tan Nee Moi |
| Merger and Acquisitions Education Series – How to be successful in an M&A transaction | Mr Huang Ban Chin |
| Expand Overseas with E-Commerce | Mr Huang Ban Chin |
| Effective Interview & Selection Process | Mr Huang Ban Chin |

## BOARD COMPOSITION AND GUIDANCE

Principle 2
There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six Directors of whom three are independent non-executive directors and three are executive directors. The Company maintains a strong and independent element on the Board with the independent directors constituting half of the Board. The independent directors have confirmed that they do not have any relationship with the Company or its related companies or its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management and its 10% shareholders.

As half of the Board is independent, the Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

The independence of each director is reviewed annually by the NC. Particular scrutiny was applied in assessing the continued independence of Mr Lee Sen Choon and Mr Ravindran Ramasamy; having served as Directors beyond nine years from the date of their first appointment, with attention to ensure that their allegiance remains clearly aligned with shareholders' interest.

The Board has determined that the Directors concerned remained independent in character and judgment and there were no relationships or circumstances which were likely to affect, or appear to affect, the Directors' judgment. The Independent Directors' independence of character and judgment were also not in any way affected or impaired by the length of service and they continue to be committed to carry out their roles and responsibilities as independent directors, ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, taking into account the long term interests of the Company's stakeholders which include shareholders, employees, customers and suppliers.

The Board has also conducted a review of the performance of each of the three Independent Directors and considers that each of these Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgment of each of these directors.

The NC reviews the size of the Board on an annual basis. Based on the latest review, the NC opined, and the Board agreed that the present Board size is appropriate and facilitates effective decision making, taking into account the nature and current scope of the Company's operations, the requirements of the business of the Company and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The Board and NC are also of the view that the current Board has the appropriate mix of expertise and experience in areas such as accounting and finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. Together, the Board members possess a balanced field of core competencies to lead the Company. Details of the Board members' qualifications and experience are presented in this Annual Report under the section entitled "Board of Directors".

Whilst all the Directors share an equal responsibility for the Company's operations, the role of the independent non-executive Directors is crucial in helping to develop proposals on Company strategies and to ensure that the strategies proposed by the Management are constructively challenged. The independent non-executive Directors are also responsible for reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance.

To facilitate a more effective check on Management, the independent directors, sled by the lead independent director, meet at least once a year without the presence of Management.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman's duties and responsibilities include:

i. leading the Board to effectively cover all aspects of its role;
ii. reviewing the agenda and the board papers prepared for Board meetings to ensure significant items, particularly strategic issues are looked into and sufficient time is allocated for their discussion;
iii. setting an open and honest culture and encouraging debate;
iv. ensuring the directors receive board papers that are complete, adequate and timely before the meeting;

v. ensuring the proper conduct of meetings and accurate documentation of the proceedings with the help of the corporate secretary;
vi. ensuring effective communication with shareholders;
vii. encourage constructive relations within the Board and between the Board and Management and facilitating effective contribution from the Independent Directors.
viii. promoting high standards of corporate governance.

In addition to the above duties, the Chairman will assume other duties and responsibilities as may be required from time to time.

To efficiently run the Board, the Company has two directors, Dr Doreen Tan Nee Moi and Dr Dora Hoan Beng Mui designated as Co-Chairman on top of their existing duties as President and Group CEO / Managing Director respectively.

As the Company's operations span across many countries, both Dr Doreen Tan Nee Moi and Dr Dora Hoan Beng Mui are required to travel frequently for business. Hence, it would be desirable to have Co-Chairman so either one could chair the Board or General Meeting in the absence of the other.

Dr Dora Hoan Beng Mui, the Group CEO / Managing Director of the Company is one of the founders and a substantial shareholder of the Company. She has been personally involved in the day-to-day operations of the Company since its incorporation, providing the Group with vision and strong leadership and playing an instrumental role in developing the businesses of the Group. Her performance and remuneration are reviewed periodically by the NC and the RC respectively, which consists mainly of Independent Directors.

As major decisions in the Group are reviewed by the Board, which has a strong representation of independent non-executive directors, the Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

Shareholders with concerns may contact the Lead Independent Director - Mr Lee Sen Choon directly, when contact through the normal channels via the Co-Chairman, the Executive Directors and the Senior Group Financial Controller has failed to provide a satisfactory resolution or when such contact is inappropriate.

## BOARD MEMBERSHIP

Principle 4
There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

As at the date of this report, the NC comprises four directors, a majority of whom, including the chairman of the NC are independent:-

| | | |
|---|---|---|
| Chairman | : | Mr Ravindran Ramasamy (Independent Non-executive Director) |
| Member | : | Dr Dora Hoan Beng Mui (Co-Chairman, Group CEO / Managing Director) |
| Member | : | Mr Lee Sen Choon (Lead Independent Non-executive Director) |
| Member | : | Mr Chan Soo Sen (Independent Non-executive Director) |

The NC is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its composition, procedures governing meetings, duties and functions, reporting procedure, disclosure in the annual report in compliance with the Code of Corporate Governance and procedures relating to changes in the NC's Terms of Reference.

The duties of the NC are as follows:

a) To make recommendations to the Board on all board appointments;
b) To re-nominate directors with regards to their contribution and performance;
c) To determine annually whether a director is independent;
d) To review the composition of the Board and make recommendations on the performance criteria and appraisal process to be used for the evaluation of the individual directors; and
e) To assess the effectiveness of the Board as a whole and decide if each director has been adequately carrying out his or her duties.

The NC reviews annually the independence declarations made by the Company's Independent Non-executive Directors based on the criterion of independence under the guidelines provided in the Code. For the year under review, the NC has ascertained the independence status of the two Independent Non-executive Directors of the Company, namely Mr Ravindran Ramasamy and Mr Lee Sen Choon. The Board has also reviewed the number of years served by each Independent Non-executive Director. Having considered their character, their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as Independent Non-executive Directors.

The NC adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. Currently Directors should not have more than eight listed company board representations. With a new director on board and in consideration of the board representations presently held by the directors, the NC, with concurrence of the Board, has decided to reduce the limit of listed board representation of directors from eight to six.

The NC monitors and determines annually whether Directors who have multiple board representations and other principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director and his actual conduct on the Board, in making this determination.

The NC was satisfied that in FY2015, Directors with other listed company board representations and / or other principal commitments were able to carry out and had been adequately carrying out, their duties as directors of the Company.

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skills sets will be considered before the NC makes its recommendations to the Board. On the recent appointment of a new independent non-executive director, the Board sought for a candidate with extensive operating experience in China to advice on the expansion of the Group's operations. Mr Chan Soo Sen stood out based on his vast experiences on working with the Chinese, his strong network and in-depth knowledge about the culture and operating environment in China.

In accordance with Article 93 of the AoA of the Company, at each Annual General Meeting ("AGM"), not less than one-third of the directors are required to retire from office by rotation. Accordingly, the directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years.

Pursuant to Article 89 of the AoA of the Company, Dr Dora Hoan Beng Mui, being the Co-Chairman, Group CEO / Managing Director, shall not be subject to retirement by rotation. In accordance with Article 92 of the AoA of the Company, any newly appointed director appointed by the Board must retire and submit himself / herself for re-election at the next AGM following his / her appointment. Thereafter, he / she is subject to the one-third rotation if re-elected. Mr Chan Soo Sen will be retiring under Article 92 of the AoA of the Company at the forthcoming AGM.

Pursuant to Article 93 of the AoA of the Company, Mr Huang Ban Chin and Mr Ravindran Ramasamy shall retire at the forthcoming AGM. In this regard, the NC, having considered the attendance and participation of these directors at the Board and Board Committee Meetings, has recommended their re-election. The retiring directors, being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and / or participating in any deliberations of the NC in respect of his or her re-election as a Director.

## BOARD PERFORMANCE

Principle 5
There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for recommending and implementing a process to evaluate the effectiveness of the Board and the Board Committees as well as to assess the contribution by each individual director to the overall effectiveness of the Board.

On the recommendation of the NC, the Board has adopted a formal system of evaluating Board performance with the use of evaluation forms to assess the effectiveness of the Board, Board Committees and the individual Director.

The evaluation of Board's performance as a whole deals with matters on Board composition, information to the Board, Board procedures, Board accountability, the Board's preparedness to deal with problems and crisis, the functioning of the Board Committees, CEO / Top Management and standards of conduct. The criteria for the evaluation of individual director include amongst others, attendance at meetings, directors' duties, their contribution to the testing and development of strategy and to risk management, know-how and interaction with fellow directors.

The completed forms are returned to the Company for compilation of the average scores. The compiled results are then tabulated and presented at the NC Meeting for the NC's review. The Chairman of the NC will then present the deliberations of the NC to the Board.

The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Directors' evaluation was conducted in February 2016 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every

Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual directors.

## ACCESS TO INFORMATION

Principle 6
In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board members are provided with complete, adequate and timely information on Board affairs and issues that require the Board's attention and decision.

The Board has separate and independent access to Management executives of the Group and has unrestricted access to the Company's records and information.

Board papers are furnished to the Board five days prior to any board meeting. This allows directors sufficient time to review and consider the matters to be discussed. The board papers include minutes of the previous meeting, reports relating to investment proposals, financial results announcements, financial analysis reports, risk reporting summary and reports from internal auditors, external auditors and Board Committees etc.

However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. Employees, who can provide additional insight into matters to be discussed, are also invited to be present during the relevant discussions. From time to time, the Board requests for additional information to be reported in the board papers in response to new regulations or to assist them in decision making.

Directors have separate and independent access to the Company Secretary. The Company Secretary assists the board on the compliance of the Group with the Memorandum and Articles of Association and regulations, including requirements of the Companies Act, Cap 50, and the Listing Manual of the SGX-ST. The Company Secretary attends and prepares minutes for all Board and Board Committees meetings. The Company Secretary is responsible for ensuring good information flow within the Board, the Board Committees and the Management. Any decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board exercises its discretion to seek independent professional advice at the Company's expense, if deemed necessary, to ensure that full information is available before important decisions are made.

## REMUNERATION MATTERS
## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following three Independent Non-executive Directors as at the date of this report:

| | | |
|---|---|---|
| Chairman | : | Mr Chan Soo Sen |
| Member | : | Mr Lee Sen Choon |
| Member | : | Mr Ravindran Ramasamy |

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration. It has adopted written terms of reference that define its composition, procedures governing meetings, duties and powers, reporting procedures, disclosure in the annual report in compliance with the Code of Corporate Governance and procedures relating to changes in the RC's Terms of Reference. Where necessary, the RC may seek professional advice on remuneration matters.

The duties of the RC are as follows:

a) reviewing and recommending to the Board, a remuneration policy framework and guidelines for remuneration of the Board and the CEO and key management personnel;

b) determining specific remuneration packages for each of the Directors and key management personnel covering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;

c) seeking expert advice inside and / or outside the Company on remuneration of all Directors, if necessary, and ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

d) reviewing the Company's obligations arising in the event of termination of the executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, aim to be fair and avoid rewarding poor performance;

e) recommending targets and measures for assessing the performance of each of the executive Directors and key management personnel, for endorsement by the Board of Directors;

f) where long-term incentives schemes have been implemented by the Company, reviewing whether executive Directors and key management personnel should be eligible for benefits under the long-term incentives schemes;

g) periodically considering and reviewing remuneration packages in order to maintain their attractiveness, so as to retain and motivate the Directors and key management personnel; and

h) considering the implementation of schemes to encourage non-executive Directors to hold shares in the Company so as to better align the interests of such non-executive Directors with the interests of shareholders.

In 2013, an external consultant with no existing relationships – RDS Remuneration Data Specialist Pte Ltd was engaged to benchmark the executive directors' remuneration package based on market surveys. The remuneration packages were approved and renewed for three years effective 01 July 2013.

## LEVEL AND MIX OF REMUNERATION

Principle: 8
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

One of the responsibilities of the RC is to review the remuneration framework of the Board and key management personnel in the Group, and to consider and review the remuneration package and / or service contract terms for each of the Directors and key management personnel.

Executive directors do not receive directors' fees. They have service agreements with the company that are renewed every three years. In addition to the basic salary component and benefits-in-kind, the executive directors' remuneration is linked to performance via a tiered incentive bonus based on profit before tax. The Remuneration Committee reviews the audited group financial results against the targets achieved before approving the distribution of the annual incentive bonus.

The independent non-executive directors are paid a director's fee, consisting of a base fee and fees for chairing board committee meetings, for their effort and time spent and for their responsibilities and contribution to the board. The directors' fees are subject to approval by shareholders at the AGM. The RC had recommended to the Board an amount of $126,000 as Directors' fees to be paid for FY2015. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

Key management remuneration comprise basic salary and a variable bonus which is based on individual and Group performance as a whole for that year. Key performance indicators that determine performance are different for each key management personnel. To design a remuneration framework that is aligned to the long-term interest and risk policies of the company, we engaged a Human Resource analytics company, Lee Wenyong & Co to help us explore and design a suitable long term incentives plan. The Company has no prior business relationship with the consultant. Led by Lee Wenyong, this project is on going – key performance indicators to be taken into consideration and eligibility criteria are currently being defined and evaluated.

Since FY2013, we have commenced the use of claw back clauses for key management positions where the Company shall have the right to recoup all or any portion of bonus payment within the last three fiscal years in the event of significant restatement of the Company's financial statements due to fraud or misconduct committed by the bonus recipient.

## DISCLOSURE ON REMUNERATION

Principle: 9
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

For competitive reasons and also difference in salary benchmarks across the countries we operate in, the Company shall disclose the remuneration of individual directors and the top five key management personnel on a named basis in bands of $200,000.

The breakdown of remuneration for each Director and the top five key employees for FY2015 are as follows:

| | Remuneration Bands | Salary(1) (%) | Bonus (%) | Benefits-in-kind (%) | Fees (%) | Total (%) |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Dr Dora Hoan Beng Mui | $1,400,000 to $1,600,000 | 48 | 49 | 3 | – | 100 |
| Dr Doreen Tan Nee Moi | $1,400,000 to $1,600,000 | 49 | 49 | 2 | – | 100 |
| Mr Huang Ban Chin | $800,000 to $1,000,000 | 56 | 42 | 2 | – | 100 |
| **Independent Directors** | | | | | | |
| Mr Lee Sen Choon | Below $200,000 | – | – | – | 100 | 100 |
| Mr Ravindran Ramasamy | Below $200,000 | – | – | – | 100 | 100 |
| Mr Robson Lee Teck Leng | Below $200,000 | – | – | – | 100 | 100 |
| Mr Chan Soo Sen | Below $200,000 | – | – | – | – | – |
| **Top Five Key Management Personnel** | | | | | | |
| Mr Jerry Lu Shih Chieh | $200,000 to $400,000 | 58 | 41 | 1 | – | 100 |
| Mr Ho Kok Tong | $200,000 to $400,000 | 42 | 57 | 1 | – | 100 |
| Ms Koh Hui | $200,000 to $400,000 | 62 | 37 | 1 | – | 100 |
| Dr Gan Kok Wee | $200,000 to $400,000 | 64 | 36 | – | – | 100 |
| Mr Simon Yeh | $200,000 to $400,000 | 39 | 61 | – | – | 100 |

(1) Comprises salary and all CPF contributions

There are no extraordinary termination, retirement and post-employment benefits granted to the directors and the top five key management personnel. Compensation for immediate termination is the notice period remuneration unless termination is due to misconduct, where no compensation will be granted.

The aggregate of the total remuneration paid to the top five key management personnel for FY2015 is $1,584,160.

In line with the revised code of corporate governance, details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds $50,000 during the year are disclosed as follows:

| Immediate Family Member of Director | Relationship with director | Designation | Remuneration Bands |
|---|---|---|---|
| Hoan Beng Hua | Brother of Dr Dora Hoan Beng Mui | Senior Supervisor of Production | $50,000 – $100,000 |

As mentioned in the policy for remuneration above, bonus targets are used to drive performance and amounts declared are based on individual performance and company performance as a whole for FY 2015.

### Long Term Incentive Scheme

The Best World Share Option Scheme ("BWI SOS") approved by the shareholders of the Company on 21 May 2004 was at the end of its 10-year duration and discontinued on 20 May 2014.

The Company obtained shareholders' approval in FY2009 to implement a performance share scheme known as the BWI Performance Share Scheme (the "Scheme") which is administered by the Remuneration Committee.

During FY2015 and as at the date of this report, no share award has been granted to either the CEO or other executive and non-executive directors, all of whom are entitled to participate in the Scheme subject to the rules and limits set therein.

During FY2015 and as at the date of this report, no new shares have been issued by virtue of the grant of share awards under the Scheme.

The Circular to Shareholders dated 8 April 2009 containing the details of the Scheme is available to shareholders upon their request.

## ACCOUNTABILITY

Principle 10
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board, through its announcements of quarterly and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects.

Qualified personnel are tasked to oversee key laws and regulations for compliance. The Board monitors instances of non-compliance if any and assesses annually whether there is a need for additional review on the applicable laws and regulations.

Management provides all members of the Board with management accounts which comprises the consolidated profit and loss accounts, sales analysis, operating profit, profit before tax and attributable profit by major regions followed by explanations of significant variances for the quarter and year-to-date. Subsequent to the Board's review, the results are released via SGXNET to SGX-ST and the public.

Negative assurance statements supported by the Co-Chairman and Chief Operating Officer were issued to accompany the Company's quarterly financial results announcements, giving shareholders confirmation that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading.

## RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board has instituted risk tolerance levels to guide Management in the course of operations and achieving its strategic objectives. These tolerance levels were drafted based on the top risks identified by the Enterprise Risk Management ("ERM") committee. Board approval is required for initiatives involving greater risk exposures that exceed the predetermined levels.

The ERM committee, comprising the Executive Director and Chief Operating Officer – Mr Huang Ban Chin, department heads and chaired by the Lead Independent Director – Mr Lee Sen Choon assists the Board on risk management. The key components of the Company's risk management framework include:

Risks assessment – Risks that the Company is exposed to are identified, assessed and updated in the risk register. The risks are rated and ranked according to the likelihood and its impact. Top risks are highlighted for extra emphasis.

Risks monitoring – Risks are monitored through internal audits, internal reviews, questionnaires circulated to subsidiary management and the control self-assessment ("CSA") programme.

Risks response and risks reporting – The ERM committee holds regular meetings to discuss risk issues, new initiatives and reports material findings uncovered from risk monitoring. These meetings are thoroughly minuted and form part of the Board papers presented to the Board. Key risks exposures and statuses are also compiled in a risk reporting summary and submitted for Board review.

The top 5 risks the company faces are identified below:

1) Advertisements that over promise product efficacy
   Distributors sometimes exaggerate the uses of our products, leading to regulatory intervention. Warnings or penalties might be issued to the company, causing reputation damage or monetary losses, affecting our profitability. The company only publishes product attributes that can be supported for each product on our website. Through trainings and interactions, we also remind our distributors not to over exaggerate about the product's efficacy and keep to the proven functions.

2) Disruption in supply
Our head office supplies the regional centers with inventory. A forecast is prepared by the regional center to enable head office to determine how much should be ordered from the supplier. As these forecasts are based on estimates, the regional centers risk facing stock shortage when sales exceed their forecast. On the other hand, ordering too much result in higher storage costs and stock obsolescence. We regularly review sales forecasts, maintain buffer stocks and work with our suppliers to minimize disruptions.

3) Sudden discontinuation of key product
Although BWI has a wide range of products, a few products within the range form the major part of revenue. For example, Plum Delite and some products in the DR Secret range of skin care products are huge generators of revenue. Discontinuation of products can arise because of restrictions of certain product ingredients imposed by the authorities. These changes in regulations are not controllable by BWI and unfavorable changes can occur despite having met initial requirements. The product development team keeps track of regulatory requirements of the countries that the company operates in and consistently seeks to enlarge the product range to reduce reliance on any single product.

4) Political unrest
People are divided among the different political parties' beliefs and a stable government cannot be established to effectively run the country. The army might get involved to temporary control the situation, but until a firm consensus is reached, the country remains unstable. Consumer spending retracts in anticipation of uncertainty to prepare themselves financially for the situation that lies ahead. Foreign investors halt their funds into the country and slow down economic progress. The fiscal policies of the incoming government cannot be determined, resulting in difficulty to position ourselves to benefit from future budget spend. As we are not in the position to influence political situations, we monitor such occurrences and react to them accordingly.

5) Changes in industry licensing requirements
Direct selling activities are usually subject to special licensing requirements in many countries. Any changes in regulations could result in termination or restriction of activities at our lifestyle centres. The impact of such an event is significant although it is not assessed to be likely. The continued operation of our manufacturing facility in BWZ is currently dependent on our GMP certification. Should there be any changes in requirements for example to certification standards, the company might have to incur additional costs to fulfil the authority's requirements. We monitor changes closely to ensure we are in compliance.

The CSA programme established since 2011 provides a framework to obtain feedback on the state of internal controls. The programme requires subsidiaries to review and report annually on the effectiveness of controls and the control environment to HQ and significant findings are reported to the Board. Periodically, internal audit and independent reviews would be conducted to validate the self-assessments.

The Company has in place a whistle-blowing policy to empower employees with avenues to report suspected fraud, corruption, dishonest practices and other acts of misconduct. The Company will follow up on all reports and treat all information received confidentially to protect the identity (if available) and the interest of all whistle-blowers. For incidents of severe nature, the AC will be informed and an independent team reporting directly to the AC will be established accordingly. For incidents with less severity, the ERM committee comprising of the heads of various departments will oversee the matter raised. There has been no reported incident pertaining to whistle-blowing for FY2015.

Based on the system of internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board, with the concurrence of the Audit Committee are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2015.

The Board has also received assurances from the Co-Chairman, Group CEO / Managing Director and Senior Group Financial Controller:

a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
b) that the Company's risk management and internal control systems are operating effectively.

## AUDIT COMMITTEE

Principle 12
The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

As at the date of this report, the AC comprises three Independent and Non-executive Directors:-

Chairman: Mr Lee Sen Choon
Member: Mr Ravindran Ramasamy
Member: Mr Chan Soo Sen

The Chairman, Mr Lee Sen Choon, has more than 30 years of experience in accounting, auditing, taxation and corporate secretarial work. The other members of the AC possess experience in finance, legal, business management and are exposed to regular updates from the relevant regulators. They are considered to be well qualified by the Board to discharge their duties in the AC.

The AC assists the Board in discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control.

The duties of the AC are as follows:

External Audit
a) review with the external auditors and management on the following:-
i. the audit plan
ii. their evaluation of the system of internal accounting controls and the effectiveness of the Company's audit function
iii. significant financial reporting issues and judgments so as to ensure integrity of the financial statements of the company and any announcements relating to the company's financial performance
iv. their audit report
v. their management letter and Management's response

b) ensure co-ordination where more than one audit firm is involved
c) review the quarterly, half-year and annual financial statements and earnings releases before submission to the Board for approval
d) meet with the external auditors and internal auditors at least once a year in the absence of Management to discuss issues arising from the audit, including the assistance given by the Management to the auditors
e) report to the Board its findings from time to time on matters arising and requiring the attention of the AC
f) undertake such other reviews and projects as may be requested by the Board
g) undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time
h) consider and recommend to the Board, the appointment / re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors
i) oversee the Group Whistle Blowing Policy
j) review the independence of the external auditors annually and the aggregate amount of fees paid to the external auditors for that financial year and a breakdown of the fees paid in total for audit and non-audit services
k) ensure that the External Auditor has direct and unrestricted access to the Chairman of the Board and the AC

Internal Audit
a) review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance and information technology controls
b) review internal audit programme and the scope and results of the internal audit and its effectiveness
c) review the appointment, removal, evaluation and compensation of the internal audit function
d) review and monitor management's responsiveness to the internal audit findings and recommendation
e) ensure that the Head of Internal Auditor has direct and unrestricted access to the Chairman of the Board and the AC

Interested Person Transactions ("IPT")
a) approve the internal control procedures and arrangements for all future related party transactions to ensure that they are carried out on arm's length basis and on normal commercial terms
b) review transactions falling within the scope of Chapter 9 (Interested Person Transactions)
c) consider the need for a general mandate for IPT and obtain independent advisory support, if required
d) where a general mandate is being renewed, consider if the basis of determining the transaction process is adequate to ensure fair transaction terms
e) direct management to present the rationale, cost-benefit analysis and other details relating to IPT subject to specific mandate
f) receive report from management and internal audit on IPT

Internal Control

a) assess the effectiveness of the internal control and risk management systems established by the management to identify, assess, manage and disclose financial and non-financial risks at least once a year
b) review the statements included in the annual report on the Group's internal controls and risk management framework
c) review reports from management and internal auditors on the effectiveness of the systems for internal control, financial reporting and risk management
d) review the Group's procedures for detecting fraud and whistleblowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters

Risk Management

a) advise the Board on the Group's overall risk tolerance and strategy
b) oversee and advise the Board on the current risk exposures and future risk strategy of the Group
c) in relation to risk assessment, (i) keep under review the Group's overall risk assessment processes that inform the Board's decision making; (ii) review regularly and approve the parameters used in these measures and the methodology adopted; and (iii) set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance
d) review the Group's capability to identify and manage new risk types
e) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Group, and taking independent external advice where appropriate and available
f) provide advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration
g) review promptly all relevant risk reports on the Group
h) review and monitor the management's responsiveness to the findings

The AC has the authority to investigate any matter within its terms of reference and enjoys full access to and co-operation from Management to enable it to discharge its function properly.

The AC met with the external auditors without the presence of any Executive Director and Management personnel at least once in FY2015.

The AC has reviewed the non-audit services provided by the external auditors for FY2015 and is of the opinion that the provision of such services did not affect the independence or objectivity of the external auditors. Total fees amounted to S$136,000 out of which S$123,000 is for audit services and S$13,000 is for non-audit services. As the percentage of fees for non-audit services is less than 50%, the AC has determined that the external auditors are independent.

The AC had recommended the re-appointment of Messrs RSM Chio Lim LLP as external auditors at the forthcoming AGM.

The Company has complied with Rules 712 and 715 or 716 of the Listing Manual of the SGX-ST in relation to its auditors.

The AC members are kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditors.

## INTERNAL AUDIT

Principle 13
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function of the Company is outsourced to an external consulting firm, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC approves the hiring, removal, evaluation and compensation of the consulting firm. Based on risk assessments performed, greater emphasis and appropriate internal reviews are planned for high risk areas and material internal controls, including compliance with the Group's policies, procedures and regulatory responsibilities. The internal audit plans are reviewed and approved by the AC annually.

The Internal Audit methodology adopted by our internal auditors is consistent with the requirements of The Institute of Internal Auditors.

The AC is satisfied that the internal audit function is adequately resourced and is independent of the activities it audits.

## SHAREHOLDER RIGHTS

Principle 14
Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Best World believes in treating all Shareholders fairly and equitably. It aims to keep all Shareholders and other stakeholders informed of its corporate activities, including changes which are likely to materially affect the price or value of its shares, on a timely and consistent manner.

Shareholders are also given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing such meetings are clearly communicated.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. The Company's AoA also allow any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

## COMMUNICATION WITH SHAREHOLDERS

Principle 15
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavors to communicate regularly, effectively and fairly with its shareholders.

The Company communicates information to its shareholders on a timely basis through:

a) Disclosures to SGXNET and press releases on major developments of the Group;
b) The Group's website at www.bestworld.com.sg from which shareholders can access. The website provides all publicly disclosed financial information, corporate announcements, press releases and the annual report;
c) Annual reports which are prepared and issued to all shareholders;
d) Share investor online portal which provides the Company's share updates and all publicly disclosed information;
e) Share investor forum that publishes updated investors' relations information; and
f) Analyst briefs organized for analyst and investors.

In addition, the Company communicates regularly with investors and analysts via half yearly results briefing as well as via ad-hoc meetings and teleconferences in office.

Through its dividend policy, Management has also committed to distribute at least 30% of the company's annual profit to shareholders in the form of dividends and / or bonus securities each year.

## CONDUCT OF SHAREHOLDER MEETINGS

Principle 16
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. All who wish to attend the AGM are welcome and are not restricted by the two-proxy rule. The Board encourages active Shareholder participation and practices an open question and answer session at which shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs. The chairman of the respective Board Committees and key management personnel are invited to attend the AGM and are present and available to address questions at general meetings. In addition, the external auditors of the Company are also present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

Each item of special business included in the notice of the meeting will be accompanied by an explanation of the effects of a proposed resolution. Unless the resolutions proposed at a meeting are interdependent and linked so as to form one significant proposal, separate resolutions shall be proposed for substantially separate issues at the meeting.

Minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management will be prepared and made available to shareholders upon their request.

Resolutions are, as far as possible, structured separately and may be voted on independently. All polls are conducted in the presence of independent scrutineers.

For greater transparency and fairness in the voting process, voting at shareholders' meetings were conducted by poll since 2013. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. Results are announced in detail, showing the number of votes cast for and against each resolution and the respective percentages. Electronic polling is not used due to the small turnout at AGM.

## DEALING IN SECURITIES

The Company has adopted the requirements in SGX-ST's Rule 1207(19) applicable to dealings in the Company's securities by its Directors, Management and officers. Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are prohibited to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

Directors, Management and officers of the Group are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period. In addition, the Directors, Management and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

## INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons. All interested person transactions ("IPT") are subject to review by the AC every quarter to ensure that the relevant rules in Chapter 9 of the Listing Manual of SGX-ST are complied with.

Currently, the Company is not required to have a general mandate from its shareholders in relation to IPT as the aggregate value of IPT transactions is below the threshold level as set out in the Listing Manual of the SGX-ST.

For the financial year ended 31 December 2015, persons with interested person transactions exceeding $100,000 in aggregate for the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) are disclosed as follows:

| Name | Relationship | Nature of Transaction | Amount $'000 |
|---|---|---|---|
| Pek Lu Pin | Daughter of Dr Doreen Tan Nee Moi | – Sales<br>– Freelance commission paid | 18<br>158 |

## MATERIAL CONTRACTS

Save for the Service Agreements entered into with Dr Dora Hoan Beng Mui, Dr Doreen Tan Nee Moi and Mr Huang Ban Chin, which are still subsisting as at the end of FY2015, there are no material contracts involving the interests of the CEO, the directors or controlling shareholders entered into by the Group which are still subsisting as at the end of the financial year or entered into during the financial year.

| Guidelines | Questions | How has the Company complied? |
|---|---|---|
| General | (a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. | No. Deviations shall be stated alongside each guideline of the Disclosure Guide. |
| | (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code? | It allows partial transparency as well as other objectives to be met, such as minimizing the risk of staff poaching, dissatisfaction amongst staff and cost effectiveness for shareholders. |
| **Board Responsibility** | | |
| Guideline 1.5 | What are the types of transactions which require approval from the Board? | The Company has formulated guidelines setting forth matters reserved for the Board's decision. The Management of the Company (the "Management") was also given clear directions on matters, including financial authorization and approval limits for operational matters and capital expenditure. The Board approves transactions exceeding certain threshold limits and while delegating authority for transactions below these limits to Management so as to facilitate operational efficiency.<br><br>The Board continues to approve matters which, under the Singapore Companies Act, Chapter 50 and SGX-ST Listing Manual require Board approval. Specifically, the Board has the responsibility to approve the following:<br>• Joint ventures, mergers and acquisitions<br>• Appointment of directors and key management staff of Best World International Limited<br>• Acquisition and disposal of non-routine assets, investments and treasury products exceeding $500,000<br>• Declaration of interim dividends by Best World International Limited |
| **Members of the Board** | | |
| Guideline 2.6 | (a) What is the Board's policy with regard to diversity in identifying director nominees? | The Board requires a mix of expertise and experience in areas such as accounting and finance, business management experience, industry knowledge, legal expertise, strategic planning experience and customer based experience and knowledge. |
| | (b) Please state whether the current composition of the Board provides diversity on each of the following - skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. | (see table below) |

| Category | Percentage |
|---|---|
| Accounting and Finance | 83.3% |
| Business Management | 100% |
| Industry and Company Knowledge | 100% |
| Legal | 16% |
| Strategic planning | 83.3% |
| Customer-based experience and knowledge | 66% |
| Gender | Male 66.6%<br>Female 33.3% |

| | | |
|---|---|---|
| | (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness? | The NC reviews the size of the Board on an annual basis to determine its appropriateness in terms of the mix of expertise, independence, effectiveness of decision making, taking into account the nature and current scope of the Company's operations and the requirements of the business of the Company.<br><br>While all the Directors share an equal responsibility for the Company's operations, the role of the independent non-executive Directors is crucial in helping to develop proposals on Company strategies and to ensure that the strategies proposed by the Management are constructively challenged. The independent non-executive Directors are also responsible for reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance. In turn, the performance and contributions of each of the three Independent Directors are reviewed by the Board. |
| Guideline 4.6 | Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) reelecting incumbent directors. | (i) In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skills sets will be considered before the NC makes its recommendations to the Board.<br><br>On the recent appointment of a new independent non-executive director, the Board sought for a candidate with extensive operating experience in China to advise on the expansion of the Group's operations. Mr Chan Soo Sen stood out based on his vast experiences on working with the Chinese, his strong network and in-depth knowledge about the culture and operating environment in China.<br><br>(ii) The NC considers the results of the assessment on the effectiveness of the individual Director, his attendance and participation at the Board and Board Committee Meetings, before recommending whether to reelect retiring directors. |
| Guideline 1.6 | (a) Are new directors given formal training? If not, please explain why. | (a) Aside from the orientation program, new directors are given training only if required because the directors hired are usually experienced. |
| | (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date? | (b) Board members are encouraged to attend seminars at least annually and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to provide its directors with updates on changes to relevant laws, regulations and accounting standards. Our independent directors are also engaged full time in their |

respective profession, keeping them updated in their fields of knowledge.

| Training program | Participants |
|---|---|
| Global Leadership & International Relations | Dr Dora Hoan |
| ASEAN CEO Program | Dr Dora Hoan |
| ASEAN Health Supplements 2015 and Beyond | Dr Doreen Tan |
| Merger and Acquisitions Education Series – How to be successful in an M&A transaction | Huang Ban Chin |
| Expand Overseas with E-Commerce | Huang Ban Chin |
| Effective Interview & Selection Process | Huang Ban Chin |

| | | |
|---|---|---|
| Guideline 4.4 | (a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? | Maximum of 6 board representations.<br>The number of board representations is an estimate, based on the NC's experience on how many representations can a director take and still give sufficient time and attention to the affairs of a Company and adequately carry out his duties as a director of the Company. |
| | (b) If a maximum number has not been determined, what are the reasons? | NA |
| | (c) What are the specific considerations in deciding on the capacity of directors? | Past working experience with the director and existing commitments of the director are considered to decide the capacity of the director. |

**Board Evaluation**

| | | |
|---|---|---|
| Guideline 5.1 | (a) What was the process upon which the Board reached the conclusion on its performance for the financial year? | The Board has adopted a formal system of evaluating Board performance with the use of evaluation forms to assess the effectiveness of the Board, Board Committees and the individual Director.<br><br>The evaluation of Board's performance as a whole deals with matters on Board composition, information to the Board, Board procedures, Board accountability, the Board's preparedness to deal with problems and crisis, the functioning of the Board Committees, CEO / Top Management and standards of conduct. The criteria for the evaluation of individual director include amongst others, attendance at meetings, directors' duties, their contribution to the testing and development of strategy and to risk management, know-how and interaction with fellow directors.<br><br>The completed forms are returned to the Company for compilation of the average scores. The compiled results are then tabulated and presented at the NC Meeting for the NC's review. The Chairman of the NC will then present the deliberations of the NC to the Board. |

| | | |
|---|---|---|
| | | The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice.<br><br>No external facilitators were used in the assessment of the Board as a whole, its committees and the individual directors. |
| | (b) Has the Board met its performance objectives? | Yes. The last Board of Directors' evaluation was conducted in February 2016 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. |
| **Independence of Directors** | | |
| Guideline 2.1 | Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. | Yes. |
| Guideline 2.3 | (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the directorand specify the nature of such relationship. | No. |
| | (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation. | NA |
| Guideline 2.4 | Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent. | Mr Lee Sen Choon and Mr Ravindran Ramasamy have served as Directors beyond nine years from the date of their first appointment.<br><br>The Board has determined that the Directors concerned remained independent in character and judgment and there were no relationships or circumstances which were likely to affect, or appear to affect, the Directors' judgment. The Independent Directors' independence of character and judgment were also not in any way affected or impaired by the length of service and they continue to be committed to carrying out their roles and responsibilities as independent directors, ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, taking into account the long term interests of the Company's stakeholders which include shareholders, employees, customers and suppliers. |

| | | |
|---|---|---|
| | | The Board has also conducted a review of the performance of each of the three Independent Directors and considers that each of these Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgment of each of these directors. |
| **Disclosure on Remuneration** | | |
| Guideline 9.2 | Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long term incentives? If not, what are the reasons for not disclosing so? | Yes, in percentage terms. |
| Guideline 9.3 | (a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | Yes. |
| | (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO). | Yes. |
| Guideline 9.4 | Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO. | Mr Hoan Beng Hua, brother of Dr Dora Hoan Beng Mui (Co-Chairman, Group CEO / Managing Director) is employed by Best World International Limited as a Senior Supervisor of Production. His salary range is between $50,000 to $100,000. |
| Guideline 9.6 | (a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. | Executive directors have service agreements with the company that are renewed every three years. In addition to the basic salary component and benefits-in-kind, the executive directors' remuneration is linked to performance via a tiered incentive bonus based on profit before tax. The Remuneration Committee reviews the audited group financial results against the targets achieved before approving the distribution of the annual incentive bonus.<br><br>Key management remuneration comprise basic salary and a variable bonus which is based on individual and Group performance as a whole for that year. Key performance indicators that determine performance are different for each key management personnel. |

| | | |
|---|---|---|
| | (b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes? | Short term rewards are bonuses based on individual key performance indicators and company performance as a whole such as profit before tax for the year.<br><br>To design a remuneration framework that is aligned to the long-term interest and risk policies of the company, we engaged a Human Resource analytics company, Lee Wenyong & Co to help us explore and design a suitable long term incentives plan. The Company has no prior business relationship with the consultant. Led by Lee Wenyong, this project is on going – key performance indicators to be taken into consideration and eligibility criteria are currently being defined and evaluated. |
| | (c) Were all of these performance conditions met? If not, what were the reasons? | As mentioned in the policy for remuneration above, the bonus amounts declared are based on individual performance and company performance as a whole for FY 2015. |
| **Risk Management and Internal Controls** | | |
| Guideline 6.1 | What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided? | Board papers are furnished to the Board five days prior to any board meeting. This allows directors sufficient time to review and consider the matters to be discussed. The board papers include minutes of the previous meeting, reports relating to investment proposals, financial results announcements, financial analysis reports, risk reporting summary and reports from internal auditors, external auditors and Board Committees etc. |
| Guideline 13.1 | Does the Company have an internal audit function? If not, please explain why. | The internal audit function of the Company is outsourced to an external consulting firm. |
| Guideline 11.3 | (a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. | The Board has instituted risk tolerance levels to guide Management in the course of operations and achieving its strategic objectives. These tolerance levels were drafted based on the top risks identified by the Enterprise Risk Management ("ERM") committee. Board approval is required for initiatives involving greater risk exposures that exceed the predetermined levels. The ERM committee, comprising the Executive Director and Chief Operating Officer – Mr Huang Ban Chin, department heads and chaired by the Lead Independent Director – Mr Lee Sen Choon assists the Board on risk management. The key components of the Company's risk management framework include:<br><br>Risk assessment – Risks that the Company is exposed to are identified, assessed and updated in the risk register. The risks are rated and ranked according to the likelihood and its impact. Top risks are highlighted for extra emphasis. |

| | | |
|---|---|---|
| | | Risks monitoring – Risks are monitored through internal audits, internal reviews, questionnaires circulated to subsidiary management and the control self-assessment ("CSA") programme.<br><br>Risk response & risk reporting – The ERM committee holds regular meetings to discuss risk issues, new initiatives and reports material findings uncovered from risk monitoring. These meetings are thoroughly minuted and form part of the Board papers presented to the Board. Key risks exposures and statuses are also compiled in a risk reporting summary and submitted for Board review.<br><br>The CSA programme established since 2011 provides a framework to obtain feedback on the state of internal controls. The programme requires subsidiaries to review and report biannually on the effectiveness of controls and the control environment to HQ and significant findings are reported to the Board. Periodically, internal audit and independent reviews would be conducted to validate the self-assessments.<br><br>The Company has in place a whistle-blowing policy to empower employees with avenues to report suspected fraud, corruption, dishonest practices and other acts of misconduct. The Company will follow up on all reports and treat all information received confidentially to protect the identity (if available) and the interest of all whistle-blowers. For incidents of severe nature, the AC will be informed and an independent team reporting directly to the AC will be established accordingly. For incidents with less severity, the ERM committee comprising of the heads of various departments will oversee the matter raised. There has been no reported incident pertaining to whistle-blowing for FY2015. |
| | (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above? | Yes. |
| Guideline 12.6 | (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. | Total fees amounted to S$136,000 out of which S$123,000 is for audit services and S$13,000 is for non-audit services. |
| | (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors. | NA |

| Communication with Shareholders | | |
|---|---|---|
| Guideline 15.4 | (a) Does the company regularly communicate with the shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? | Yes. The Company communicates regularly with shareholders, investors and analysts via half yearly results briefing as well as via ad-hoc meetings, teleconferences and emails. |
| | (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? | The COO, the Senior Group Financial Controller and a Financial Analyst. |
| | (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report? | a) Share investor forum that publishes updated investors' relations information; and<br>b) Analyst briefs organized for analyst and investors.<br>c) Share investor online portal which provides the Company's share updates and all publicly disclosed information; |
| Guideline 15.5 | If the Company is not paying any dividends for the financial year, please explain why. | NA |

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2015.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
(b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. DIRECTORS IN OFFICE AT DATE OF STATEMENT

The directors of the company in office at the date of this statement are:

Dr Dora Hoan Beng Mui
Dr Doreen Tan Nee Moi
Mr Huang Ban Chin
Mr Lee Sen Choon
Mr Ravindran Ramasamy
Mr Chan Soo Sen (Appointed on 7 March 2016)

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

| | Held in the name of directors | | Deemed interest | |
|---|---|---|---|---|
| **Name of directors and companies in which interests are held** | **At beginning of the reporting year** | **At end of the reporting year** | **At beginning of the reporting year** | **At end of the reporting year** |
| **Best World International Limited** | **Number of shares of no par value** | | | |
| Dr Dora Hoan Beng Mui | 12,352,000 | 12,352,000 | 77,215,000 | 77,215,000 |
| Dr Doreen Tan Nee Moi | 12,352,000 | 12,352,000 | 77,215,000 | 77,215,000 |
| Mr Huang Ban Chin | 9,200,000 | 9,200,000 | – | – |
| Mr Lee Sen Choon | 75,000 | 75,000 | – | – |
| Mr Robson Lee Teck Leng (resigned on 22 February 2016) | 66,000 | 66,000 | – | – |

By virtue of section 7 of the Act, Dr Dora Hoan Beng Mui and Dr Doreen Tan Nee Moi are deemed to have an interest in all the related body corporate of the company.

The directors' interests as at 21 January 2016 were the same as those at the end of the reporting year.

## 4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

## 5. OPTIONS

At an Extraordinary General Meeting held on 21 May 2004, shareholders approved the Best World Share Option Scheme ("BWI SOS"). BWI SOS has a 10-year duration and was discontinued on 20 May 2014.

At an Extraordinary General Meeting held on 8 April 2009, shareholders approved the Best World International Performance Share Scheme (the "Scheme") for granting of ordinary shares of the company to directors, non-executive directors and senior executives. The Scheme is administered by the Remuneration Committee. Since the commencement of the Scheme till the end of the financial year, no share awards are granted and no new shares are issued under the grant of share awards under the Scheme.

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

## 6. INDEPENDENT AUDITOR

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

## 7. REPORT OF AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

| | |
|---|---|
| Mr Lee Sen Choon | (Chairman of Audit Committee and Lead Independent Director) |
| Mr Ravindran Ramasamy | (Independent Director) |
| Mr Chan Soo Sen | (Independent Director, appointed subsequent to year end on 7 March 2016) |

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational, compliance and information technology controls and risk management systems) and the assistance given by the management to the internal auditor;
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.

## 8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

Based on the internal controls established and maintained by the group, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that group's internal controls, addressing financial, operational and compliance and information technology controls and risk management systems are adequate and effective as at the end of the reporting year 31 December 2015.

## 9. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 25 February 2016, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

**Dora Hoan Beng Mui**
Director

**Doreen Tan Nee Moi**
Director

28 March 2016

To the Members of
BEST WORLD INTERNATIONAL LIMITED (Registration No: 199006030Z)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Best World International Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2016

Partner in charge of audit: Lee Mong Sheong
Effective from year ended 31 December 2012

Year Ended 31 December 2015

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Revenue** | 5 | 101,672 | 75,265 |
| Cost of sales | | (24,805) | (19,275) |
| **Gross profit** | | 76,867 | 55,990 |
| Interest income | | 311 | 175 |
| Other operating income | 6 | 2,742 | 1,642 |
| Other gains | 7 | 1,732 | 621 |
| Distribution costs | 8 | (36,386) | (28,249) |
| Administrative expenses | 8 | (26,916) | (21,907) |
| Other losses | 7 | (1,304) | (2,531) |
| Finance costs | 9 | (54) | (89) |
| **Profit before tax from continuing operations** | | 16,992 | 5,652 |
| Income tax expenses | 12 | (7,691) | (1,583) |
| **Profit from continuing operations, net of tax** | | 9,301 | 4,069 |
| **Profit (loss) net of tax attributable to:** | | | |
| – Owners of the parent company | | 10,104 | 4,054 |
| – Non-controlling interests | | (803) | 15 |
| **Profit net of tax** | | 9,301 | 4,069 |
| **Earnings per share** | | | |
| Earnings per share currency unit | 13 | Cents | Cents |
| – **Basic** | | 4.59 | 1.86 |
| – **Diluted** | | 4.59 | 1.86 |

The accompanying notes form an integral part of these financial statements.

Year Ended 31 December 2015

| | Notes | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Profit net of tax** | | 9,301 | 4,069 |
| **Other comprehensive (loss) income:** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange (losses) gains on translating foreign operations, net of tax | | (571) | 986 |
| **Other comprehensive (loss) income for the year, net of tax** | | (571) | 986 |
| **Total comprehensive income** | | 8,730 | 5,055 |
| Total comprehensive income (loss) attributable to: | | | |
| – Owners of the parent company | | 9,597 | 5,053 |
| – Non-controlling interests | | (867) | 2 |
| **Total comprehensive income** | | 8,730 | 5,055 |

The accompanying notes form an integral part of these financial statements.

As at 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | 6,847 | 7,554 | 3,531 | 4,121 |
| Investment property | 16 | 1,200 | 1,218 | – | – |
| Intangible assets | 17 | 7,018 | 7,900 | 41 | 96 |
| Investments in subsidiaries | 18 | – | – | 4,021 | 13,931 |
| Deferred tax assets | 12 | 749 | 396 | – | – |
| Other receivables, non-current | 19 | – | – | 16,295 | 17,684 |
| Other financial assets, non-current | 20 | 1,990 | – | 1,990 | – |
| **Total non-current assets** | | 17,804 | 17,068 | 25,878 | 35,832 |
| **Current assets** | | | | | |
| Inventories | 21 | 11,515 | 7,753 | 8,309 | 5,225 |
| Trade and other receivables, current | 22 | 10,587 | 9,354 | 12,876 | 9,540 |
| Other financial assets, current | 20 | – | 259 | – | 259 |
| Other assets, current | 23 | 7,250 | 8,712 | 4,445 | 4,192 |
| Cash and cash equivalents | 24 | 47,247 | 40,975 | 12,609 | 3,673 |
| **Total current assets** | | 76,599 | 67,053 | 38,239 | 22,889 |
| **Total assets** | | 94,403 | 84,121 | 64,117 | 58,721 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 25 | 20,169 | 20,169 | 20,169 | 20,169 |
| Retained earnings | | 42,015 | 34,113 | 30,362 | 24,712 |
| Other reserve | | 1,516 | 2,023 | – | – |
| **Equity, attributable to owners of the parent** | | 63,700 | 56,305 | 50,531 | 44,881 |
| Non-controlling interests | | (1,715) | (848) | – | – |
| **Total equity** | | 61,985 | 55,457 | 50,531 | 44,881 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 12 | 2,310 | 1,678 | 429 | 429 |
| Other financial liabilities, non-current | 27 | 11 | 1,328 | – | 1,328 |
| **Total non-current liabilities** | | 2,321 | 3,006 | 429 | 1,757 |
| **Current liabilities** | | | | | |
| Income tax payable | | 4,624 | 979 | 2,313 | 235 |
| Trade and other payables, current | 26 | 24,505 | 18,999 | 9,962 | 6,247 |
| Other financial liabilities, current | 27 | 7 | 4,719 | – | 4,719 |
| Other liabilities, current | 28 | 961 | 961 | 882 | 882 |
| **Total current liabilities** | | 30,097 | 25,658 | 13,157 | 12,083 |
| **Total liabilities** | | 32,418 | 28,664 | 13,586 | 13,840 |
| **Total equity and liabilities** | | 94,403 | 84,121 | 64,117 | 58,721 |

The accompanying notes form an integral part of these financial statements.

Year Ended 31 December 2015

| Group | Total equity $'000 | Attributable to parent sub-total $'000 | Share capital $'000 | Treasury shares $'000 | Retained earnings $'000 | Foreign currency translation reserve $'000 | Non-controlling interests $'000 |
|---|---|---|---|---|---|---|---|
| **Current year:** | | | | | | | |
| Opening balance at 1 January 2015 | 55,457 | 56,305 | 20,618 | (449) | 34,113 | 2,023 | (848) |
| **Movements in equity:** | | | | | | | |
| Total comprehensive income (loss) for the year | 8,730 | 9,597 | – | – | 10,104 | (507) | (867) |
| Dividends paid (Note 14) | (2,202) | (2,202) | – | – | (2,202) | – | – |
| **Closing balance at 31 December 2015** | 61,985 | 63,700 | 20,618 | (449) | 42,015 | 1,516 | (1,715) |
| **Previous year:** | | | | | | | |
| Opening balance at 1 January 2014 | 49,033 | 49,356 | 17,641 | (449) | 31,188 | 976 | (323) |
| **Movements in equity:** | | | | | | | |
| Total comprehensive income for the year | 5,055 | 5,053 | – | – | 4,054 | 999 | 2 |
| Dividends paid (Note 14) | (1,321) | (1,321) | – | – | (1,321) | – | – |
| Issue of shares (Note 25) | 3,085 | 3,085 | 3,085 | – | – | – | – |
| Share issue expenses (Note 25) | (108) | (108) | (108) | – | – | – | – |
| Acquisition of a non-controlling interest without a change in control (Note 18 (n) & (p)) | (287) | 240 | – | – | 192 | 48 | (527) |
| **Closing balance at 31 December 2014** | 55,457 | 56,305 | 20,618 | (449) | 34,113 | 2,023 | (848) |

The accompanying notes form an integral part of these financial statements.

Year Ended 31 December 2015

| Company | Total equity $'000 | Share capital $'000 | Treasury shares $'000 | Retained earnings $'000 |
|---|---|---|---|---|
| **Current year:** | | | | |
| Opening balance at 1 January 2015 | 44,881 | 20,618 | (449) | 24,712 |
| **Movements in equity:** | | | | |
| Total comprehensive income for the year | 7,852 | – | – | 7,852 |
| Dividends paid (Note 14) | (2,202) | – | – | (2,202) |
| **Closing balance at 31 December 2015** | 50,531 | 20,618 | (449) | 30,362 |
| **Previous year:** | | | | |
| Opening balance at 1 January 2014 | 44,067 | 17,641 | (449) | 26,875 |
| **Movements in equity:** | | | | |
| Total comprehensive loss for the year | (842) | – | – | (842) |
| Dividends paid (Note 14) | (1,321) | – | – | (1,321) |
| Issue of shares (Note 25) | 3,085 | 3,085 | – | – |
| Share issue expenses (Note 25) | (108) | (108) | – | – |
| **Closing balance at 31 December 2014** | 44,881 | 20,618 | (449) | 24,712 |

The accompanying notes form an integral part of these financial statements.

Year Ended 31 December 2015

| | Group | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Cash flows from operating activities:** | | |
| Profit before tax | 16,992 | 5,652 |
| Adjustments for: | | |
| Interest income | (311) | (175) |
| Interest expenses | 54 | 89 |
| Depreciation of property, plant and equipment | 1,747 | 1,634 |
| Depreciation of investment property | 18 | 19 |
| Amortisation of intangible assets | 1,018 | 935 |
| Loss (gain) on disposal of plant and equipment | 7 | (187) |
| Goodwill written off | 27 | – |
| Fair value gain on contingent consideration for acquisition of subsidiary | (954) | – |
| Net effect of exchange rate changes in consolidating foreign subsidiaries | (382) | 684 |
| **Operating cash flows before changes in working capital** | 18,216 | 8,651 |
| Inventories | (3,762) | (881) |
| Trade and other receivables | (1,362) | (1,116) |
| Other assets | (1,025) | (1,600) |
| Trade and other payables | 6,458 | 7,333 |
| **Net cash flows from operations before tax** | 18,525 | 12,387 |
| Income tax paid | (1,428) | (1,272) |
| **Net cash flows from operating activities** | 17,097 | 11,115 |
| **Cash flows from investing activities:** | | |
| Purchase of property, plant and equipment (Note 15 & Note 24B) | (1,155) | (1,171) |
| Disposal of property, plant and equipment | 78 | 305 |
| Increase in intangible assets | (21) | (43) |
| Acquisition of a subsidiary (net of cash acquired) (Note 29) | – | (7,101) |
| (Increase) decrease in other financial assets | (1,731) | 1,015 |
| Interest received | 311 | 175 |
| **Net cash flows used in investing activities** | (2,518) | (6,820) |
| **Cash flows from financing activities:** | | |
| Acquisition of non-controlling interests | – | (287) |
| Dividends paid to equity owners | (2,202) | (1,321) |
| Issue of shares | – | 3,085 |
| Share issue expenses | – | (108) |
| Increase from new borrowings | – | 3,000 |
| Repayment of borrowings | (5,832) | (668) |
| Finance lease repayment | (219) | (215) |
| Interest paid | (54) | (89) |
| (Increase) decrease in cash restricted in use | (4,680) | 4 |
| **Net cash flows (used in) from financing activities** | (12,987) | 3,401 |
| **Net increase in cash and cash equivalents** | 1,592 | 7,696 |
| Cash and cash equivalents, statement of cash flows, beginning balance | 39,220 | 31,524 |
| **Cash and cash equivalents, statement of cash flows, ending balance (Note 24A)** | 40,812 | 39,220 |

The accompanying notes form an integral part of these financial statements.

31 December 2015

## 1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors.

The principal activities of the company are those of investment holding and the distribution of nutritional supplement products, personal care products and healthcare equipment. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements.

The registered office is: 26 Tai Seng Street #05-01 Singapore 534057. The company is situated in Singapore.

### Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

### Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2A. Significant accounting policies

#### Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed although the costs are recognised as an expense as incurred. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest is recognised using the effective interest method. Royalty revenue is accrued in accordance with the terms of the relevant agreement unless, having regard to the substance of the agreement, it is more appropriate to recognise revenue based on some other systematic and rational basis.

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

#### Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### Segment reporting

The group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

#### Translation of financial statements of foreign entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

| | | |
|---|---|---|
| Freehold land | – | Not depreciated |
| Leasehold properties | – | Over the terms of lease that are from 1.3% to 2% |
| Plant and equipment | – | 8% to 20% |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each reporting year-end and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

#### Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes, the fair values are measured periodically on a systematic basis at least once in three years by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The annual rate of depreciation is over the remaining terms of lease that is 1.3%.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

| | | |
|---|---|---|
| Product licenses | – | 10 to 25 years |
| Trademarks | – | 5 to 10 years |
| Customer relationship | – | 5 years |

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

#### Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

#### Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

3. Held-to-maturity financial assets: These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition are designated as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables are not classified in this category. These assets are carried at amortised costs using the effective interest method minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. Non-current investments in bonds and debt securities are classified in this category.

4. Available-for-sale financial assets: As at end of the reporting year there were no financial asset classified in this category.

#### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

#### Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfill a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

#### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

### 2B. Other explanatory information

#### Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

#### Treasury shares

Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's owners and no gain or loss is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for doubtful trade accounts:
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 22 on trade and other receivables.

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories is disclosed in the Note 21 on inventories.

Useful lives of plant and equipment:
The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the class of assets at the end of the reporting year affected by the assumption are $6,797,000 and $3,531,000 for the group and company respectively.

Assessment of impairment of goodwill:
An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units ("CGU") and the use of estimates as disclosed in Note 17A. Actual outcomes could vary from these estimates as disclosed in Note 17A.

Impairment of intangible assets:
An assessment is made of the carrying value of identifiable intangible assets, annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows as disclosed in Note 17B are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

Estimated fair value of contingent consideration:
A contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments to the contingent consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (maximum one year from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to the contingent consideration classified as an asset or a liability are recognised in profit or loss. No subsequent adjustment is required for contingent consideration settled within and classified as equity. The fair value measurement requires the selection among a range of different valuation methodologies, making estimates about expected future cash flows and discount rates. The carrying amount is disclosed in the Note 26 on trade and other payables. Actual outcomes could vary from these estimates.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income taxes:
The group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The administration and enforcement of tax laws and regulations may be subject to uncertainty and a certain degree of discretion by the overseas tax authorities. Although the group believes the amounts recognised for income tax is adequate, these amounts may be insufficient based on the overseas tax authorities interpretation and application of these laws and regulations and the group may be required to pay more as a result (also see Note 30). It is impracticable to determine the extent of the possible effects of the above.

Deferred tax estimation:
The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 12 on income tax.

Estimated impairment of subsidiaries:
Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of specific assets at the end of the reporting year affected by the assumption is $766,000.

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling parties are Dr Dora Hoan Beng Mui and Dr Doreen Tan Nee Moi.

### 3A. Members of a group:

Related companies in these financial statements include the members of the parent's group of companies.

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### 3B. Related party transactions:

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| **Related parties** | | |
| Sales of goods | 59 | 63 |
| Commission expenses | 293 | 184 |
| Consultancy fee expenses | 48 | 5 |
| Subsidised travel expenses | – | 4 |
| Sales incentives | 11 | – |
| Travel allowance | 3 | 1 |

The related parties include the close family members of the company's directors in which they do not have joint control or significant influence over the reporting entity.

### 3C. Key management compensation:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Salaries and other short-term employee benefits | 6,581 | 4,778 |

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Remuneration of directors of the company | 4,061 | 2,830 |
| Fees to directors of the company | 126 | 126 |
| Fees to a company in which a director has an interest | 11 | 17 |

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

## 4. FINANCIAL INFORMATION BY SEGMENTS

### 4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes the group is organised into three major operating segments: direct selling, export sales and manufacturing/wholesale. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments are as follows:

(a) Direct selling segment mainly comprises sales to customers through direct selling channels in Singapore, Malaysia, Indonesia, Thailand, Taiwan, Hong Kong, Vietnam, Philippines, Korea, Australia and United Arab Emirates (“UAE”);

(b) Export sales segment comprises sales to retail customers at export retail price through retailers in the People’s Republic of China and Myanmar; and

(c) Manufacturing/wholesale segment comprises sales to customers through wholesale channel in People’s Republic of China.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances mainly based on a measure of earnings before depreciation, amortisation, interests and income taxes (called "Recurring EBITDA"). This measurement basis excludes the effect of expenditure from the operating segments such as goodwill impairment that are not expected to recur regularly in every reporting year.

The types of products include nutritional supplement products, personal care products and healthcare equipment. The information on each product and service, or each group of similar products and services is not available and the cost to develop it would be excessive.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets consist principally of property, plant and equipment, other intangible assets, inventories, trade receivables and cash and cash equivalents.

Segment liabilities consist principally of trade and other payables, other financial liabilities and other liabilities.

Unallocated items comprise investment property, other financial assets, goodwill, other assets, other receivables, income tax payable, deferred tax assets and deferred tax liabilities.

## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4B. Profit or loss from continuing operations and reconciliations

| | Direct selling $'000 | Export $'000 | Manufacturing/ Wholesale $'000 | Unallocated $'000 | Group $'000 |
|---|---|---|---|---|---|
| **Continuing operations 2015** | | | | | |
| **Revenue by segment** | | | | | |
| External sales and services | 80,545 | 14,433 | 6,694 | – | 101,672 |
| **Recurring EBITDA** | 10,369 | 7,340 | 827 | 982 | 19,518 |
| Interest income | 87 | 39 | 185 | – | 311 |
| Interest expenses | (36) | (18) | – | – | (54) |
| Depreciation | (1,244) | (286) | (217) | (18) | (1,765) |
| Amortisation | (89) | (20) | (909) | – | (1,018) |
| **Profit (loss) before tax from continuing operations** | 9,087 | 7,055 | (114) | 964 | 16,992 |
| Income tax expenses | | | | | (7,691) |
| **Profit from continuing operations** | | | | | 9,301 |

| | Direct selling $'000 | Export $'000 | Manufacturing/ Wholesale $'000 | Unallocated $'000 | Group $'000 |
|---|---|---|---|---|---|
| **Continuing operations 2014** | | | | | |
| **Revenue by segment** | | | | | |
| External sales and services | 60,261 | 7,936 | 7,068 | – | 75,265 |
| **Recurring EBITDA** | 5,065 | 1,878 | 1,091 | 120 | 8,154 |
| Interest income | 98 | 65 | 12 | – | 175 |
| Interest expenses | (89) | – | – | – | (89) |
| Depreciation | (1,205) | (227) | (202) | (19) | (1,653) |
| Amortisation | (75) | (20) | (840) | – | (935) |
| **Profit before tax from continuing operations** | 3,794 | 1,696 | 61 | 101 | 5,652 |
| Income tax expenses | | | | | (1,583) |
| **Profit from continuing operations** | | | | | 4,069 |

## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4C. Assets and reconciliations

| | Direct selling $'000 | Export $'000 | Manufacturing/ Wholesale $'000 | Unallocated $'000 | Group $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total assets for reportable segments | 48,819 | 10,867 | 19,142 | – | 78,828 |
| Unallocated: | | | | | |
| Deferred tax assets | – | – | – | 749 | 749 |
| Investment property | – | – | – | 1,200 | 1,200 |
| Other financial assets | – | – | – | 1,990 | 1,990 |
| Other assets | – | – | – | 7,250 | 7,250 |
| Other unallocated amounts | – | – | – | 4,386 | 4,386 |
| **Total group assets** | 48,819 | 10,867 | 19,142 | 15,575 | 94,403 |
| **2014** | | | | | |
| Total assets for reportable segments | 31,331 | 17,281 | 21,503 | – | 70,115 |
| Unallocated: | | | | | |
| Deferred tax assets | – | – | – | 396 | 396 |
| Investment property | – | – | – | 1,218 | 1,218 |
| Other financial assets | – | – | – | 259 | 259 |
| Other assets | – | – | – | 8,712 | 8,712 |
| Other unallocated amounts | – | – | – | 3,421 | 3,421 |
| **Total group assets** | 31,331 | 17,281 | 21,503 | 14,006 | 84,121 |

### 4D. Liabilities and reconciliations

| | Direct selling $'000 | Export $'000 | Manufacturing/ Wholesale $'000 | Unallocated $'000 | Group $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total assets for reportable segments | (20,339) | (3,752) | (1,393) | – | (25,484) |
| Unallocated: | | | | | |
| Deferred tax liabilities | – | – | – | (2,310) | (2,310) |
| Income tax payable | – | – | – | (4,624) | (4,624) |
| **Total group liabilities** | (20,339) | (3,752) | (1,393) | (6,934) | (32,418) |
| **2014** | | | | | |
| Total assets for reportable segments | (20,263) | (3,722) | (2,022) | – | (26,007) |
| Unallocated: | | | | | |
| Deferred tax liabilities | – | – | – | (1,678) | (1,678) |
| Income tax payable | – | – | – | (979) | (979) |
| **Total group liabilities** | (20,263) | (3,722) | (2,022) | (2,657) | (28,664) |

## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4E. Other material items and reconciliations

| | Direct selling $'000 | Export $'000 | Manufacturing/ Wholesale $'000 | Unallocated $'000 | Group $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Additions to property, plant and equipment | 1,011 | 81 | 85 | – | 1,177 |
| Additions to intangible assets | 20 | 1 | – | – | 21 |
| **2014** | | | | | |
| Additions to property, plant and equipment | 1,316 | 280 | 5 | – | 1,601 |
| Additions to intangible assets | 14 | 1 | 28 | – | 43 |

### 4F. Geographical information

The group's operations are located in Singapore, Taiwan, Philippines, People's Republic of China, Indonesia, Thailand, Malaysia, Hong Kong, Vietnam, Myanmar, Korea, UAE and Australia.

The following table provides an analysis of the group revenue by geographical markets, irrespective of the origin of the goods and services:-

| | Revenue | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Singapore | 7,418 | 8,837 |
| Taiwan | 56,393 | 22,710 |
| Philippines | 2,841 | 18,470 |
| People's Republic of China | 19,771 | 12,980 |
| Indonesia | 6,507 | 2,896 |
| Other countries [(a)] | 8,742 | 9,372 |
| Subtotal for all foreign countries | 94,254 | 66,428 |
| Total | 101,672 | 75,265 |

(a) Other countries comprise mainly Thailand, Malaysia, Hong Kong, Vietnam, Myanmar, Korea, UAE and Australia.

The following table provides an analysis of the non-current assets by geographical markets, irrespective of the origin of the goods and services:-

| | Non-current assets | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Singapore | 5,116 | 5,950 |
| People's Republic of China | 7,528 | 8,459 |
| Malaysia | 1,079 | 1,186 |
| Taiwan | 760 | 288 |
| Indonesia | 187 | 197 |
| Philippines | 149 | 169 |
| Other countries [(b)] | 246 | 423 |
| Subtotal for all foreign countries | 9,949 | 10,722 |
| Total | 15,065 | 16,672 |

(b) Other countries comprise mainly Hong Kong, Korea, Vietnam, Thailand and Australia.

## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4F. Geographical information (cont'd)

Revenues are attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets include property, plant and equipment, investment property, intangible assets and exclude any financial instruments and deferred tax assets.

### 4G. Information about major customers

There are no customers with revenue transactions of over 10% of the group revenue.

## 5. REVENUE

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Sale of goods | 101,672 | 75,265 |

## 6. OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Service fee income | 1,158 | 1,098 |
| Royalty fee income | 1,000 | – |
| Rental income | 55 | 120 |
| Write back of payables | 191 | 76 |
| Miscellaneous income | 338 | 348 |
| | 2,742 | 1,642 |

## 7. OTHER GAINS AND (OTHER LOSSES)

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Allowance for impairment on trade receivables | (265) | (352) |
| Allowance for impairment on other receivables | – | (294) |
| Enhanced special employment credit | – | 20 |
| Fair value gain on contingent consideration for acquisition of subsidiary | 954 | – |
| Foreign exchange adjustment gains, net | 778 | 414 |
| Goodwill written off | (27) | – |
| Inventories written down | (1,005) | (1,198) |
| (Loss) gain on disposal of plant and equipment | (7) | 187 |
| Unaccounted cash written off [(a)] | – | (687) |
| **Net** | 428 | (1,910) |
| Presented in profit or loss as: | | |
| Other gains | 1,732 | 621 |
| Other losses | (1,304) | (2,531) |
| **Net** | 428 | (1,910) |

(a) This relates to certain payments made substantially during the reporting year 2014 by the group's wholly owned subsidiary in Philippines that it was not able to properly account for. These unaccounted cash payments totalling approximately $687,000 were fully written-off in the reporting year 2014. The subsidiary has since filed a police report in Philippines and management has appointed a law firm to advise the group on this matter. As at the date of issuance of the financial statements, one of the accused was detained by the local police in Philippines and the investigation is still on-going.

## 8. OTHER EXPENSES

The major components include the following:

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Included in distribution costs** | | |
| Convention expense | 2,119 | 1,571 |
| Freelance commission | 30,033 | 23,223 |
| **Included in administrative expenses** | | |
| Employee benefits expense (Note 10) | 14,609 | 12,469 |
| Rental of premises | 3,057 | 2,797 |

## 9. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Interest expenses on bank borrowings | 48 | 85 |
| Interest expenses on finance leases | 6 | 4 |
| **Total finance costs** | 54 | 89 |

## 10. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Employee benefits expense including directors | 13,645 | 11,592 |
| Contribution to defined contribution plan | 964 | 877 |
| **Total employee benefits expense included in administrative expenses** | 14,609 | 12,469 |

## 11. ITEMS IN PROFIT OR LOSS

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Audit fees to independent auditors of the company | 123 | 123 |
| Audit fees to the other independent auditors | 110 | 89 |
| Other fees to independent auditors of the company | 13 | 18 |

## 12. INCOME TAX

### 12A. Components of tax expense (income) recognised in profit or loss include:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| **Current tax expense:** | | |
| Current tax expense | 3,990 | 1,585 |
| Under adjustments to current tax in respect of prior periods | 4 | 30 |
| Adjustment on Indonesia tax assessment on fiscal year 2008 (Note 30B) | 3,418 | – |
| Subtotal | 7,412 | 1,615 |
| **Deferred tax expense (income):** | | |
| Deferred tax expense (income) | 279 | (45) |
| Foreign exchange adjustments | – | 13 |
| Subtotal | 279 | (32) |
| **Total income tax expense** | 7,691 | 1,583 |

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is situated. The income tax in profit or loss varied from the income tax amount determined by applying the Singapore income tax rate of 17.0% (2014: 17.0%) to profit or loss before income tax as a result of the following differences:-

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| **Profit before tax** | 16,992 | 5,652 |
| Income tax expense at the above rate | 2,889 | 961 |
| Non-taxable items | (429) | (365) |
| Non-deductible items | 1,261 | 850 |
| Tax exemptions | (64) | (60) |
| Deferred tax assets not recognised | 364 | 363 |
| Under adjustments to tax in respect of prior periods | 4 | 30 |
| Adjustment on Indonesia tax assessment on fiscal year 2008 | 3,418 | – |
| Effect of different tax rates in different countries | (314) | (131) |
| Amount in connection with interests in subsidiary | 677 | – |
| Effect of tax concessions and tax rebate | (101) | (76) |
| Other items less than 3% each | (14) | 11 |
| **Total income tax expense** | 7,691 | 1,583 |

There are no income tax consequences of dividends to owners of the company.

### 12B. Deferred tax expense (income) recognised in profit or loss include:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Excess of net book value of plant and equipment over tax values | (34) | 276 |
| Unrealised exchange losses | – | (50) |
| Tax loss carryforwards | (718) | (504) |
| Deferred tax assets not recognised | 364 | 363 |
| Deferred tax assets recognised on fair value adjustments on acquisition of subsidiary | (129) | (130) |
| Amount in connection with interests in subsidiary | 796 | – |
| **Total deferred tax expense (income) recognised in profit or loss** | 279 | (45) |

## 12. INCOME TAX (CONT'D)

### 12C. Deferred tax balance in the statements of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Deferred tax assets (liabilities) recognised in profit or loss:** | | | | |
| Excess of net book value of plant and equipment over tax values | (440) | (474) | (429) | (429) |
| Tax loss carryforwards | 2,066 | 1,348 | – | – |
| Deferred tax assets not recognised | (1,310) | (946) | – | – |
| Amount in connection with interests in subsidiary | (796) | – | – | – |
| Subtotal | (480) | (72) | (429) | (429) |
| **Deferred tax liabilities recognised directly in statements of financial position:** | | | | |
| Acquisition of subsidiary (Note 29) | (1,081) | (1,210) | – | – |
| Subtotal | (1,081) | (1,210) | – | – |
| **Net total of deferred tax liabilities** | (1,561) | (1,282) | (429) | (429) |

Presented in the statements of financial position as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Deferred tax liabilities | (2,310) | (1,678) | (429) | (429) |
| Deferred tax assets | 749 | 396 | – | – |
| **Net position** | (1,561) | (1,282) | (429) | (429) |

It is impracticable to estimate the amount expected to be settled or used within one year.

The above deferred tax assets for the tax losses that have not been recognised are in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised.The realisation of the future income tax benefits from tax loss carryforwards of $5,727,000 (2014: $4,214,000) is available for a period of 3 to 10 years (2014: 3 to 10 years). The remaining tax loss carryforward of $2,533,000 (2014: $1,722,000) do not expire under the current tax legislation, subject to the conditions imposed by the law.

Included in unrecognised deferred tax assets for the tax losses are tax losses of $2,727,000 (2014: $2,659,000) that will expire in 3 to 10 years (2014: 3 to 10 years). The other unrecognised deferred tax assets for the tax losses of $2,533,000 (2014: $1,722,000) may be carried forward indefinitely.

The aggregate amounts of temporary differences associated with investments in investees for which deferred tax liabilities have not been recognised were as follows. As is explained mentioned in the accounting policy in Note 2A no liability has been recognised in respect of these differences:

| | Group | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Subsidiaries | 1,498 | 1,243 |
| **Total deferred tax liabilities not recognised** | 1,498 | 1,243 |

## 13. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| A. Numerator: earnings attributable to equity<br>Continuing operations: attributable to equity holders | 10,104 | 4,054 |
| | **2015 '000** | **2014 '000** |
| B. Denominators: weighted average number of equity shares | | |
| – Basic | 220,184 | 217,678 |
| – Diluted | 220,184 | 217,678 |

The weighted average number of equity shares refers to shares in circulation during the reporting year. It is after the neutralisation of the treasury shares.

Basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each period.

The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The ordinary share equivalents included in these calculations are the average number of ordinary shares assumed to be outstanding during the reporting year.

## 14. DIVIDENDS ON EQUITY SHARES

| | Group and Company | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Interim one-tier tax-exempt dividend paid of 0.5 cents (2014: 0.3 cents) per share | 1,101 | 661 |
| Final one-tier tax-exempt dividend paid of 0.5 cents (2014: 0.3 cents) per share | 1,101 | 660 |
| **Total** | 2,202 | 1,321 |

In respect of the current year, the directors propose that a final one-tier tax-exempt dividend of 1.5 cents per share totalling $3,303,000 be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements.

The proposed dividend for 2015 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new shares, if any, issued up to the date the dividend becomes payable.

## 15. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land $'000 | Leasehold properties $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2014 | 59 | 776 | 12,553 | 13,388 |
| Arising from acquisition of subsidiary | – | – | 1,216 | 1,216 |
| Additions | – | – | 1,601 | 1,601 |
| Disposals | – | – | (1,380) | (1,380) |
| Foreign exchange adjustments | (1) | (16) | 59 | 42 |
| At 31 December 2014 | 58 | 760 | 14,049 | 14,867 |
| Additions | – | – | 1,177 | 1,177 |
| Disposals | – | – | (1,273) | (1,273) |
| Foreign exchange adjustments | (8) | (98) | (88) | (194) |
| At 31 December 2015 | 50 | 662 | 13,865 | 14,577 |
| **Accumulated depreciation and impairment losses:** | | | | |
| At 1 January 2014 | – | 116 | 6,880 | 6,996 |
| Depreciation for the year | – | 13 | 1,621 | 1,634 |
| Disposals | – | – | (1,262) | (1,262) |
| Foreign exchange adjustments | – | (3) | (52) | (55) |
| At 31 December 2014 | – | 126 | 7,187 | 7,313 |
| Depreciation for the year | – | 11 | 1,736 | 1,747 |
| Disposals | – | – | (1,188) | (1,188) |
| Foreign exchange adjustments | – | (17) | (125) | (142) |
| At 31 December 2015 | – | 120 | 7,610 | 7,730 |
| **Carrying value:** | | | | |
| At 1 January 2014 | 59 | 660 | 5,673 | 6,392 |
| At 31 December 2014 | 58 | 634 | 6,862 | 7,554 |
| At 31 December 2015 | 50 | 542 | 6,255 | 6,847 |

| Company | Plant and equipment $'000 | Total $'000 |
|---|---|---|
| **Cost:** | | |
| At 1 January 2014 | 6,734 | 6,734 |
| Additions | 995 | 995 |
| Disposals | (886) | (886) |
| At 31 December 2014 | 6,843 | 6,843 |
| Additions | 235 | 235 |
| Disposals | (44) | (44) |
| At 31 December 2015 | 7,034 | 7,034 |
| **Accumulated depreciation and impairment losses:** | | |
| At 1 January 2014 | 2,859 | 2,859 |
| Depreciation for the year | 744 | 744 |
| Disposals | (881) | (881) |
| At 31 December 2014 | 2,722 | 2,722 |
| Depreciation for the year | 825 | 825 |
| Disposals | (44) | (44) |
| At 31 December 2015 | 3,503 | 3,503 |
| **Carrying value:** | | |
| At 1 January 2014 | 3,875 | 3,875 |
| At 31 December 2014 | 4,121 | 4,121 |
| At 31 December 2015 | 3,531 | 3,531 |

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is charged as administrative expenses in profit or loss.

Certain leasehold properties of a subsidiary at carrying value of $428,000 (2014: $501,000) are mortgaged to banks to secure banking facilities granted by the banks. The banking facilities remain unutilised as at the end of reporting year (Note 33E).

## 16. INVESTMENT PROPERTY

| Group | $'000 |
|---|---|
| **At cost:** | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 1,400 |
| **Accumulated depreciation:** | |
| At 1 January 2014 | 163 |
| Depreciation for the year | 19 |
| At 31 December 2014 | 182 |
| Depreciation for the year | 18 |
| At 31 December 2015 | 200 |
| **Carrying value:** | |
| At 31 December 2014 | 1,218 |
| At 31 December 2015 | 1,200 |
| **Fair value:** | |
| At 31 December 2014 | 2,760 |
| At 31 December 2015 | 2,600 |

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Rental income from investment property | 55 | 120 |
| Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the reporting year | (10) | (10) |

The depreciation expense is charged as administrative expenses in profit or loss.

The investment property is pledged as security for bank facilities (see Note 27A).

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

The investment property is leased out under operating leases. Also see Note 32 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

The fair value of the investment property was measured as at 31 December 2015 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by Savills Valuation and Professional Services (S) Pte. Ltd., a firm of independent professional valuers in December 2015. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year.

Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

## 16. INVESTMENT PROPERTY (CONT'D)

For fair value measurements categorised within Level 2 of the fair value hierarchy, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

| | |
|---|---|
| Asset: | One unit of leasehold property at Block 726 Ang Mo Kio Avenue 6 Singapore 560726. |
| Fair value:<br>Fair value hierarchy – Level: | $2,600,000 (2014: $2,760,000).<br>Level 2 (2014: Level 2). |
| Valuation technique for recurring fair value measurements: | Comparison with market evidence of recent transaction prices for similar properties. |
| Significant observable inputs and range (weighted average): | Price per square foot. $1,756 to $2,323 (2014: $1,762 to $2,181) |
| Relationship of unobservable inputs to fair value: | Not applicable. |
| Sensitivity on management's estimates 10% variation from estimate: | Impact – lower by $260,000 (2014: $276,000); higher by $260,000 (2014: $276,000). |

There were no transfers between levels 2 and 3 during the year.

## 17. INTANGIBLE ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Goodwill (Note 17A) | 1,016 | 1,043 | – | – |
| Other intangible assets (Note 17B) | 6,002 | 6,857 | 41 | 96 |
| At end of the year | 7,018 | 7,900 | 41 | 96 |

### 17A. Goodwill

| | Group | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| **Cost:** | | |
| Balance at beginning of the year | 1,043 | 357 |
| Goodwill written off | (27) | – |
| Arising from acquisition of subsidiary (Note 29) | – | 686 |
| Balance at end of the year | 1,016 | 1,043 |

## 17. INTANGIBLE ASSETS (CONT'D)

### 17A. Goodwill (cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment in each subsidiary as follows:-

| | Group | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Name of subsidiary:** | | |
| Best World (Zhejiang) Pharmaceutical Co., Ltd. ("BWZ") | 686 | 686 |
| Best World Lifestyle Sdn. Bhd. ("BWLSB") | 324 | 324 |
| Best World China Investment Pte. Ltd. ("BWC") | – | 27 |
| BWL (Thailand) Company Limited ("BWLT") | 6 | 6 |
| Net book value at end of the year | 1,016 | 1,043 |

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of cash-generating units have been measured based on the fair value less costs of disposal method or the value in use method as appropriate for the separate CGUs.

The quantitative information about the value in use measurement using significant unobservable inputs for the respective CGUs are analysed as follows:

| Valuation technique and unobservable inputs | BWZ | | BWLSB | |
|---|---|---|---|---|
| **Discounted cash flow method:** | **2015** | **2014** | **2015** | **2014** |
| Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs. | 16.50% | 13.50% | 15.37% | 15.37% |
| Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets. | 3% | 3% | 0% | 0% |
| Cash flow forecasts derived from the most recent financial budgets and plans approved by management. | 5 years | 5 years | 5 years | 5 years |

Goodwill related to BWLT is not significant.

No impairment allowance was recognised because the carrying amount of all CGUs was lower than their recoverable amount. The value in use was measured by management.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the cash generating unit are consistent with those used for the measurement last performed.

## 17. INTANGIBLE ASSETS (CONT'D)

### 17B. Other intangible assets

| Group | Product licenses [(a)] [(b)] $'000 | Trade marks $'000 | Customer relationship [(b)] $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2014 | 2,083 | 820 | – | 2,903 |
| Additions | 28 | 15 | – | 43 |
| Additions through business combination (Note 29) | 6,196 | – | 740 | 6,936 |
| Foreign exchange adjustments | 152 | (29) | – | 123 |
| At 31 December 2014 | 8,459 | 806 | 740 | 10,005 |
| Additions | – | 21 | – | 21 |
| Disposals | (227) | – | – | (227) |
| Foreign exchange adjustments | 157 | 13 | – | 170 |
| At 31 December 2015 | 8,389 | 840 | 740 | 9,969 |
| **Amortisation and impairment:** | | | | |
| At 1 January 2014 | 1,547 | 621 | – | 2,168 |
| Amortisation for the year | 699 | 94 | 142 | 935 |
| Foreign exchange adjustments | 77 | (32) | – | 45 |
| At 31 December 2014 | 2,323 | 683 | 142 | 3,148 |
| Amortisation for the year | 790 | 74 | 154 | 1,018 |
| Disposals | (227) | – | – | (227) |
| Foreign exchange adjustments | 34 | (6) | – | 28 |
| At 31 December 2015 | 2,920 | 751 | 296 | 3,967 |
| **Net book value:** | | | | |
| At 1 January 2014 | 536 | 199 | – | 735 |
| At 31 December 2014 | 6,136 | 123 | 598 | 6,857 |
| At 31 December 2015 | 5,469 | 89 | 444 | 6,002 |

| Company | Trade marks $'000 | Total $'000 |
|---|---|---|
| **Cost:** | | |
| At 1 January 2014 | 600 | 600 |
| Additions | 3 | 3 |
| At 31 December 2014 | 603 | 603 |
| Additions | 3 | 3 |
| At 31 December 2015 | 606 | 606 |
| **Amortisation and impairment:** | | |
| At 1 January 2014 | 435 | 435 |
| Amortisation for the year | 72 | 72 |
| At 31 December 2014 | 507 | 507 |
| Amortisation for the year | 58 | 58 |
| At 31 December 2015 | 565 | 565 |
| **Net book value:** | | |
| At 1 January 2014 | 165 | 165 |
| At 31 December 2014 | 96 | 96 |
| At 31 December 2015 | 41 | 41 |

The amortisation expense is charged as administrative expenses in profit or loss.

## 17. INTANGIBLE ASSETS (CONT'D)

### 17B. Other intangible assets (cont'd)

(a) The balance includes product license from Best World Lifestyle (Shanghai) Co., Ltd ("BWL Shanghai") with net book value of $625,000 (2014: $527,000) and details are as follows:

The company entered into an asset sale and purchase agreement dated 16 January 2004, as supplemented by Supplemental Agreement dated 16 February 2004 (the "Vigor Acquisition Agreement") with Chengdu Weige'er Stock Holding Co., Ltd ("CWSH") and Chengdu Tonglian Pharmaceutical Co., Ltd ("CTP") to acquire 20 product licences, inventories and all the trademarks in respect of the range of nutritional supplements sold and marketed in the People's Republic of China ("PRC") for the past 5 years under the brand "Vigor".

On 9 February 2004, Best World China Investments Pte. Ltd. ("BWC"), CWSH and CTP entered into an agreement to novate all the company's rights, interest and obligations under the Vigor Acquisition Agreement to BWC.

On 9 August 2005, BWC, BWL Shanghai, CWSH and CTP entered into an agreement to further novate BWC's rights, interest and obligations under Vigor Acquisition Agreement to BWL Shanghai.

BWL Shanghai completed the acquisition under the Vigor Acquisition Agreement during 2006 and acquired 16 product licenses from the vendor. Four product licenses and certain inventories stated in the agreement were not transferred to BWL Shanghai. The net consideration for the acquisition of the 16 product licenses amounted to RMB10.03 million ($2 million).

The useful lives of the product licenses are estimated to be 25 years. Amortisation of the product licenses commenced in 2008 when the products under the product licenses commenced trading. Impairment test is assessed. The recoverable amount was determined by management based on the estimated present value of the future cash flows attributable to the product licenses. The key assumptions used for the calculation are as follows:

| | 2015 | 2014 |
|---|---|---|
| 1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs | 15.2% | 15.2% |
| 2. Growth rates for years are based on management's forecasts and the growth rates are as follows: | | |
| – For the year 2015 | – | 20% |
| – For the year 2016 | 20% | 3% |
| – For the year 2017 | 3% | 3% |
| – For the year 2018 | 3% | 3% |
| – For the year 2019 | 3% | 3% |
| – From year 2020 to 2033 | 3% | 3% |
| 3. Cash flow forecasts derived from the most recent financial budgets approved by management | 18 years | 19 years |

## 17. INTANGIBLE ASSETS (CONT'D)

### 17B. Other intangible assets (cont'd)

(b) The balance includes 36 production permits, production formulas and customer relationship, with net book value of $5,288,000 (2014: $6,207,000), arising from acquisition of subsidiary, Best World (Zhejiang) Pharmaceutical Co., Ltd. ("BWZ") during the reporting year 2014. Further details are disclosed in Note 29.

The useful lives of the production permits and production formulas ranges from 10 to 15 years. Amortisation of the production permits and production formulas commenced when the products under the product licenses commenced trading. Impairment test is assessed. The recoverable amount was determined by management based on the estimated present value of the future cash flows attributable to the production permits and production formulas. The key assumptions used for the calculation are as follows:

| | 2015 | 2014 |
|---|---|---|
| 1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs | 15.2% | 15.5% |
| 2. Growth rates for years are based on management's forecasts and the growth rates are as follows: | | |
| – For the year 2015 | – | 20% |
| – For the year 2016 | 2% | 3% |
| – For the year 2017 | 3% | 3% |
| – For the year 2018 | 3% | 3% |
| – For the year 2019 | 3% | 3% |
| – From year 2020 to 2029 | 3% | 3% |
| 3. Cash flow forecasts derived from the most recent financial budgets approved by management | 14 years | 15 years |

The useful lives of the customer relationship is 5 years. Impairment test is assessed. The recoverable amount was determined by management based on the estimated present value of the future cash flows attributable to the customer relationship. The key assumptions used for the calculation are as follows:

| | 2015 | 2014 |
|---|---|---|
| 1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs | 15.2% | 16.5% |
| 2. Growth rates for years are based on management's forecasts and the growth rates are as follows: | | |
| – For the year 2015 | – | 20% |
| – For the year 2016 | 2% | 3% |
| – For the year 2017 | 3% | 3% |
| – For the year 2018 | 3% | 3% |
| – For the year 2019 | 3% | 3% |
| 3. Cash flow forecasts derived from the most recent financial budgets approved by management | 4 years | 5 years |

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Movement during the year. At cost: | | |
| Balance at beginning of the year | 13,931 | 14,561 |
| Acquisitions | 649 | 287 |
| Disposals | (10,560) | – |
| Less reversal of (allowance for) impairment | 1 | (917) |
| Cost at the end of the year | 4,021 | 13,931 |
| Total cost comprising: | | |
| Unquoted equity shares at cost | 11,009 | 20,920 |
| Less allowance for impairment | (6,988) | (6,989) |
| Total at cost | 4,021 | 13,931 |

| | Company | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| **Analysis of amounts denominated in non-functional currency:** | | |
| Malaysian ringgit | 1,863 | 1,863 |
| Indonesian rupiah | 4,978 | 4,978 |
| New Taiwan dollar | 94 | 94 |
| Hong Kong dollar | 118 | 118 |
| United States dollar | – | 10,560 |
| Korean Won | 1,239 | 1,239 |
| Philippines Peso | 765 | 765 |
| Vietnam Dong | 649 | – |
| Thai Baht | 48 | 48 |
| **Movements in allowance for impairment:** | | |
| Balance at beginning of the year | 6,989 | 6,072 |
| Impairment (reversed) loss charge to profit or loss included in (other gains) other losses | (1) | 917 |
| Balance at end of the year | 6,988 | 6,989 |

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the company and the group are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Cost in books of company | | Effective percentage of equity held by group | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 % | 2014 % |
| Held by the company | | | | |
| Best World Lifestyle Pte. Ltd. (a)<br>Singapore<br>Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | 1,251 | 1,251 | 100 | 100 |
| Avance Living Pte. Ltd. (a)<br>Singapore<br>Distribution of nutritional supplements, personal care products and healthcare equipment | 4 | 4 | 100 | 100 |
| Best World Lifestyle Sdn. Bhd. (c) (n)<br>Malaysia<br>Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | 1,863 | 1,863 | 77.5 | 77.5 |
| PT Best World Indonesia (d)<br>Indonesia<br>Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | 4,978 | 4,978 | 80 | 80 |
| BWL (Thailand) Company Limited (b) (j)<br>Thailand<br>Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | 48 | 48 | 49 | 49 |
| Best World China Investments Pte. Ltd. (h)<br>Singapore<br>Investment holding company | * | * | 100 | 100 |
| Best World Lifestyle (HK) Company Limited (b)<br>Hong Kong<br>Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | 118 | 118 | 100 | 100 |
| Best World Lifestyle Pty Ltd (q)<br>Australia<br>Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | – | * | – | 100 |
| Best World Lifestyle (Taiwan) Co., Ltd (b)<br>Taiwan<br>Distribution of health food, network services, sanitary products, skin care and cosmetic products | 94 | 94 | 100 | 100 |
| BWL Korea Co., Ltd (g)<br>Korea<br>Distribution of skin care, health food and equipment | 1,239 | 1,239 | 100 | 100 |
| PT BWL Indonesia (d) (k)<br>Indonesia<br>Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment | – | – | 80 | 80 |
| Best World (Qingdao) Health Sciences Company Ltd (i)<br>People's Republic of China<br>Distribution of skin care and health-related products | – | 10,560 | – | 100 |
| BWL Health & Sciences, Inc. (b) (p)<br>Philippines<br>Selling and distribution, on wholesale basis of skin care, nutritional supplements and personal care products and health care supplement | 765 | 765 | 100 | 100 |

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Cost in books of company | | Effective percentage of equity held by group | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 % | 2014 % |
| Best World Vietnam Company Limited (b) (l)<br>(Formerly known as Vista Link Company Limited)<br>Vietnam<br>Trading and distribution of skin care and health-related products | 649 | – | 100 | 100 |
| Best World (China) Health Sciences Company Limited (g) (m)<br>People's Republic of China<br>Manufacture, distribution and development of beauty and skin care, cosmetic and personal health products | – | – | 100 | 100 |
| | 11,009 | 20,920 | | |
| Held through Best World Lifestyle Pte. Ltd.<br><br>Best World (Zhejiang) Pharmaceutical Co., Ltd.(e) (o)<br>People's Republic of China<br>Development, manufacture and wholesale of its proprietary brand of dietary supplements. | | | 100 | 100 |
| Held through Best World (Zhejiang) Pharmaceutical Co., Ltd.<br><br>Best World Lifestyle (Shanghai) Co., Ltd (f)<br>People's Republic of China<br>Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment. Has not commenced commercial operations. | | | 100 | 100 |

* Denotes amount less than $1,000.

(a) Audited by RSM Chio Lim LLP, a member of RSM International.

(b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by Crowe Horwath Malaysia, a member of Crowe Horwath International.

(d) Audited by Tjahjadi & Tamara, a member of Morison International.

(e) Audited by SBA Stone Forest Shanghai Certified Public Accountants (Partnership), an affiliated firm of RSM Chio Lim LLP.

(f) Audited by Hunan Zhongqiao Sanxiang Certified Public Accountants.

(g) Not audited as the financial result is not significant to the group.

(h) The entity ceased operations during the reporting year and was de-reigstered in January 2016.

(i) During the reporting year, the entity's share capital was reduced by approximately US$7.5 million via a capital reduction exercise. The capital reduction was effected by cancelling shares in the subsidiary and returning cash of approximately US$7.5 million ($10.4 million) to the company. The entity was subsequently deregistered with the Qingdao Municipal Bureau of Commerce in the People's Republic of China during the reporting year.

(j) The group considers the entity as a subsidiary of the group as the group has management control over the entity through a shareholders' agreement.

(k) The entity is not owned by the group directly or indirectly through subsidiaries, but is consolidated as the group is able to have control over the entity's financial and operating policies by virtue of an agreement with the shareholders of the entity. The group has 80% effective control over the entity.

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(l) In the reporting year 2014, the entity is not owned by the group directly or indirectly through subsidiaries, but is consolidated as the group is able to have control over the entity's financial and operating policies by virtue of a management agreement with the shareholder of the entity. The group has 100% effective control over the entity.

During the reporting year 2015, the company acquired the entire equity in the entity for a consideration of VND5,000,000,000 (equivalent to $346,000) from Mr Su Chu Fa ("Mr Su"), the sole shareholder of the entity, by offsetting the outstanding loan amount due from Mr Su. Following the acquisition, the entity is a wholly-owned subsidiary of the company (also see Note 19b). Subsequent to the acquisition, the company further increased its shareholdings in the subsidiary by way of capitalization of the amount of $303,000 owing by the subsidiary.

(m) The entity was incorporated in the reporting year 2012 and no capital has been injected since incorporation.

(n) During the reporting year 2014, the group acquired additional 7.5% equity interests from a non-related party at the purchase consideration of $110,000 (MYR277,500), which increases the company's equity interest in the entity from 70% to 77.5%.

The following summarises the effect of the change in the group's ownership interest in the entity on the equity attributable to owners of the company:

| | 2014<br>$'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 223 |
| Consideration paid to non-controlling interests | (110) |
| Discount of consideration paid recognised in parent's equity | 113 |

(o) During the reporting year 2014, the group acquired 100% equity interests of the entity, through its wholly owned subsidiary Best World Lifestyle Pte. Ltd. Further details are disclosed in Note 29. Subsequent to the acquisition, on 5 September 2014, the group made an additional capital injection of RMB44.5 million ($9 million) into the entity to raise its registered capital from RMB37.5 million to RMB82 million which is a pre-requisite for its application of a direct selling license in the People's Republic of China.

The purchase consideration and the capital injection were funded by the company via quasi equity loans to Best World Lifestyle Pte. Ltd. (Note 19).

(p) During the reporting year 2014, the group acquired additional 20% equity interests from a non-related party at the purchase consideration of $177,000 (PHP6,000,000) which increases the company's equity interest in the entity from 80% to 100%.

The following summarises the effect of the change in the group's ownership interest in the entity on the equity attributable to owners of the company:

| | 2014<br>$'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 304 |
| Consideration paid to non-controlling interests | (177) |
| Discount of consideration paid recognised in parent's equity | 127 |

(q) The entity was de-reigstered during the reporting year.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

There are subsidiaries that have non-controlling interests ("NCI") that are considered material to the reporting entity and additional disclosures on them (amounts before inter-company eliminations) are presented below.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| PT Best World Indonesia and PT BWL Indonesia | | |
| The loss allocated to NCI of the subsidiaries during the reporting year | (796) | (158) |
| Accumulated NCI of the subsidiaries at end of the reporting year | (2,780) | (2,011) |
| The summarised financial information of the subsidiaries (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations) is as follows: | | |
| Current assets | 2,919 | 4,531 |
| Non-current assets | 287 | 284 |
| Current liabilities | (11,160) | (9,330) |
| Revenue | 6,507 | 2,896 |
| Loss for the reporting year | (3,584) | (665) |
| Total comprehensive loss | (3,584) | (665) |
| Operating cash flows, decrease | (82) | (781) |
| Net cash flows, increase (decrease) | 442 | (282) |

## 19. OTHER RECEIVABLES, NON-CURRENT

| | Company | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Loan receivables from subsidiaries (Notes 3 and 18) [(a)] | 16,295 | 19,584 |
| Loan receivable from an outside party [(b)] | – | 347 |
| Less allowance for impairment | – | (2,247) |
| Total | 16,295 | 17,684 |
| **Movements in above allowance:** | | |
| Balance at beginning of the year | 2,247 | 1,900 |
| Used | (1,745) | – |
| (Reversed) charge for other receivables to profit or loss included in (other gains) other losses | (502) | 347 |
| Balance at end of the year | – | 2,247 |

(a) Loan receivables from subsidiaries of $16,295,000 (2014: $19,584,000) are unsecured, interest-free and quasi-equity in nature. They are not expected to be settled in the foreseeable future.

(b) Loan receivable from an outside party of $nil (2014: $347,000) representing advance to Mr Su for capital injection to Best World Vietnam Company Limited ("BWVC") (formerly known as Vista Link Company Limited) on behalf of the company. BWVC is solely owned by Mr Su who had signed Management Agreement with the company on 11 May 2010. Under the Management Agreement, the company undertakes full management control over BWVC. As the amount is investment in nature, it has been classified as non-current receivables. During the reporting year 2015, the company acquired the entire equity of BWVC and the purchase consideration is settled through offsetting the outstanding amount due from Mr Su (also see Note 18(l)).

## 20. OTHER FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Balance is made up of:<br>Held-to-maturity investment at amortised cost: | 1,990 | 259 | 1,990 | 259 |
| Classified as: | | | | |
| Current | – | 259 | – | 259 |
| Non-current | 1,990 | – | 1,990 | – |
| | 1,990 | 259 | 1,990 | 259 |
| **Movements during the year:** | | | | |
| Balance at beginning of the year | 259 | 1,274 | 259 | 1,274 |
| Additions | 1,990 | – | 1,990 | – |
| Disposals on maturity | (259) | (1,015) | (259) | (1,015) |
| Balance at end of the year | 1,990 | 259 | 1,990 | 259 |

### 20A. Disclosures relating to investments

| | Level | 2015 $'000 | 2014 $'000 | 2015 % | 2014 % |
|---|---|---|---|---|---|
| **Group and Company** | | | | | |
| **Held-to-maturity investment at amortised cost:** | | | | | |
| Quoted bonds in corporations with fixed interest rate at | | | | | |
| – 3.22% maturing on 8 April 2015 (effective rate: 3.22%, 2014: 3.22%), Singapore | 1 | – | 259 | – | 100.0 |
| – 5.33% maturing on 16 April 2018 (effective rate: 4.73%, 2014: nil), Sri Lanka | 1 | 287 | – | 14.4 | – |
| – 4.50% to 6.50% maturing between 3 May 2018 to 6 October 2019 (effective rate: 4.27% to 6.81%, 2014: nil), Cayman Island | 1 | 848 | – | 42.6 | – |
| – 3.50% maturing on 21 April 2020 (effective rate: 3.75%, 2014: nil), British Virgin Islands | 1 | 280 | – | 14.1 | – |
| – 4.50% to 4.85% maturing between 31 January 2020 to 5 February 2020 (effective rate: 4.00% to 4.44%, 2014: nil), Singapore | 1 | 575 | – | 28.9 | – |
| Total | | 1,990 | 259 | 100.0 | 100.0 |

### 20B. Fair value of financial instruments stated at amortised cost in the statement of financial position

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Group and Company** | | |
| Group and Company | | |
| Held-to-maturity Investment at amortised cost shown above are stated at cost. | | |
| The fair values are: | | |
| Quoted bonds in corporations with fixed interest rate at | | |
| – 3.22% maturing on 8 April 2015 (effective rate: 3.22%, 2014: 3.22%), Singapore | – | 259 |
| – 5.33% maturing on 16 April 2018 (effective rate: 4.73%, 2014: nil), Sri Lanka | 279 | – |
| – 4.50% to 6.50% maturing between 3 May 2018 to 6 October 2019 (effective rate: 4.27% to 6.81%, 2014: nil), Cayman Island | 830 | – |
| – 3.50% maturing on 21 April 2020 (effective rate: 3.75%, 2014: nil), British Virgin Island | 280 | – |
| – 4.50% to 4.85% maturing between 31 January 2020 to 5 February 2020 (effective rate: 4.00% to 4.44%, 2014: nil), Singapore | 564 | – |
| Fair value at end of year | 1,953 | 259 |

## 20. OTHER FINANCIAL ASSETS (CONT'D)

### 20B. Fair value of financial instruments stated at amortised cost in the statement of financial position (cont'd)

A summary of the maturity dates as at the end of the reporting year is as follows:

| | Group and Company | |
|---|---|---|
| | **2015 $'000** | **2014 $'000** |
| Within 1 year | – | 259 |
| Within 2 to 3 years | 843 | – |
| After 3 years | 1,147 | – |
| Total Held-to-maturity investments at amortised cost | 1,990 | 259 |

None of the financial assets measured at amortised cost were reclassified to financial assets at fair value during the reporting year.

## 21. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Finished goods for resale | 11,515 | 7,753 | 8,309 | 5,225 |
| Inventories are stated after allowance. Movement in allowance: | | | | |
| Balance at beginning of the year | (1,220) | (115) | (255) | (3) |
| Charged to profit or loss included in other losses | (1,005) | (1,198) | (985) | (252) |
| (Charged) reversal to profit or loss included in cost of sales | (1) | 18 | – | – |
| Used | – | 82 | – | – |
| Foreign exchange adjustments | 13 | (7) | – | – |
| At end of the year | (2,213) | (1,220) | (1,240) | (255) |

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Increase in inventories of finished goods | (3,762) | (1,848) | (3,084) | (1,214) |
| Cost of purchases | 28,425 | 21,008 | 20,582 | 14,558 |
| Inventories written off charged to profit or loss included in cost of sales | 142 | 115 | 121 | 115 |

There are no inventories pledged as security for liabilities.

## 22. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Trade receivables:** | | | | |
| Outside parties | 8,201 | 7,695 | 4,283 | 2,607 |
| Subsidiaries (Note 3) | – | – | 13,109 | 11,744 |
| Less allowance for impairment | (984) | (719) | (10,138) | (9,036) |
| Subtotal | 7,217 | 6,976 | 7,254 | 5,315 |
| **Other receivables:** | | | | |
| Subsidiaries (Note 3) | – | – | 6,518 | 5,941 |
| Outside parties | 3,539 | 2,841 | 3,494 | 2,145 |
| Less allowance for impairment | (169) | (463) | (4,390) | (3,861) |
| Subtotal | 3,370 | 2,378 | 5,622 | 4,225 |
| Total trade and other receivables | 10,587 | 9,354 | 12,876 | 9,540 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Movements in above allowance:** | | | | |
| Balance at beginning of the year | 1,182 | 520 | 12,897 | 8,089 |
| Charge for trade receivables to profit or loss included in other losses | 265 | 352 | 1,102 | 3,412 |
| Charge for other receivables to profit or loss included in other losses | – | 294 | 722 | 1,396 |
| Used | (294) | – | (193) | – |
| Foreign exchange adjustments for trade receivables | – | 16 | – | – |
| Balance at end of the year | 1,153 | 1,182 | 14,528 | 12,897 |

## 23. OTHER ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Deposits to secure services | 5,306 | 4,335 | 4,317 | 4,050 |
| Prepayments (a) | 1,944 | 4,377 | 128 | 142 |
| Total other assets | 7,250 | 8,712 | 4,445 | 4,192 |

(a) The balances include value added tax of $788,000 (2014: $815,000) and corporate income tax of Nil (2014: $2,317,000) prepaid to the Indonesia Tax Authority (also see Note 30B).

## 24. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Not restricted in use (a) | 40,812 | 39,220 | 11,109 | 2,173 |
| Cash pledged for bank facilities (b) | 2,075 | 1,755 | 1,500 | 1,500 |
| Cash pledged for security deposits (c) | 4,360 | – | – | – |
| Cash at end of the year | 47,247 | 40,975 | 12,609 | 3,673 |
| Interest earning balances | 9,959 | 3,528 | 9,419 | 1,500 |

The rate of interest for the cash on interest earning accounts is between 0.09% and 5.0% (2014: 0.05% and 5.0%) per annum.

(a) The balances include bank balances and short term deposits with a maturity of less than 90 days.

## 24. CASH AND CASH EQUIVALENTS (CONT'D)

(b) This is for fixed deposits ranging from 1 month to 6 years (2014: 1 month to 6 years) maturity pledged to certain banks to secure banking facilities granted to the group. The banking facilities remain unutilised as at the end of reporting year (Note 33E).

(c) This relates to security deposits with an overseas bank placed by a subsidiary.

### 24A. Cash and cash equivalents in the consolidated statement of cash flows:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Amount as shown above | 47,247 | 40,975 |
| Cash pledged for bank facilities | (2,075) | (1,755) |
| Cash pledged for security deposits | (4,360) | – |
| Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year | 40,812 | 39,220 |

### 24B. Non-cash transaction

During the reporting year, the group and the company acquired plant and equipment with aggregate cost of $31,000 (2014: $871,000) of which $22,000 (2014: $430,000) were by means of finance leases (Note 27).

## 25. SHARE CAPITAL

| Group and Company | Total number of shares issued<br>'000 | Share capital<br>$'000 | Number of treasury shares<br>'000 | Treasury shares<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| **Ordinary shares of no par value:** | | | | | |
| Balance at 1 January 2014 | 206,256 | 17,641 | 1,573 | (449) | 17,192 |
| Issued shares [(a)] | 15,501 | 3,085 | – | – | 3,085 |
| Share issue expenses | – | (108) | – | – | (108) |
| Balance at 31 December 2014 and 31 December 2015 | 221,757 | 20,618 | 1,573 | (449) | 20,169 |

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

(a) In February 2014, the company issued 15,500,717 new ordinary shares at an issue price of $0.199 per share. These ordinary shares are subject to a 12-month moratorium commencing from the date of completion of the subscription. Following the allotment and issue of the subscription shares, the issued and paid-up share capital of the company increased from $17,641,137 comprising 204,683,147 shares (excluding 1,573,000 shares which are held as treasury shares) to $20,618,688 comprising 220,183,864 shares (excluding 1,573,000 shares which are held as treasury shares).

### Capital management:

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

## 25. SHARE CAPITAL (CONT'D)

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

As disclosed in Note 27, the group and company have bank borrowings and finance leases totaling to $18,000 as at 31 December 2015 (2014: $6,047,000) and these are secured by specific assets. The debt-to-adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

## 26. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Trade payables** | | | | |
| Outside parties and accrued liabilities | 15,417 | 14,204 | 4,145 | 1,231 |
| Subtotal – trade payables | 15,417 | 14,204 | 4,145 | 1,231 |
| **Other payables** | | | | |
| Outside parties | 8,490 | 2,715 | 5,817 | 5,016 |
| Contingent consideration (Note 29(a)) | 598 | 2,080 | – | – |
| Subtotal – other payables | 9,088 | 4,795 | 5,817 | 5,016 |
| Total trade and other payables | 24,505 | 18,999 | 9,962 | 6,247 |

## 27. OTHER FINANCIAL LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Non-current:** | | | | |
| **Financial instruments with floating interest rates:** | | | | |
| Bank loans (secured) (Note 27A) | – | 1,328 | – | 1,328 |
| **Financial instruments with fixed interest rates:** | | | | |
| Finance leases (Note 27B) | 11 | – | – | – |
| Non-current | 11 | 1,328 | – | 1,328 |
| **Current:** | | | | |
| **Financial instruments with floating interest rates:** | | | | |
| Bank loans (secured) (Note 27A) | – | 4,504 | – | 4,504 |
| **Financial instruments with fixed interest rates:** | | | | |
| Finance leases (Note 27B) | 7 | 215 | – | 215 |
| Total current | 7 | 4,719 | – | 4,719 |
| Total | 18 | 6,047 | – | 6,047 |

### 27A. Bank loans (secured)

The facility agreements for certain of the bank loan provide among other matters the following:

(i) Interest rate is calculated at a margin over the bank's cost of funds as conclusively determined by the bank from time to time;
(ii) Legal mortgage over the investment property (Note 16);
(iii) Need to comply with certain financial covenants.

## 27. OTHER FINANCIAL LIABILITIES (CONT'D)

### 27A. Bank loans (secured) (cont'd)

The range of floating rate interest rates paid were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Bank loans | 1.39% – 2.92% | 0.74% – 2.50% | 1.39% – 2.92% | 0.74% – 2.50% |

The floating rate debt instruments are with interest rates that are re-set regularly at 1 to 3 months intervals.

### 27B. Finance leases

| 2015 | Minimum payments $'000 | Finance charges $'000 | Present value $'000 |
|---|---|---|---|
| Minimum lease payments payable: | | | |
| Due within one year | 10 | (3) | 7 |
| Due within 2 to 5 years | 12 | (1) | 11 |
| Total | 22 | (4) | 18 |
| Net book value of plant and equipment under finance leases | | | 28 |

| 2014 | Minimum payments $'000 | Finance charges $'000 | Present value $'000 |
|---|---|---|---|
| Minimum lease payments payable: | | | |
| Due within one year | 219 | (4) | 215 |
| Total | 219 | (4) | 215 |
| Net book value of plant and equipment under finance leases | | | 769 |

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

| | 2015 | 2014 |
|---|---|---|
| Average lease term, in year | 3 | 1 |
| Average effective borrowing rate per year | 5.69% | 1.88% |

The finance leases and the average effective borrowing rate per year is a reasonable approximation of the carrying amount (Level 2).

The total for finance leases and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is $18,000 (2014: $215,000) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the year-end interest rate of 5.69% (2014: 1.88%).

## 28. OTHER LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Provision for restoration costs | 961 | 961 | 882 | 882 |
| Movements in the above provision: | | | | |
| At beginning and end of the year | 961 | 961 | 882 | 882 |

## 28. OTHER LIABILITIES (CONT'D)

The provision is based on the costs to be incurred to remove the leasehold improvements from leased property. The estimate is based on quotation from external contractors. The unexpired terms range from 2 to 3 years (2014: 2 to 3 years). Impact of discounting is not significant.

## 29. ACQUISITION OF SUBSIDIARY

On 26 February 2014, the group acquired 100% of the share capital in BWZ, incorporated in People's Republic of China, and from that date the group gained control. It became a subsidiary (also see Note 18 for the principal activities). Management completed the purchase price allocation exercise and identified the fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition. The transaction was accounted for by the acquisition method of accounting.

The purchase consideration is as follows:-

| | 2014<br>$'000 |
|---|---|
| **Purchase consideration:** | |
| Cash paid | 7,295 |
| Contingent consideration [a] | 2,080 |
| Total purchase consideration | 9,375 |

The effects on cash flows of the Group is as follows:-

| | 2014<br>$'000 |
|---|---|
| Cash paid as above | 7,295 |
| Less: cash and cash equivalents in subsidiary acquired | (194) |
| Cash outflow on acquisition | 7,101 |

The net assets acquired and the related fair values are as follows:

| | Group<br>Acquiree's carrying amount | |
|---|---|---|
| **2014** | **Before combination<br>$'000** | **At fair values<br>$'000** |
| Property, plant and equipment | 1,216 | 1,216 |
| Intangible assets [b] | 1,641 | 6,196 |
| Customer relationship [c] | – | 740 |
| Deferred tax assets | 40 | 40 |
| Goodwill [d] | – | 686 |
| Inventory [e] | 745 | 966 |
| Trade and other receivables | 2,929 | 2,929 |
| Cash and cash equivalents | 194 | 194 |
| Deferred tax liabilities [f] | – | (1,380) |
| Income tax payables | (47) | (47) |
| Trade and other payables | (2,165) | (2,165) |
| | 4,553 | 9,375 |

(a) The group entered into a legally-binding agreement with Mr Shi Jinyu, vendor of BWZ, under which the vendor is entitled to profits after tax of BWZ for reporting years 2014 and 2015 but capped at a total of RMB 20 million. The above liability amount recognised is the measured fair value (Level 3) of this arrangement at the acquisition date. Subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period of not more than twelve months about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

The fair value of the contingent consideration arrangement was measured by applying the income approach. The fair value measurements (Level 3) are based on an assumed discount rate of 4%, forecasted net profit after tax for reporting year 2014 (which approximate actual) and reporting year 2015.

Mr Shi Jinyu is also employed as General Manager of BWZ subject to the terms of the service agreement.

## 29. ACQUISITION OF SUBSIDIARY (CONT'D)

(b) Intangible assets is measured based on future cash flows projection using the multi-period excess earnings model ("MEEM") at discount rate of 15.5% over the useful lives of health supplement ranging from 10 to 15 years. Management has provided revenue forecast based on growth rate of 20% for 2015 and the People Republic of China's long term growth rate of 3% for 2016 to 2029.

(c) BWZ sells its dietary supplements and products to distributors and pharmacy chains across People's Republic of China and has built strong relationship with these distributors. The customer relationship meets the criteria for recognition as an intangible asset under FRS 38 as BWZ is able to identify each customer and has a history and pattern of conducting business with these customers.

Customer relationship is measured based on future cash flows projection using the multi-period excess earnings model ("MEEM") at discount rate of 16.5% over the remaining useful lives of 5 years. Management has provided revenue forecast based on growth rate of 20% for 2015 and People Republic of China's long term growth rate of 3% for 2016 to 2019.

(d) The goodwill arising on the acquisition of BWZ is attributable to the anticipated profitability of the distribution of the group's products in the People's Republic of China and the anticipated future operating synergies from the combination.

The assembled workforce, high existing profitability and the synergies that the group will obtain all contributed to the amount paid for goodwill. Those assets do not meet the recognition criteria prescribed by FRS 103 and therefore have not been recognised as separate intangible assets, but subsumed in goodwill. The goodwill is not deductible for tax purposes.

(e) Inventory is measured at estimated cost to complete for the work in process and estimated selling costs margin based on average projected performance throughout the forecast period, through the disposal of the finished goods and work in process inventory items.

(f) Deferred tax liabilities is measured at corporate statutory tax rates of 25% in People's Republic of China in excess of net assets acquired.

The contributions from the acquired subsidiary for the period between the date of acquisition and end of the reporting year 2014 were as follows:

| | Group | |
|---|---|---|
| | From date of acquisition in 2014 $'000 | For the reporting year 2014 $'000 |
| Revenue | 7,068 | 7,408 |
| Profit before income tax | 743 | 725 |

## 30. CONTINGENT LIABILITIES

### 30A. Undertaking to support subsidiaries with deficit position

| | Company | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Total net deficit position of subsidiaries | 10,757 | 11,506 |

### 30B. Indonesia tax assessment of fiscal year 2008

On 25 June 2010, a subsidiary, PT Best World Indonesia ("PT BWI") received from the Indonesia Tax Authority ("ITA") Tax Assessment Letter No. 00015/206/08/056/10 whereby the ITA made a claim for Corporate Income Tax ("CIT") Year 2008 amounting to IDR31,361,377,029 ($3,216,000) and No. 00299/207/08/056/2010 for Value Added Tax ("VAT") for the year 2008 amounting to IDR8,550,468,871 ($877,000). Since then, the following events have transpired, up to the date of the financial statements:

## 30. CONTINGENT LIABILITIES (CONT'D)

### 30B. Indonesia tax assessment of fiscal year 2008 (cont'd)

(a) The subsidiary submitted an application for the cancellation of the above CIT assessment, which was rejected by ITA. The subsidiary then applied to the ITA to contest against the ITA decision, which was rejected due to lack of formality requirements. Having subsequently obtained new critical information, the subsidiary brought the tax dispute to the Supreme Court by lodging a reconsideration request to the Supreme Court on 31 January 2013. On 16 November 2015, the subsidiary was informed that it was not successful in its appeal to the Indonesian Supreme Court and the subsidiary was required to pay the full sum of the disputed fiscal year 2008 tax liability. As a result, the group recorded an adjustment on fiscal year 2008 CIT liability amounting to IDR33,347,416,313 ($3,418,000) to the group's consolidated profit or loss statement for the reporting year 2015.

(b) In line with the CIT dispute above, the subsidiary also filed tax objection for the VAT assessment. The ITA rejected the objection due to similar formality requirements. The subsidiary then filed an application for cancellation of VAT assessment which was rejected as the main dispute related to reconciliation of revenue has been refused in the tax lawsuit on the CIT assessment above. The subsidiary then applied to the ITA to contest against ITA decision. In April 2014, the ITA annulled its previous VAT assessment for the underpayment of VAT for the year 2008 and revised the amount from IDR8,550,468,871 to nil. The ITA also filed a judicial review to the Supreme Court. On 29 April 2014, the subsidiary filed a request to the ITA to offset the overpaid tax against existing outstanding tax payable. However the ITA rejected the subsidiary's request due to the filing of judicial review by the ITA. Up to date of the issuance of financial statements, the judicial review is still in process.

In accordance with Indonesia tax regulation, a tax payer should pay the tax claimed by ITA during the process of objection or appeal. As at 31 December 2015, the subsidiary has paid the following, which were included under other assets (Note 23).

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Instalments for VAT – IDR7,681,705,460 (2014: IDR7,681,705,460) | 788 | 815 |
| Instalments for CIT – Nil (2014: IDR21,831,984,649) | – | 2,317 |
| Total | 788 | 3,132 |

The management is of the opinion that no provision is deemed necessary for the financial statements as at 31 December 2015 as the subsidiary's management, upon consultation with the tax advisor in Indonesia, has taken the view that the subsidiary has a good probability of having the tax cases decided in its favour.

## 31. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| Not later than one year | 3,220 | 3,168 | 1,355 | 1,355 |
| Later than one year and not later than five years | 2,451 | 3,190 | 1,299 | 2,654 |
| Total | 5,671 | 6,358 | 2,654 | 4,009 |
| Rental expenses for the year | 3,057 | 2,797 | 1,360 | 1,203 |

Operating lease payments represent rentals payable for certain office premises and retail outlets. The lease rental terms are negotiated for an average term of three years and rentals are subject to an escalation clause.

## 32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

| | Group | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| Not later than one year | 105 | 60 |
| Later than one year and not later than five years | 237 | – |
| Total | 342 | 60 |
| Rental income for the year | 55 | 120 |

Operating lease income commitments are for the investment property. The lease rental income terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 33A. Classification of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Financial assets:** | | | | |
| Cash and cash equivalents | 47,247 | 40,975 | 12,609 | 3,673 |
| Held-to-maturity investments | 1,990 | 259 | 1,990 | 259 |
| Loans and receivables | 10,587 | 9,354 | 12,876 | 9,540 |
| At end of the year | 59,824 | 50,588 | 27,475 | 13,472 |
| **Financial liabilities:** | | | | |
| Trade and other payables measured at amortised cost | 23,907 | 16,919 | 9,962 | 6,247 |
| Trade and other payables measured at fair value | 598 | 2,080 | – | – |
| Other financial liabilities measured at amortised cost | 18 | 6,047 | – | 6,047 |
| At end of the year | 24,523 | 25,046 | 9,962 | 12,294 |

Further quantitative disclosures are included throughout these financial statements.

### 33B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate consideration is given to investing in shares or similar instruments.
6. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 33C. Fair value of financial instruments

The analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 33D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 24 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 days (2014: 30 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the trade receivable amounts that are past due as at the end of reporting year but not impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| **Trade receivables:** | | | | |
| Less than 60 days | 1,306 | 965 | 1,151 | 922 |
| 61 to 90 days | 915 | 145 | 1,032 | 491 |
| Over 90 days | 1,688 | 2,260 | 1,278 | 1,349 |
| At end of the year | 3,909 | 3,370 | 3,461 | 2,762 |

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | 2015<br>$'000 | 2014<br>$'000 |
| **Trade receivables:** | | | | |
| Less than 60 days | 300 | 300 | 567 | 658 |
| 61 to 90 days | – | – | 492 | 537 |
| Over 90 days | 684 | 419 | 9,079 | 7,841 |
| At end of the year | 984 | 719 | 10,138 | 9,036 |

The allowance which is disclosed in Note 22 on trade receivables is based on individual accounts totalling $984,000 (2014: $719,000) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 33D. Credit risk on financial assets (cont'd)

Concentration of trade receivable customers as at the end of reporting year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Top 1 customer | 4,020 | 1,980 | 4,020 | 1,980 |
| Top 2 customers | 4,369 | 2,354 | 4,054 | 3,143 |
| Top 3 customers | 4,624 | 2,568 | 4,088 | 4,285 |

### 33E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

| Group | Less than 1 year $'000 | 1 – 3 years $'000 | Total $'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| **2015:** | | | |
| Trade and other payables | 24,505 | – | 24,505 |
| Other financial liabilities | 10 | 12 | 22 |
| At end of the year | 24,515 | 12 | 24,527 |
| **2014:** | | | |
| Trade and other payables | 18,999 | – | 18,999 |
| Other financial liabilities | 4,786 | 1,340 | 6,126 |
| At end of the year | 23,785 | 1,340 | 25,125 |

| Company | Less than 1 year $'000 | 1 – 3 years $'000 | Total $'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| **2015:** | | | |
| Trade and other payables | 9,962 | – | 9,962 |
| At end of the year | 9,962 | – | 9,962 |
| **2014:** | | | |
| Trade and other payables | 6,247 | – | 6,247 |
| Other financial liabilities | 4,786 | 1,340 | 6,126 |
| At end of the year | 11,033 | 1,340 | 12,373 |

The undiscounted amounts on borrowings with floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2014: 30 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 33E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Bank facilities:

| | Group | |
|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 |
| Undrawn borrowing facilities | 15,275 | 13,707 |

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided to management to assist them in monitoring the liquidity risk.

### 33F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates from financial assets and financial liabilities which are not significant. The interest rates are disclosed in the Notes 20, 24 and 27.

Sensitivity analysis: The effect on pre-tax profit is not significant.

### 33G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

| Group<br>2015: | Malaysia Ringgit<br>$'000 | New Taiwan Dollar<br>$'000 | United States Dollar<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash and cash equivalents | – | – | 3,642 | 3,642 |
| Loans and receivables | – | – | 4,032 | 4,032 |
| Total financial assets | – | – | 7,674 | 7,674 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 1,359 | 83 | 2,280 | 3,722 |
| Total financial liabilities | 1,359 | 83 | 2,280 | 3,722 |
| Net financial (liabilities) assets at end of the year | (1,359) | (83) | 5,394 | 3,952 |

| Group<br>2014: | Malaysia Ringgit<br>$'000 | New Taiwan Dollar<br>$'000 | United States Dollar<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash and cash equivalents | – | – | 2,368 | 2,368 |
| Loans and receivables | – | – | 2,029 | 2,029 |
| Total financial assets | – | – | 4,397 | 4,397 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 471 | – | 693 | 1,164 |
| Total financial liabilities | 471 | – | 693 | 1,164 |
| Net financial (liabilities) assets at end of the year | (471) | – | 3,704 | 3,233 |

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 33G. Foreign currency risks (cont'd)

| Company 2015: | Malaysia Ringgit $'000 | New Taiwan Dollar $'000 | United States Dollar $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash and cash equivalents | – | – | 2,980 | 2,980 |
| Loans and receivables | – | – | 4,032 | 4,032 |
| Total financial assets | – | – | 7,012 | 7,012 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 1,359 | 83 | 2,280 | 3,722 |
| Total financial liabilities | 1,359 | 83 | 2,280 | 3,722 |
| Net financial (liabilities) assets at end of the year | (1,359) | (83) | 4,732 | 3,290 |

| Company 2014: | Malaysia Ringgit $'000 | New Taiwan Dollar $'000 | United States Dollar $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash and cash equivalents | – | – | 430 | 430 |
| Loans and receivables | – | – | 2,029 | 2,029 |
| Total financial assets | – | – | 2,459 | 2,459 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 471 | – | 693 | 1,164 |
| Total financial liabilities | 471 | – | 693 | 1,164 |
| Net financial (liabilities) assets at end of the year | (471) | – | 1,766 | 1,295 |

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

| | Group | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| A hypothetical 10% strengthening in the exchange rate of the functional currency $ against United States Dollar with all other variables held constant would have an adverse effect on the group's pre-tax profit of | (490) | (337) |

| | Company | |
|---|---|---|
| | 2015 $'000 | 2014 $'000 |
| A hypothetical 10% strengthening in the exchange rate of the functional currency $ against United States Dollar with all other variables held constant would have an adverse effect on the company's pre-tax profit of | (430) | (161) |

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure. The analysis above has been carried out on the basis that there are no hedged transactions.

## 33. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 33G. Foreign currency risks (cont'd)

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposures in future.

## 34. EVENT AFTER THE END OF THE REPORTING YEAR

Subsequent to the end of the reporting year, the company incorporated a company in Dubai, UAE known as BWL General Trading L.L.C ("BWLGT"). BWLGT has a paid up capital of AED200,000 ($77,000) and the investment is funded internally. The company holds 49% of the paid-up capital in BWLGT and the remaining 51% is held by a local Dubai company. The principal activity of BWLGT is that of general trading including importing, trading and re-exporting of trade goods and products.

## 35. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

| FRS No. | Title |
|---|---|
| FRS 1 | Amendments to FRS 1: Disclosure Initiative (early application) |
| Various | Improvements to FRSs (Issued in January 2014). Relating to<br>FRS 103 Business Combinations<br>FRS 113 Fair Value Measurement<br>FRS 24 Related Party Disclosures |
| Various | Improvements to FRSs (Issued in February 2014). Relating to<br>FRS 103 Business Combinations<br>FRS 113 Fair Value Measurement |

## 36. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

| FRS No. | Title | Effective date for periods beginning on or after |
|---|---|---|
| FRS 110 & 28 | Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 Jan 2016 |
| FRS 115 | Revenue from Contracts with Customers | 1 Jan 2018 |
| FRS 109 | Financial Instruments | 1 Jan 2018 |

| Location | Description | Existing use | Tenure of land |
|---|---|---|---|
| Block 726 Ang Mo Kio<br>Avenue 6 #01-4150<br>Singapore 560726 | 2-storey building | Investment property | Leasehold land<br>expiring on<br>1 October 2079 |
| No. 11 Jalan Radin Anum<br>Bandar Baru Seri Petaling<br>57000 Kuala Lumpur<br>Malaysia | 4-storey building | Office and<br>Business Centre | Leasehold land<br>expiring on<br>5 April 2078 |
| No. 141 Jalan Danga<br>Taman Nusa Bestari Dua<br>81300 Johor Bahru<br>Malaysia | 3-storey building | Office and<br>Business Centre | Freehold land |

**Statistics of Shareholdings**
As at 8 March 2016

## SHARE CAPITAL

| | | |
|---|---|---|
| Issued and fully paid-up Share Capital | : | S$20,773,279.883 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights excluding treasury shares | : | one vote for every ordinary share |
| Number of issued shares excluding treasury shares | : | 220,183,864 |
| Number of treasury shares | : | 1,573,000 |
| Percentage of treasury shares | : | 0.71% |

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 8 MARCH 2016

| Size Of Shareholdings | | | No. Of Shareholders | % | No. Of Shares | % |
|---|---|---|---|---|---|---|
| 1 | – | 99 | 16 | 1.42 | 689 | 0.00 |
| 100 | – | 1,000 | 108 | 9.57 | 56,351 | 0.03 |
| 1,001 | – | 10,000 | 425 | 37.64 | 2,258,827 | 1.03 |
| 10,001 | – | 1,000,000 | 556 | 49.25 | 43,714,283 | 19.85 |
| 1,000,001 | | and above | 24 | 2.12 | 174,153,714 | 79.09 |
| | | | 1,129 | 100.00 | 220,183,864 | 100.00 |

## 22 LARGEST SHAREHOLDERS AS AT 8 MARCH 2016

| Shareholder's Name | No. of Shares | % |
|---|---|---|
| 1. D2 INVESTMENT PTE LTD | 77,115,000 | 35.02 |
| 2. SHI JINYU | 15,500,717 | 7.04 |
| 3. DORA HOAN BENG MUI | 12,352,000 | 5.61 |
| 4. DOREEN TAN NEE MOI | 12,352,000 | 5.61 |
| 5. DBS NOMINEES PTE LTD | 8,892,550 | 4.04 |
| 6. MAYBANK KIM ENG SECURITIES PTE LTD | 7,386,100 | 3.35 |
| 7. HONG LEONG FINANCE NOMINEES PTE LTD | 5,397,750 | 2.45 |
| 8. RAFFLES NOMINEES (PTE) LTD | 4,849,500 | 2.20 |
| 9. UNITED OVERSEAS BANK NOMINEES PTE LTD | 4,201,750 | 1.91 |
| 10. PHILLIP SECURITIES PTE LTD | 3,670,150 | 1.67 |
| 11. CIMB SECURITIES (SINGAPORE) PTE LTD | 2,869,397 | 1.30 |
| 12. OCBC SECURITIES PRIVATE LTD | 2,419,050 | 1.10 |
| 13. KOH AH NGO | 1,964,200 | 0.89 |
| 14. KOH BOON OOI | 1,900,000 | 0.86 |
| 15, CHEN YAN FENG | 1,850,000 | 0.84 |
| 16. CHEE KWAI FUN (ZHU GUIFEN) | 1,480,000 | 0.67 |
| 17. NG SEOW YUEN (HUANG XIAOYAN) | 1,432,400 | 0.65 |
| 18. CITIBANK NOMINEES SINGAPORE PTE LTD | 1,427,550 | 0.65 |
| 19. ANG CHAI CHENG | 1,315,750 | 0.60 |
| 20. CHANG GRACE SHAIN-JOU | 1,200,000 | 0.54 |
| 21. HUANG BAN CHIN | 1,200,000 | 0.54 |
| 22. ONG LIONG CHAI | 1,200,000 | 0.54 |
| Total | 171,975,864 | 78.08 |

**SUBSTANTIAL SHAREHOLDERS** as at 8 March 2016
as shown in the Company's Register of Substantial Shareholders

| | Direct Interest No. of Shares | % | Deemed Interest No. of Shares | % |
|---|---|---|---|---|
| D2 Investment Pte Ltd | 77,115,000 | 35.02 | – | – |
| Shi Jinyu | 15,500,717 | 7.04 | – | – |
| Dora Hoan Beng Mui | 12,352,000 | 5.61 | 77,215,000(1) | 35.07 |
| Doreen Tan Nee Moi | 12,352,000 | 5.61 | 77,215,000(2) | 35.07 |
| Li Lihui | 100,000 | 0.05 | 12,352,000(3) | 5.61 |
| Pek Jia Rong | 100,000 | 0.05 | 12,352,000(4) | 5.61 |

Notes:-

(1) This represents Dr Hoan Beng Mui, Dora's deemed interest of 77,215,000 shares held in the name of the following:-
a) 77,115,000 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and
b) 100,000 shares held by Li Lihui (an immediate family member)

(2) This represents Dr Tan Nee Moi, Doreen's deemed interest of 77,215,000 shares held in the name of the following:-
c) 77,115,000 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and
d) 100,000 shares held by Pek Jia Rong (an immediate family member).

(3) This represents Li Lihui's deemed interest of 12,352,000 shares held in the name of Dr Hoan Beng Mui, Dora (an immediate family member).

(4) This represents Pek Jia Rong's deemed interest of 12,352,000 shares held in the name of Dr Tan Nee Moi, Doreen (an immediate family member).

**PUBLIC SHAREHOLDINGS**

Based of the information provided to the Company as at 8 March 2016, approximately 42.39% of the total number of issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("AGM") of Best World International Limited (the "Company") will be held at the Auditorium at 26 Tai Seng Street, #04-01, Singapore 534057 on Friday, 22 April 2016 at 10.00 am to transact the following businesses:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax-exempt dividend of S$0.015 per ordinary share for the financial year ended 31 December 2015. **(Resolution 2)**

3. To approve payment of Directors' fees of S$126,000 for the financial year ended 31 December 2015 (31 December 2014: S$126,000) **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

   (i) Mr Huang Ban Chin (Retiring under Article 93) **(Resolution 4)**
   (ii) Mr Ravindran Ramasamy (Retiring under Article 93) **(Resolution 5)**
   (iii) Mr Chan Soo Sen (Retiring under Article 92) **(Resolution 6)**

   Mr Ravindran Ramasamy and Mr Chan Soo Sen will, upon re-election as Directors of the Company, remain as members of the Audit Committee and both will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   (See Explanatory Note)

5. To re-appoint Messrs RSM Chio Lim LLP as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to Issue Shares pursuant to the Share Issue Mandate **(Resolution 8)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 ("Act"), and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

   at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

   provided always that

   the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's total number of issued shares excluding treasury shares, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

(a) new shares arising from the conversion or exercise of convertible securities,

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

8. Authority to grant share awards and to allot and issue shares under the BWI Performance Share Scheme **(Resolution 9)**

"That, pursuant to Section 161 of the Act, the Directors of the Company be and are hereby authorised and empowered to offer and grant share awards in accordance with the BWI Performance Share Scheme (the "PSS") and to allot and issue from time to time such number of fully-paid ordinary shares in the capital of the Company ("Shares") as may be required to be issued pursuant to the vesting of awards under the PSS, provided always that the aggregate number of Shares to be allotted and issued pursuant to the PSS, when added to the aggregate number of Shares issued and issuable pursuant to all other share schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time."

9. Proposed Renewal of the Share Buyback Mandate **(Resolution 10)**

"That:-

(a) for the purposes of the Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-

(i) market purchases (each a "Market Purchase") on the SGX-ST; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all laws, regulations and Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the Share buybacks pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(c) in this Resolution:

"Prescribed Limit" means 10% of the total number of issued Shares (excluding treasury shares) as at the date of passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any treasury shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date of passing of this Resolution and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier;

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, in the case of a Market Purchase, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period, or in the case of an Off-Market Purchase, preceding the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

## NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members will be closed on 9 May 2016 for the purpose of determining shareholders' entitlements to the proposed final one-tier tax-exempt dividend of S$0.015 per share for the financial year ended 31 December 2015.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road, #02-00, Singapore 068898, up to 5.00 p.m. on 6 May 2016 will be registered to determine Shareholders' entitlement to the Dividend. In respect of the shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the Dividend will be paid by the Company to CDP which will distribute the Dividend to holders of the securities accounts.

The proposed final dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 23 May 2016.

By Order of the Board

Huang Ban Chin
Director and Chief Operating Officer

Singapore

Dated: 7 April 2016

## EXPLANATORY NOTE:

In relation to Ordinary Resolutions 4 to 6 proposed in item 4 above, the detailed information on Messrs Huang Ban Chin, Ravindran Ramasamy and Chan Soo Sen are set out in the section entitled "Board of Directors" of the Company's 2015 Annual Report. There are no relationships (including immediate family relationships) between Mr Huang and/or Mr Ramasamy and/or Mr Chan and the other directors of the Company.

## STATEMENT PURSUANT TO ARTICLE 52 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The effect of the resolutions under the heading "Special Business" in this Notice of the Annual General Meeting is:-

(b) Ordinary Resolution 8 proposed in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Annual General Meeting until the next Annual General Meeting to issue shares in the capital of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of Ordinary Resolution 8, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of Instruments or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(b) Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company to offer and grant share awards pursuant to the PSS and to allot and issue from time to time such number of fully-paid Shares pursuant to the vesting of awards under the PSS. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(c) Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Buyback Mandate does not exceed the Prescribed Limit, and at such price(s) as may be determined by the Directors of the Company from time to time up to but not exceeding the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Appendix enclosed together with the Annual Report.

**NOTES:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:

    (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

    (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

    (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 26 Tai Seng Street, #05-01, Singapore 534057 not later than 48 hours before the time appointed for the Annual General Meeting.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) or proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company(or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**Best World International Limited**
26 Tai Seng Street #05-01,
Singapore 534057
T +65 6899 0088
F +65 6636 1531
www. bestworld.com.sg