Testimonial of Passion

Annual Report 2019


第二十八届全美世界国际盛会
DR's Secret
皙之密
用所有完美和不足
拼凑出幸福
不妆
零底妆
真我自由绽放
尽心尽情
爱上自己的每一面
A3
C1
C2

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Our Testimonials

"Great skin. Greater confidence.
Start your journey to #foundationfree skin."

My skin feels instantly hydrated and brighter after using Vitality Eye Mask

我敷完眼膜之后
觉得敷完焕活晶透眼膜
眼周吸满饱饱的养分
所以变得很紧致，很透

- Howard Lin

I feel that the fine lines around my eyes have lessened slightly.
My wrinkles have also improved

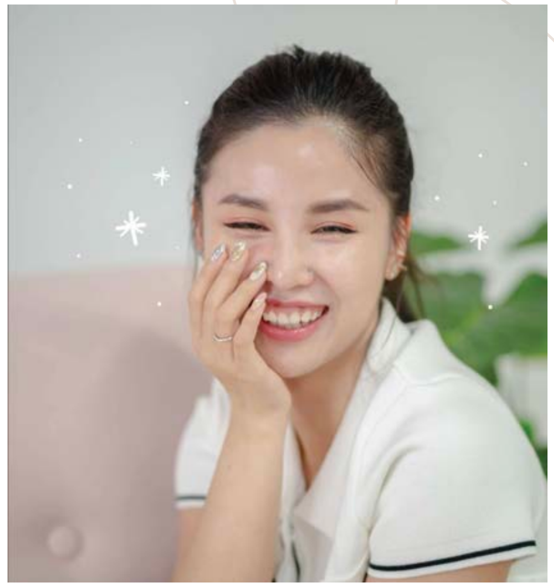
我敷眼周的细纹好像有稍微减少一点点，细纹方面觉得比较有改善

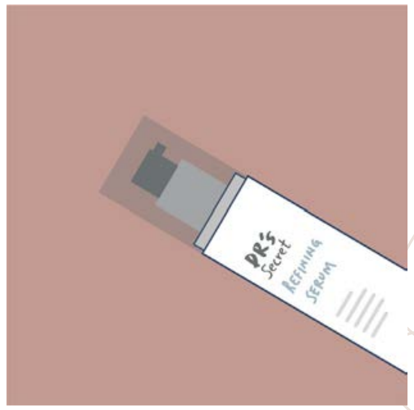
- Sunnie Lee

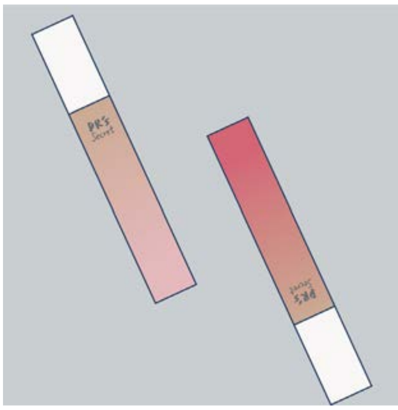
How a 9 months **#foundationfree** selfie looks like. I can't get enough of the glow!

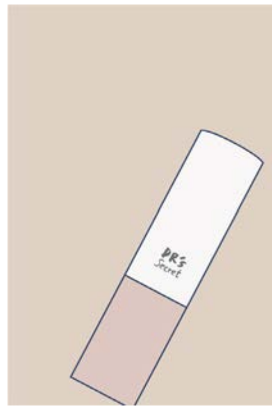
零底妆9个月咯
抛开粉底的日子真的过得太舒服了！

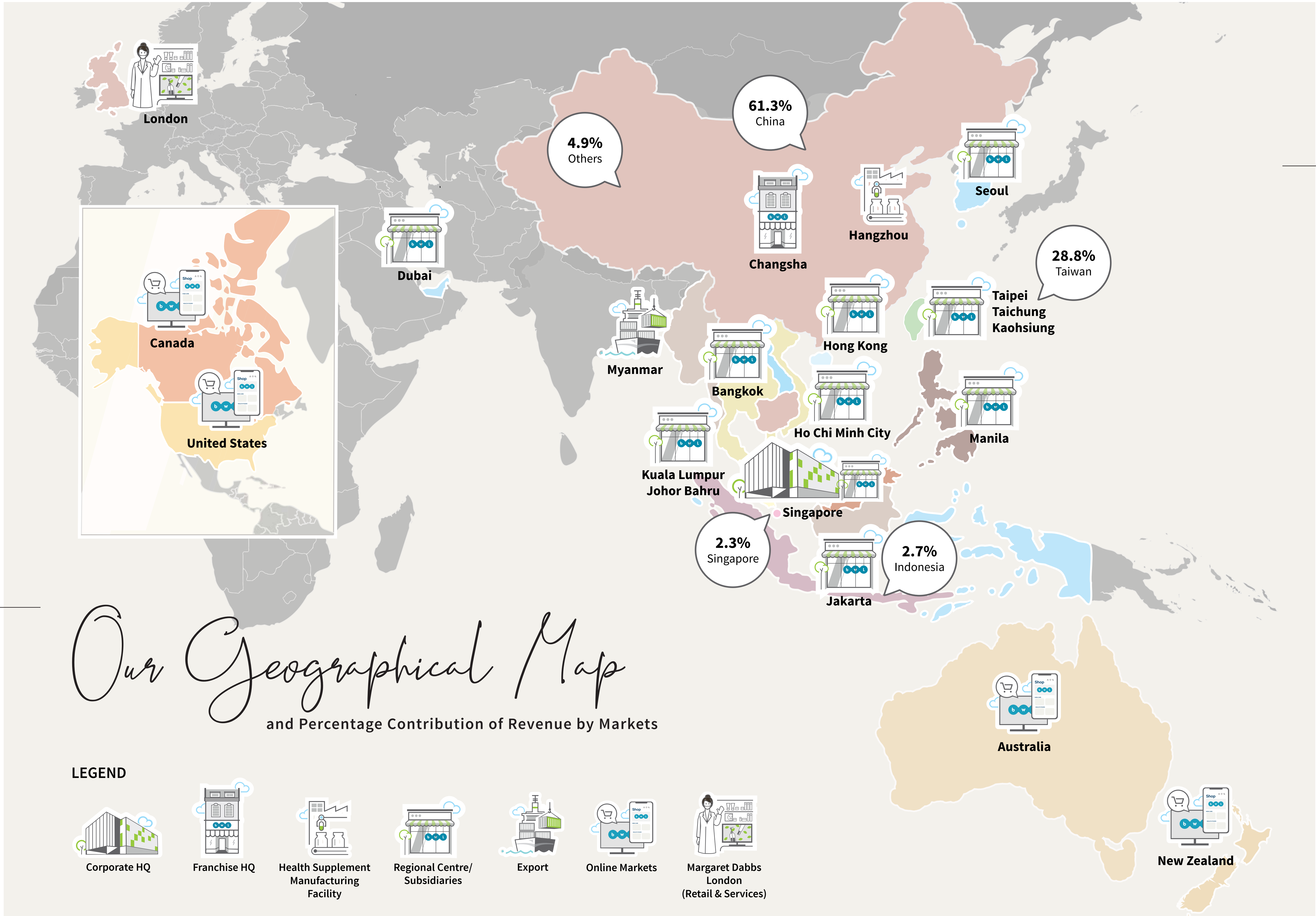
- Agnes Chew










London
4.9%
Others
61.3%
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Seoul
Hangzhou
Changsha
Dubai
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Taiwan
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Kaohsiung
Canada
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United States
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Singapore
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Australia
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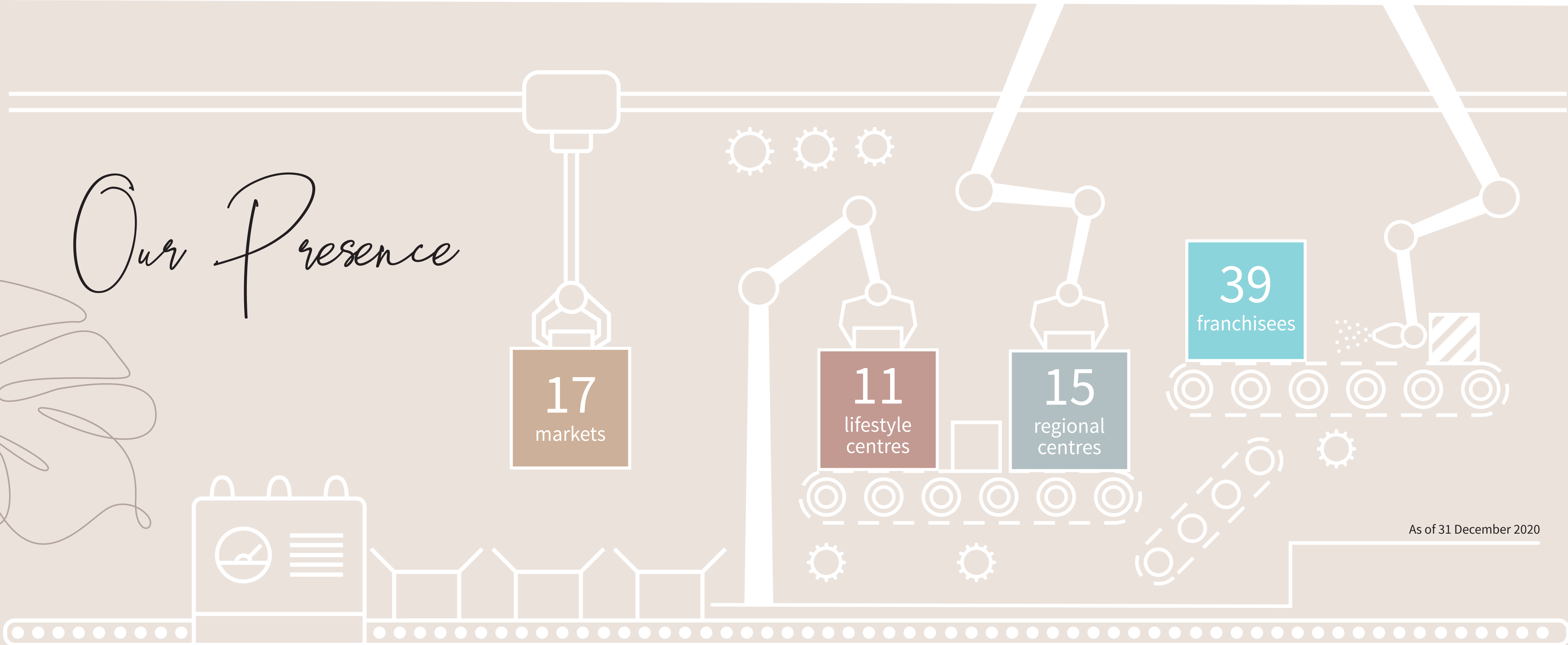
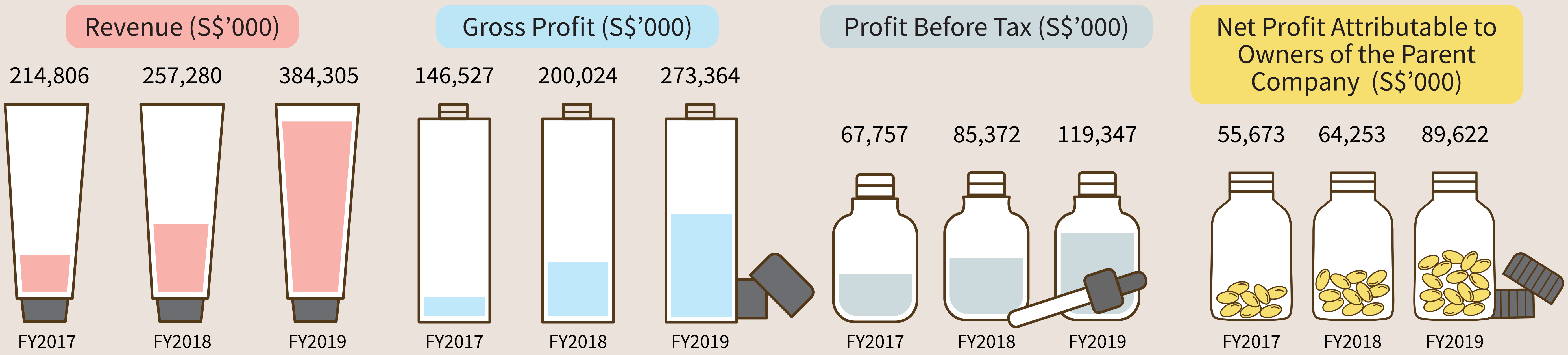
Our Geographical Map
and Percentage Contribution of Revenue by Markets
LEGEND
Corporate HQ
Franchise HQ
Health Supplement Manufacturing Facility
Regional Centre/ Subsidiaries
Export
Online Markets
Margaret Dabbs London (Retail & Services)

Our Presence



As of 31 December 2020



Chairmen's Message

Dear Shareholders,

2019 marks the 29th anniversary of Best World's founding.

Looking back over the years, we are pleased to witness our transformation - from a small local company with a vision to what we are today.

While the path to get to where we are was fraught with challenges and setbacks, it also presented us with opportunities and insights as to what we can do more to improve ourselves.

Today, Best World prides itself to be a global leading health and wellness company dedicated to creating brands and products that enhances the lives of customers and is a key regional player with subsidiaries in markets like Singapore, Taiwan, Indonesia, Malaysia, Thailand, Vietnam, Philippines, South Korea, the UAE, Hong Kong and China. While Best World had gained invaluable experience over the past years, we also understand change can present itself in unprecedented speed and magnitude. We are as passionate as ever in the pursuit of our vision, and will always strive for excellence.

It is our pleasure to present our annual report for the financial year ended 31 December 2019 ("FY2019") as we look back on the past years of Best World's history as well as delve deeper into what we intend to achieve for the years ahead.

亲爱的股东们，

2019年，全美世界自创立迄今已迈入第二十九个年头。

回顾数十年来的发展历程，我们有幸见证了集团的转变：　全美世界从一家本地小型公司，怀揣着美好愿景，企业逐步发展形成现今规模。

全美世界在取得如今事业地位的道路上固然充满挑战及挫折，却也让集团拥有更多机会，发掘进步成长的空间与动力。

如今，全美世界荣幸地成为一家全球领先的健康与保健公司，致力于为客户提供优质生活产品；同时也是一家主要区域市场参与者，业务版图遍布于世界各地，包括新加坡、台湾、印尼、马来西亚、泰国、越南、菲律宾、南韩、阿联酋、香港和中国大陆。尽管全美世界多年来已阅历深厚、经验丰富，但我们依然深刻了解，现今时代日新月异，为达成愿景，我们还将继续保持积极，努力追求卓越。

经我们细细回顾全美世界过去几年的历程，并深入审视我们未来数年的目标后，很高兴在此就截至2019年12月31日的财年(即2019财年)，呈现我们的财政年度报告。

Looking Back at 2019

The slowdown in global economic growth, trade tensions between China & US, EU & Indonesia as well as Brexit negotiations have added uncertainties to the global economy and presented challenges to our operations in FY2019. Despite the challenges, we managed to overcome them and deliver another record year of net profit – S$89.5 million for FY2019, a 40.1% increase from S$63.9 million in FY2018. Revenue also saw its highest growth since 2015, hitting S$384.3 million for FY2019. Earnings per share for FY2019 were lifted to 16.42 cents from 11.69 cents as compared to a year ago.

China remains the top performing market for us, recording an increase of 73.6% in sales of S$235.7 million in FY2019 when compared to the previous year. In June 2018, we switched from an export to a franchise model in China and have seen both top and bottom lines growth for FY2019, largely driven by full-year contributions from the China franchise segment. The franchise segment, which grew by 92.2% in FY2019 when compared to FY2018, continues to be our biggest revenue generator. This was mainly attributable to the growth in market's underlying demand for our skincare line, DR's Secret.

However, as a result of the China-US trade disputes, profitability of our business was negatively impacted due to China's increase of import duties on US-made skin care products. To mitigate any more negative impacts as a result of the trade tensions, we are currently working towards the completion of our Tuas manufacturing facility which would allow us to have the ability to exercise better

control over raw material quality and in-process quality control, so as to ensure the highest quality for our product offerings. The facility would also allow us to reduce our reliance on contract manufacturers and ensure better control over the uninterrupted supply of shipments to our subsidiaries. In addition, some of our subsidiaries will be able to leverage on the Free Trade Agreements between Singapore and the countries they operate in to enjoy duty free imports. As such, we believe that this facility will reduce the impact from the trade war and allow profitability to recover.

While we initially had plans to complete the facility by the end of 2020, the Circuit Breaker measures implemented by the Singapore government, from April to June 2020 have unfortunately halted all construction activities. Fortunately, we were able to commission our tube filling line in Taiseng earlier this year, which allowed our production team to gain hands-on working experience of the tube filling line before the completion of the Tuas facility. This will also ensure that the tube filling line will be back on-line within the shortest time upon moving to Tuas in 2021. Following the lifting of the measures in June, application to resume work has been approved and we hope to be on track in completing the facility by the second half of 2021.

We continue to see growth in our second largest market, Taiwan, with an increase of 28.9% in sales to S$110.8 million in FY2019 when compared to FY2018. Taiwan also accounted for 28.8% of the Group's total revenue for the year. This was driven mainly by increased efforts by distributors through online to offline (O2O) interactions with their followers, coupled with sales promotions and distributors' incentives. In addition, Taiwan held anniversary promotional events from October to November, which brought about an increase in revenue in 4Q2019 to S$47.7 million when compared to S$36.3 million in 4Q2018. We will continue to build on the strong foundation and to further drive our growth momentum through our marketing strategies.

In Singapore, we continued with our efforts to attract and nurture younger distributors to prepare ourselves for the future. Along with continuous activities to engage our existing consumers, coupled with successful online and offline sales events held throughout the year, we saw a 7.9% increase in sales for our home market in FY2019 when compared to the previous year. This was achieved despite operating without a sales showroom from May 2019 till October 2019, due to a delay in the opening of our new Cuppage Regional Centre cum Concept Store.

Hong Kong and Macau have continued to maintain market share despite being faced with challenges from the Hong Kong protests. Revenue from other markets in FY2019 increased by 60.2% compared to FY2018, mainly attributable to the development of new markets as well as increase in sales from Hong Kong, Macau and other markets. While these results are very favourable especially during this period, we believe that there is still room for growth in FY2020.

Over the past few years in Indonesia, we built a base of loyal customers through our marketing campaigns. However, due to continued online discounting and market disruptions as a result of demonstrations and social tension after the April elections which lasted till late October 2019, market driving activities were reduced considerably, resulting in a 33.7% decline of Indonesia's FY2019 revenue to S$10.5 million when compared to FY2018. Nonetheless, we will continue to step up our efforts in driving membership growth, education and sales activities which will be supported by our new regional centre/office in Jakarta, slated to open in June 2020.

回顾2019

全球经济增长放缓，中美、欧盟和印尼之间的贸易紧张局势，以及英国脱欧谈判不但为全球经济增加了不确定性，也给我们2019财年的运营带来了挑战。尽管挑战重重，我们依然能够设法一一克服，2019财年净利润甚至创下新高，达到8950万新元，较2018财年的6,390万新元增长了40.1%。2019财年营收也实现自2015年以来的最高增长，达到了3.843亿新元，每股盈利从一年前的11.69分提升至16.42分。

中国市场表现仍然是我们所有市场中的翘楚，与上一年相比，2019财年的销售额为2.357亿新元，增长了73.6%。2018年6月，我们在中国的市场业务从出口模式转为特许经营模式，并主要得益于中国特许经营的全年显著增长，2019财年的总收入和净利润都有所提升。由于市场对我们的护肤品系列 – 皙之密的潜在需求增加，2019财年的特许经营仍然是我们最大的收入来源，较于2018财年增长了92.2%。

然而，中美贸易战致使中国对美国制造的护肤产品调高进口关税，这对我们的业务盈利能力产生了负面影响。为了减轻中美贸易紧张局势带来的更多负面冲击，我们目前正如火如荼地完成大士(Tuas)工厂的建设，以便能够更好地控制原材料及加强生产能力，从而保证我们产品的最高质量。同时，该工厂也能够减少我们对合同制造商的依赖，并更进一步确保对子公司的供应不间断。此外，通过新加坡与其它经营国之间的自由贸易协定，我们部分子公司将能够享受免税进口的优势。因此，我们认为该工厂将有利于减少贸易战的影响，并恢复我们的盈利能力。

我们最初计划在2020年底之前完成该工厂的建设，但不幸的是，所有建设工程却因为新加坡政府从2020年4月持续至6月所实施的阻断措施而被迫暂停。所幸，今年较早时候，我们及时将管灌装生产线在大成(Tai Seng)工厂投入使用，

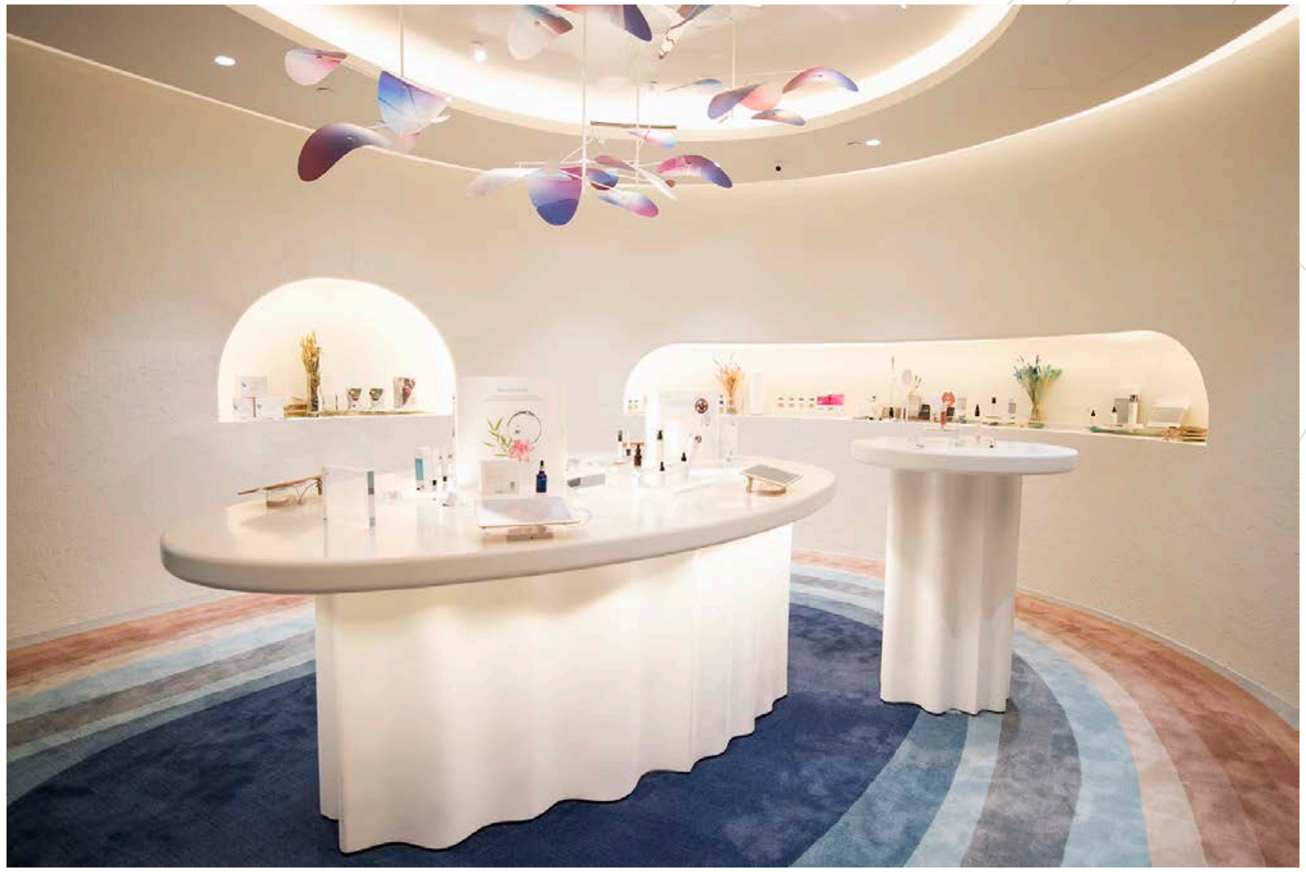
好让我们的生产线员工在大士工厂竣工前先获得该生产线实践经验，进而确保管灌装生产线于2021年移至大士工厂后，即可于最短时间内运作顺畅、走上轨道。阻断措施于6月结束后，复工申请也已获准，我们希望在2021年下半年内完成该工厂的建设。

接下来，容我们继续审视我们的第二大市场 – 台湾的业绩增长。与2018财年相比，台湾市场于2019财年的销售额为1.108亿新元，增长了28.9%，占本集团全年总收入的28.8%。由于经销商通过(O2O)(线上线下整合)与关注者们积极互动，加上促销活动和经销商激励措施的辅助，在在加大了推动台湾市场的力度。此外，台湾市场于10月至11月所举行的周年促销活动，也带动我们2019年第四季度的收入从2018年同期的3,630万新元增加到4,770万新元。今后，我们将持续巩固市场基础，并通过实行有效的营销策略，进一步推动业绩增长动力。

在新加坡，我们继续努力招收和培养年轻的经销商，为未来做准备。除了持续开展活动以吸引现有消费者，我们全年内也成功举办了在线和线下销售活动，致使我们2019财年的国内市场销售额较于去年增长了7.9%。尽管由于新的Cuppage区域中心暨生活馆的开业推迟，导致我们自2019年5月至10月间一直没有销售展示厅可用，但我们仍然实现了业绩增长。

尽管香港抗议活动带来挑战，香港和澳门仍继续保持市场份额。2019财年来自其它市场的收入较2018财年相比增长60.2%，最大原因是新市场的发展，以及来自香港、澳门和其它市场的销售额增长。虽然特别就现阶段而言，这些成绩对我们有利，但我们相信，我们于2020财年尚有增长空间。

在过去的几年中，我们通过营销活动成功在印尼建立了忠实的客户群。然而，由于4月大选之后的示威游行持续到2019年10月下旬所造成的社会紧张局势，以及在线削价活动猖獗、市场混乱，市场营销活动大幅减少导致印尼的2019财年收入下降至1,050万新元，与2018财年相比下降了33.7%。虽然如此，我们将继续加紧努力，在我们即将于2020年6月开业的雅加达新区域中心/办事处的支持下，提升会员人数、培训和销售。



Covid-19

The outbreak of COVID-19 at the start of 2020 has certainly brought about uncertainties to the global economic and financial environment. We are fully aware that we are treading into uncharted waters for FY2020 and will be extremely cautious about our performance outlook for the coming year. At the same time, we will continue to look into developing strategies and launching products to grow our revenue base globally.

Our China market was the first to be affected by COVID-19 in January 2020, which led to many provinces and municipalities being locked down. These lockdowns have resulted in logistical delays and are expected to negatively impact our Group's sales in China. However, as the outbreak occurred during our weakest quarter with lower sales, our China management had more time to adopt new measures to mitigate the impact of the situation, such as working with our franchisees to move all of their sales activities and engagement with customers online in the light of the postponement of all large-scale activities.

When the situation gradually improves, we believe that the sticky relationship our brands have built with consumers over the years will continue to drive our business. However, we will continue to remain cautious due to the possibility of a second wave outbreak, which may lead to subsequent rounds of lockdowns, as witnessed in Beijing after a local cluster emerged. As there is currently no clarity as to when normalcy will fully return, we are unable to estimate the full extent of the financial impact of the pandemic. We will remain very cautious about our performance outlook and will take necessary steps to ensure that business continuity plans are in place.

新冠病毒(COVID–19)疫情

2020年年初，一场新冠病毒(COVID–19)疫情的爆发，无疑给全球经济和金融环境带来了不确定性。我们充分意识到，我们将于2020财年涉足未知领域，所以我们对来年的业绩前景保持谨慎的同时，亦将继续致力于开发新策略和推出各类产品，以扩大我们在全球的收入基础。

2020年1月份，中国市场首先受到COVID–19疫情影响，许多省市因此实行封城政策，而封城所导致的物流延宕，预计将对本集团在中国的销售产生负面影响。所幸，疫情恰巧发生在我们业绩最疲弱、销售额较低的季度，我们中国的管理层因此拥有较为宽裕的时间采取新措施，比如因为大型活动的推迟，而与特许经营商们合作把所有销售活动和客户互动转为线上模式，从而降低了非常时期带来的冲击。

随着形势逐渐好转，我们品牌多年来与消费者们建立的紧密关系相信将有助于推动我们的业务发展。但是，我们依然继续保持审慎态度，因为第二波疫情爆发的可能，也许会引发接连封城措施，一如北京发生本地冠病感染群后的情况。

至于何时得以完全恢复正常状态，目前仍尚不明朗，所以对于这场疫情所造成的财务影响，我们也无从估计其全部程度。我们将谨慎看待业绩前景，必要时采取相应手段以确保业务连续性计划的顺利推进。

New Normal, New Model

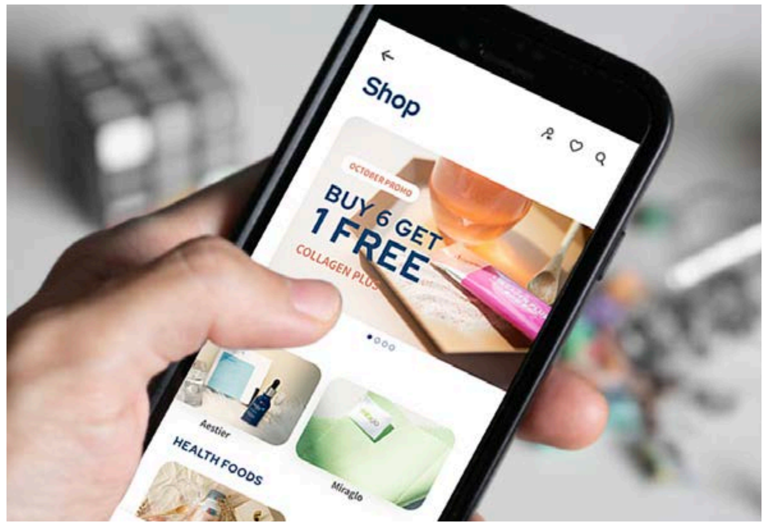
Following a global shift in consumers' lifestyle, Best World embarked on a digitalisation strategy in FY2012 and have begun to see our initiatives taking shape. In FY2012, we released a new online platform in Singapore, Korea and Philippines that enabled our distributors to obtain real-time information of products and to place orders. Given that smartphones and social media have become a way of life for many around the world, followers to our brand site on the major social media platforms have also been rising steadily since their inception in February 2016. Members will not only have access to information on all our brand offerings, but we are also using the platform as our content marketing platform so as to continuously engage our members and distributors on a weekly basis.

We increased our efforts to implement online and offline marketing strategies in our Singapore market and on top of encouraging online sharing by our satisfied customers in our social media app, we also intensified our investments in the domain of social media and digital marketing as early as FY2017.

COVID-19 has shown us the importance of digitalization and bringing our business online. We have been strengthening our IT team since January 2020 and have continued to hire even during the circuit breaker period, in order to create more robust and exciting platforms for our consumers across the world.

Having gained experience and knowledge on how users are using our online platforms and mobile app, our team launched the latest version of the online store platform and mobile app in July 2020, with a new look and a more flexible interface so as to enhance our users' experience.

Through our various efforts in digitalization of our business over the years since FY2012, we believe that we are in a good position to leverage on online platforms to make our brands available globally, both through our online store and mobile apps. We will continue to invest in this space so as to deliver value to our distributors and customers through the innovative convergence of beauty and health with technology and digitalization, making this an important part of our corporate culture.



新常态·新模式

随着全球消费者的生活方式发生转变，全美世界应势于2012财年开始着手实施企业数字化战略，而此计划至今也逐步成形。2012财年，我们在新加坡、韩国和菲律宾启动了一个全新的在线平台，方便我们的经销商获取产品的实时信息及下订单。智能手机和社交媒体已经与世界上大部分人的生活方式密不可分，而我们的主要社交媒体平台自2016年2月成立以来，关注人数亦稳步增长。通过该平台，会员不仅可以查看我们所有品牌产品的信息，而且还可以用作内容营销平台，以便维持每周与我们的成员和经销商进行互动。

在新加坡市场，我们加大实施线上线下营销策略的力度，除了鼓励满意的客户在我们的社交媒体应用程序上进行在线分享外，我们还早在2017财年就提高了在社交媒体及数字营销领域的投资。

COVID–19的爆发，显然更激进地展示了企业数字化和业务在线化的重要性。我们自1月份起不断加强我们的IT团队，即使于阻断措施期间亦持续增聘员工，好为我们在世界各地的消费者创建更强大且令人惊艳的平台。

在掌握用户针对我们在线平台和手机应用程序的使用心得后，我们的团队于2020年7月份推出了全新的网购商城平台及手机应用程序，以其崭新的外观及更灵活的界面提升用户的使用体验。

鉴于我们自2012财年以来为企业数字化所作的各种努力，相信通过我们的网购商城及手机应用程序，凭借在线平台的优势，我们在全球范围内推广品牌方面处于有利位置。我们还将继续投资这一领域，以达到美容健康与技术数字化的创新融合，为我们的经销商和客户创造价值的同时，也使之融为我们企业文化的重要部分。

Looking Forward

While Best World has come a long way, we are constantly on the lookout for expansion and innovation to drive business growth. In early 2019, Best World entered into a share subscription agreement (SSA) with biomedical A*STAR spin-off start-up Celligenics, which is currently in the early stages of research and development of stem cells for application in the cosmeceutical and medical space. We believe that this investment is synergistic with our current health and wellness business.

Although we had initial plans of launching our first cosmeceutical product at the beginning of FY2021, the project is currently put on hold due to the circuit breaker measures implemented in April 2020. After the lifting of these measures in June 2020, management in Celligenics has resumed with the necessary third-party lab tests, with the aim of launching the first product in FY2022, barring unforeseen circumstances.

On April 3, 2020, Best World's wholly-owned subsidiary, MDUK Investment Pte Ltd (MIPL), inked a sale and purchase agreement with UK-based Pedal Pulses' shareholders. MIPL acquired a 49.9 per cent stake in Pedal Pulses for about S$24.6 million in cash, funded entirely with internal resources, under the deal's first tranche.

Pedal Pulses markets its brand, Margaret Dabbs London, directly to consumer by combining its specialist approach to its products and treatments for the feet, hands and legs. The acquisition of this British brand not only complements with our business, but also provide us with a premium beauty brand established in the United Kingdom ("UK"). Moving forward, we will also be able to use Pedal Pulses as a European hub to support the online sale of our brands to the UK and European markets . Conversely, we also hope to launch successful formulas of the Margaret Dabbs London brand and develop them into our own brands for launch in our existing markets in the next 12-18 months, decreasing the lead time considerably for new product development.

Fortunately, despite the UK lockdown at the start of 2020 due to COVID-19, online sales have increased driving profitability. We believe this will allow the business to produce satisfactory results for the rest of the year even if customers are based at home for long periods of time.

We believe that our acquisitions will benefit us in varying degree and allow us to increase our international presence utilizing various distribution models. Despite the global uncertainty, we are constantly on the lookout for more opportunities for our business should they present themselves.

展望未来

全美世界一路走来，不曾停止寻求扩展和创新的脚步，不断推动业务增长。于2019年初，全美世界与A*STAR生物医学衍生初创公司Celligenics签订了股票认购协议(SSA)，该公司研究项目目前处于干细胞用于药妆及医学领域的早期研发阶段。我们相信，这项投资与我们的健康和保健产业业务相得益彰。

尽管我们已经制定了2021财年年初推出首款药妆产品的初步计划，但由于2020年4月实施的阻断措施，该项计划仍处于的搁置状态。阻断措施于2020年6月解除后，Celligenics管理层已恢复进行必要的第三方实验室测试。如无意外，我们将于2021财年推出首款产品。

2020年4月3日，全美世界的全资子公司MDUK Investment Pte Ltd（MIPL）与英国公司Pedal Pulses的股东们签署了买卖协议。MIPL以约2460万新元，现金收购了Pedal Pulses 49.9%的股份，而这笔现金作为该交易的第一笔款项，将全额由内部资金提供。

Pedal Pulses 主营手足腿保养产品及护理疗程，这项收购不仅使我们的业务更全面化，亦为我们的团队纳入英国的高级美容品牌专家。未来，我们可将Pedal Pulses作为欧洲总部，以支持我们品牌在英国和欧洲市场的在线销售。相反，我们也希望推出Margaret Dabbs London品牌的成功配方，并将其发展成我们自己的品牌，以期在未来12-18个月内投放到我们现有的市场中，借此大大缩短新产品开发所需时间。

幸运的是，尽管英国于2020年因为COVID-19而封城，但在线销售却有所增长，仍能推动盈利能力。相信即使客户长期待在家中，这等情况也将为企业于全年余下的时间里交出令人满意的成绩单。

我们坚信，这些收购行动将在不同程度上使我们受益，使我们能够利用各种经销模式扩大我们的国际影响力。全球不确定性固然存在，但我们也将不屈不挠，不管处于何种境况，我们都依然为企业努力发掘新商机。

Dividends

Best World fully recognises the importance of cash dividends to all of our ordinary shareholders and has always remained committed to driving and delivering value for our shareholders. We are proud of our stable dividend pay-out track record, which has seen an increase from the initial issue of a final tax-exempt dividend of 0.6 cents per share in FY2005 to a final one-tier tax-exempt dividend of 1.5 cents per share for FY2015, followed by a final one-tier tax-exempt dividend of 3.0 cents per ordinary share for FY2016. Our most recent dividend was a final one-tier tax-exempt dividend of 4.2 cents per ordinary share in FY2018.

However, in view of heightened economic volatility and business uncertainty in our operating markets, the Board has decided to conserve cash on grounds of prudence and will not be declaring a final dividend for FY2019.

股息回酬

现金股利至于我们所有普通股股东的重要性，全美世界对此有充分的认识，并始终致力于为股东们创造及提供价值。我们为稳定的派息记录感到自豪，该记录已从最初于2005财年发行的每股最终免税一级股息0.6分，增加到于2015财年的1.5分，随后于2016财年则上升到每股普通股最终免税一级股息3.0分。我们最近一次的派息方案增长到2018财年每股普通股最终免税一级股息4.2分。

然而，鉴于我们的运营市场上日益严重的经济动荡和业务不确定性，董事会基于审慎考虑，决定保留现金，因而将不派发2019财年年度末期股息。

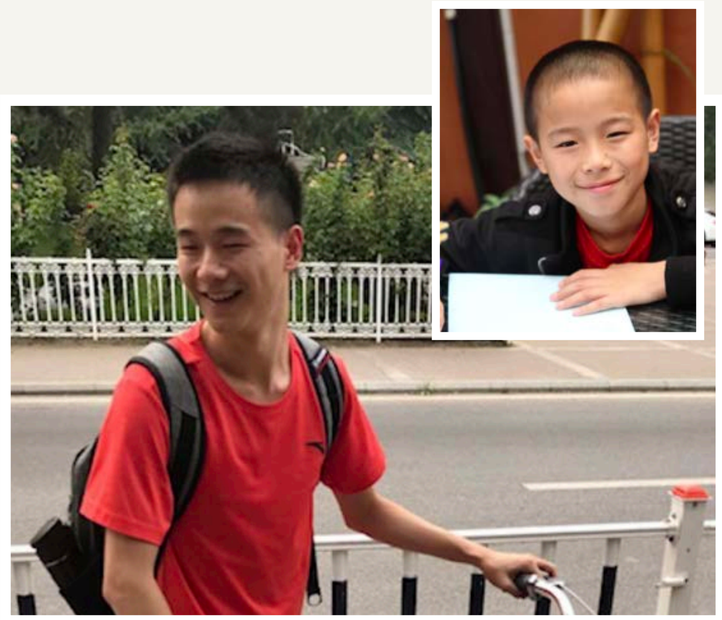
Corporate Social Responsibility

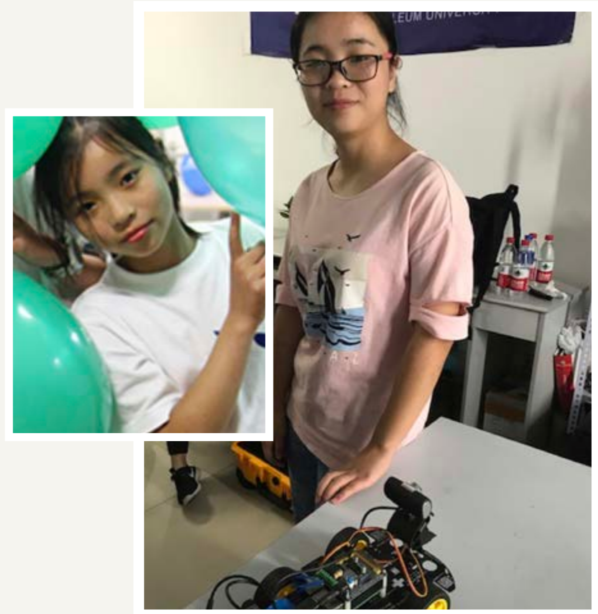
Best World’s CSR initiative, the World Learner Student Exchange Scholarship (WL) celebrates its 10th anniversary in FY2019. Inaugurated in FY2010 by the then Minister in Prime Minister’s Office Mr Lim Swee Say, WL is a continuation of Singaporean’s humanitarian aid to victims of the Sichuan Earthquake. It seeks to reward underprivileged students with outstanding academic performance and character, an opportunity to experience an overseas immersion program in Singapore. To date, WL has awarded over 300 immersion scholarships to over 67 beneficiary schools.

As the Guest-of-Honour in WL's 10th Learning Report Tea Session held in Nanyang Primary School on 1st November 2019, Mr Ng Chee Meng, then Minister in the Prime Minister’s Office and Secretary-General of the National Trades Union Congress (NTUC), commended WL on two fronts: its contribution in strengthening bilateral ties through education between China and Singapore and its commitment to build a more inclusive and cohesive society by engaging the students across countries to go beyond the classroom and participate in social work together.

3 former immersion scholars from WL 2010, Li QingKai, (Beijing Tsinghua University, Department of Physics Year 3), Deng MiaoLin (Chengdu Southwest Petroleum University, Department of Computer Science and Technology), and Pi Ziyi (Singapore Nanyang Technological University, School of Electrical and Electronics Engineering Year 3), were invited to share their experience and life stories in the anniversary event. Pi Ziyi who has chosen Singapore as her destination to further her studies is a testament of WL objective of strengthening bilateral ties between the youth of China and Singapore.

WL began as an initiative of love and compassion to help relieve the painful memory and ignite hope after the Sichuan earthquake. Today, this immersion program radiates love by leading the students of rebuilt schools and rural schools to care for children with special needs and for elderly through community work. As a learning expedition, World Learner motivates students to excel, and at the same time, advocates love as a force to do good. Till date, Best World’s total investment in World Learner exceeds S$0.5 million.





In 2019, we redoubled our efforts to provide underprivileged rural kids with quality education and ignite change in impoverished regions in China. Upon the completion of the 1st Best World Hope School in Zhong Lian County in Hunan Province (湖南省娄底冷水江市中连乡) in 2018, the 2nd Project Hope School in Long Xi Pu County, Hunan Province (湖南省新邵县龙溪铺镇) was also launched in November 2019. We have also identified Guizhou Province to launch our 3rd Project Hope School. This region has been identified as one of the poverty areas in China's national anti-poverty programs. Upon completion in 2022, this school will create equal opportunities for the kids in rural villages to be educated and revitalise the economic situation in the region. We will continue to be involved in these rebuilt schools after completion by offering bursary programmes every year for needy students and special classes during Gan'en Jie (感恩节) in China. Till date, Best World's total investment on Project Hope School has reached over S$0.3 million.

In Taiwan, we continue to support and award scholarships to underprivileged students from the "Kid's Bookhouse" in Tai Dong. We are also active in caring for old folks who are living alone within the community. Together with Hondao Senior Citizen's Welfare Foundation, we organised Winter Charity Program to distribute warm meal boxes to the 100 Seniors and spent the evening dining with them.

In late December 2019, when the COVID-19 pandemic first erupted in Wuhan, as China implemented comprehensive prevention and control measures to battle the unprecedented public health crisis, we were amongst the first group of Asian companies who initiated a donation of RMB0.1 million to a local charity foundation.

As Singapore experienced the first wave of COVID-19 infection and the migrant workers became the key cluster of massive spread, we donated Vitamin C and sanitiser products amounting to S$0.1 million. When the Association of Small & Medium Enterprises (ASME) launched an initiative to rally SMEs to make contributions towards helping the migrant workers in Singapore, Best World also participated and donated S$50,000 for the Migrant Workers' Assistance Fund in June 2020.

As the world returns to normalcy in the aftermath of the pandemic, we believe strongly that remaining nimble and impact-ready will enable us to navigate through challenging times. As we continue to strive for growth, we will also devote our resources to strengthen social contributions and improve the lives of the communities around us.

企业社会责任

全美世界的世界童窗学生交流奖学金计划，已于2019财年欢庆成立10周年。2010财年里，前任新加坡总理公署部长林瑞生先生倡议下启动以来，世界童窗就一直是新加坡人持续向四川汶川地震灾黎献出爱心、提供人道援助的窗口。它的成立旨于奖励品学兼优的贫寒学子，为他们提供跨国亲赴新加坡体验浸濡学习的机会。迄今为止，世界童窗已经向67所受益院校颁发了300多份奖学金。

2019年11月1日，世界童窗在南洋小学举行学习汇报会，前任新加坡总理公署部长兼职总秘书长黄志明先生作为主宾，针对世界童窗致以两项表扬：它通过教育为增进中国和新加坡两地关系作出了贡献；以及通过鼓励各国学生走出课堂共同参与社区活动，进而建立一个更具包容性和凝聚力的社会，体现了奉献精神。

在庆典活动中，有三位2010年的第一届世界童窗交流生，分别是：李青锴(清华大学物理系大三)、邓苗琳(西南石油大学物联网系大二)及皮子艺(南洋理工大学电子工程系大三)，受邀分享他们的成长历程。其中选择在新加坡攻读大学的皮子艺，更是充分践行了世界童窗深化新中两地青少年互动与情谊的宗旨。

世界童窗的启动，源于为扶助四川地震灾黎走出痛苦、重燃希望之火的恻隐之心。如今，这个浸濡式教学计划，通过引领重建灾区及贫困山区的学子们，参与关怀特殊孩童及老人的爱心活动，回报社会以爱的力量。世界童窗，不仅是一项激励成长的学习之旅，也培养学子以关爱他人作为立身处世之本。迄今，全美世界在世界童窗的总投资额已超过50万新元。

2019年，我们加倍努力为贫困山区儿童提供优质教育，激发中国贫困地区作出改变。2018年，继湖南省娄底冷水江市中连乡第一所全美世界希望小学落成后，湖南省新邵县龙溪铺镇第二所希望小学的援建工程也于2019年11月启动。此外，贵州作为中国脱贫攻坚规划集中连片特困地区之一，也已被我们选定为第三所希望小学的建设地点。希冀该所小学于2022年建成以后，为当地农村儿童创造平等的教育机会，继而改善该地区的经济状况。这些援建小学竣工后，每年于中国感恩节期间，我们也将向需要帮助的学生和特殊班级提供助学金计划。到目前为止，全美世界在希望小学工程的总投资额已超过30万新元。

在台湾，我们则对台东“孩子的书屋”中的弱势学生给予支持与提供奖学金。我们还积极关怀社区里的独居老人，与“弘道老人福利基金会”携手，共同举办了寒冬助老行动，向100位长者们分发暖心便当，并陪伴他们一起享用佳肴。

2019年12月下旬，武汉首先爆发了新型冠状病毒病(COVID–19)疫情。中国随即采取全面的疫情防控措施，以应对这场空前的公共卫生危机，而我们则成为首批向当地慈善基金会捐款10万元人民币的亚洲公司之一。

新加坡经历第一波COVID–19疫情时，客工成为大规模群聚感染的主要人群，我们即捐赠了价值10万新元的维生素C和消毒液。当新加坡中小企业商会(ASME)发起一项筹款活动，旨在集结各中小企业的商界力量帮助新加坡客工群体时，全美世界毅然参加了该活动，并于2020年6月向外籍劳工援助基金捐赠了5万新元。

疫情过后，世界回归正常，我们坚决相信，保持敏捷并随时做好准备将有利于应对充满挑战的时代。当我们为激励发展而不断努力的同时，我们亦将投入资源，为提高社会贡献力及改善我们周遭社区生活尽一份力。

Our Appreciation

Our immediate thanks goes to Mr. Chan Soo Sen for his contributions to the Board over the years. He has contributed invaluably as a member of the Board during his tenure of service on the Company's Board and Board Committees. He stepped down as Non-Executive Independent Director on 15 February 2019 to focus on work commitments and responsibilities outside of the Company. We wish him the very best.

Dora Hoan
Founder,
Co-Chairman
Group CEO/
Managing Director

We would also like to extend a warm welcome to our newly appointed independent director, Mr. Chester Fong Po Wai, to the Board. He will chair the Nominating Committee while serving as a member of both the Audit and Remuneration Committees.

We would like to extend our sincere appreciation to all our distributors, management and staff for their diligence and commitment in making FY2019 a successful year. Special thanks also goes to the Board of Directors for their guidance and counsel, our customers, business associates and vendor partners for their continued support. Most importantly, our heartfelt thanks goes out to our shareholders, for their confidence in us and for standing by us through thick and thin.

We look forward to your continued faith and support as we continue to strive for greater heights for the years ahead!

鸣谢

首先，我们感谢曾士生先生多年来对董事会的奉献。在公司董事会和执行委员会任职期间，他为董事会成员所作贡献弥足珍贵。他于2019年2月15日卸任非执行独立董事，之后全心专注于公司以外的工作和责任。在此祝福他一切顺利。

接着，我们热烈欢迎新任的独立董事 – 方宝惠先生加入董事会。他将担任提名委员会主席，同时担任审计和薪酬委员会成员。

2019财年如此成功，我们谨此衷心感谢所有经销商、管理层和员工的辛勤与奉献。我们还要特别感谢董事会的指导和建议、我们的客户、业务伙伴、供应商及合作伙伴的一贯支持。最重要的是，我们诚挚地感激股东们的体谅，无论艰难险阻，对我们始终信任及支持。

我们期待您一如既往的信念和支持，未来的几年中，我们将砥砺前行，努力迈向新高度！

Doreen Tan
Founder,
Co-Chairman/
President

Group Structure

Subsidiaries, joint venture and associate held by Best World International Ltd

	EFFECTIVE SHAREHOLDING
SINGAPORE Avance Living Pte. Ltd.	100%
SINGAPORE Celcott Investments Pte. Ltd.	100%
SINGAPORE Via Celcott Investments Pte. Ltd. Celligenics Pte. Ltd. [1]	12.5%
SINGAPORE Best World Lifestyle Pte. Ltd.	100%
SINGAPORE Best World Taiwan Holdings Pte. Ltd.	100%
SINGAPORE MDUK Investment Pte. Ltd. [2]	100%
SINGAPORE BWL Online Systems Pte. Ltd. [3]	100%
MALAYSIA Best World Lifestyle Sdn. Bhd.	100%
THAILAND BWL (Thailand) Company Limited	49%
INDONESIA PT Best World Indonesia [4]	80%
INDONESIA PT BWL Indonesia [4]	80%
PHILIPPINES BWL Health & Sciences, Inc	100%
VIETNAM Best World Vietnam Company Limited	100%
HONG KONG SAR (GREATER CHINA) Best World Lifestyle (HK) Company Limited	100%
KOREA BWL Korea Co., Ltd	100%
TAIWAN (GREATER CHINA) Best World Lifestyle (Taiwan) Co., Ltd	100%

	EFFECTIVE SHAREHOLDING
CHINA Best World Lifestyle (Shanghai) Co., Ltd.	100%
CHINA Best World (China) Pharmaceutical Co., Ltd.	100%
CHINA Via Best World (China) Pharmaceutical Co., Ltd. Best World Lifestyle (China) Co., Ltd [5]	100%
UNITED ARAB EMIRATES BWL General Trading L.L.C	49%
UNITED KINGDOM Via MDUK Investment Pte. Ltd. Pedal Pulses Limited [6]	49.9%

1. In January 2019, the Company acquired 12.5% of Celligenics Pte. Ltd. through its wholly-owned subsidiary Celcott Investments Pte. Ltd.
2. In April 2020, the Company incorporated Best World Investments Pte. Ltd., a wholly-owned subsidiary of the Company, which has changed its name to MDUK Investments Pte. Ltd. in June 2020.
3. In June 2020, the Company incorporated BONSA Systems Pte. Ltd., a wholly-owned subsidiary of the Company, which has changed its name to BWL Online Systems Pte. Ltd. in January 2021.
4. In February 2019, the Company completed a restructuring exercise in respect of its Indonesian Subsidiaries, PT Best World Indonesia and PT BWL Indonesia. Following the completion of the restructuring exercise, the Company holds 80% of share capital of PT Best World Indonesia and PT BWL Indonesia.
5. In November 2019, the Company, through a wholly-owned subsidiary, Best World (China) Pharmaceutical Co., Ltd., incorporated a wholly-owned subsidiary in the PRC known as Best World Lifestyle (China) Co., Ltd.
6. In April 2020, the Company acquired 49.9% of Pedal Pulses Limited through its wholly-owned subsidiary MDUK Investments Pte. Ltd.

Board of Directors

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: Nil

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

Date of next re-election as a director: 26 February 2021

Length of service as a director (as at 31 December 2019): 29 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

Present Directorships in listed companies
(as at 31 December 2019)
Best World International Limited

Other principal commitments
- Secretary, World Federation of Direct Selling Associations
- First Vice Chairman, Direct Selling Association of Singapore
- Chairman, World Learner Exchange Program Committee
- Co-Chairman, SPBA Lianhe Zaobao China Prestige Brand Award
- Past President & Council Member, ASME
- Chairman, ASME Mandarin Chapter
- Vice Chairman, Radin Mas CCC

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

Doreen Tan Nee Moi, PBM
Co-Chairman, President

Date of first appointment as a director: 11 December 1990

Date of last re-election as a director: 22 June 2020

Length of service as a director (as at 31 December 2019): 29 years

Board committee(s) served on: Nil

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

Present Directorships in listed companies
(as at 31 December 2019)
Best World International Limited

Other principal commitments
- Corporate Council Board Member, ASEAN Alliance of Health Supplement Associations
- Vice President, Health Supplements Industry Association (Singapore)
- Patron, Pasir Ris West CCC
- Chairman of School Advisory Committee, Meridian Secondary School

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

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 2018

Length of service as a director (as at 31 December 2019):
25 years 3 months

Board committee(s) served on: Nil

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

Present Directorships in listed companies
(as at 31 December 2019)
Best World International Limited

Other principal commitments
- Director, Celligenics
- Director, Pedal Pulses Limited

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

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: 22 June 2020

Length of service as a director (as at 31 December 2019):
15 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
- Post-Graduate Diploma in Management Studies, University of Salford, United Kingdom
- Fellow of Institute of Chartered Accountants in England and Wales
- Practicing Member of Institute of Singapore Chartered Accountants

Present Directorships in listed companies
(as at 31 December 2019)
- Best World International Limited
- Hor Kew Corporation Limited
- Soon Lian Holdings Limited

Other principal commitments
- Senior Partner at UHY Lee Seng Chan & Co, Chartered Accountants
- Immediate Past Chairman, Board of Directors, Singapore Chinese High School
- Chairman of School Advisory Committee of Xingnan Primary School

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

Adrian Chan Pengee

Chairman of Remuneration Committee

Date of first appointment as a director: 3 January 2018

Date of last re-election as a director: 30 April 2018

Date of next re-election as a director: 26 February 2021

Length of service as a director (as at 31 December 2019): 2 years

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

Academic & Professional Qualification(s):
LLB (Hons), National University of Singapore

Present Directorships in listed companies
(as at 31 December 2019)
- Best World International Limited
- Ascendas Funds Management (S) Limited
- Yoma Strategic Holdings Ltd.
- Hong Fok Corporation Limited
- AEM Holdings Ltd
- First REIT Management Limited

Other principal commitments
- Head of Corporate and Senior Partner, Lee & Lee
- Director, Shared Services for Charities Limited
- Director, Azalea Asset Management Pte Ltd
- Director, Want Want Holdings Ltd
- Director, Singapore Institute of Directors
- Honorary Secretary, Association of Small and Medium Enterprises
- Board Member, Accounting and Corporate Regulatory Authority
- Member, Legal Service Commission
- Council Member, Law Society of Singapore
- Member, Singapore Management University's Enterprise Board
- Member, SGX Catalist Advisory Panel

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
- Nobel Design Holdings Ltd
- Global Investments Limited

Chester Fong Po Wai

Chairman of Nominating Committee

Date of first appointment as a director: 15 February 2019

Date of last re-election as a director: 22 June 2020

Length of service as a director (as at 31 December 2019):
10 months

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

Academic & Professional Qualification(s):
- Bachelor of Social Sciences, University of Hong Kong
- Master of Business Administration, University of Derby, United Kingdom
- Member of Hong Kong Institute of Certified Public Accountants
- Member of Certified General Accountants Association of Ontario

Present Directorships in listed companies
(as at 31 December 2019)
- Best World International Limited
- New Era Nutrition Inc.

Other principal commitments
- Senior Advisor to McKinsey & Company

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

Past principal commitments
- CFO, Greater Asia Division, Colgate-Palmolive
- Chairman and CEO, Greater China, Colgate-Palmolive

Li Lihui

Alternate Director to Dora Hoan Beng Mui

Date of first appointment as a director: 16 Jan 2019

Length of service as a director (as at 31 December 2019):
11 months

Board committee(s) served on: Nil

Academic & Professional Qualification(s):
- LLB (Hons), National University of Singapore
- Master of Science in Applied Finance, Singapore Management University
- Certified Health Coach, Institute of Integrative Nutrition, United States

Present Directorships in listed companies
(as at 31 December 2019)
- Best World International Limited

Other principal commitments
- Director, The Dark Gallery Pte Ltd
- Director, Thirtythree Private Limited
- Director, Pedal Pulses Limited

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

Pek Wei Liang

Alternate Director to Doreen Tan Nee Moi

Date of first appointment as a director: 16 Jan 2019

Length of service as a director (as at 31 December 2019):
11 months

Board committee(s) served on: Nil

Academic & Professional Qualification(s):
- Diploma in Electronics, Computer & Communications Engineering, Nanyang Polytechnic
- Certified Master Practitioner of Neuro-Linguistic Programming, Mind Transformations

Present Directorships in listed companies
(as at 31 December 2019)
- Best World International Limited

Other principal commitments
- Director, So App Pte Ltd
- Director, Lure Haven LLP

Past Directorships held over the preceding three years in other listed companies (from 1 January 2017 to 31 December 2019)
Nil

Key Management

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.

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 and IT disaster recovery planning.

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.

Gan Kok Wee
Senior Group Manager,
Human Resource Development & Culture Communication

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 more than 25 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.

Jerry Lu
Senior Group Regional Manager,
S.E.A. Market Development

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, Malaysia and Philippines.

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.

Jansen Tang
Senior Country Manager,
Best World (China) Pharmaceutical Co., Ltd. (Hunan Branch)
& Best World Lifestyle (Hong Kong) Company Limited
Group Manager, Regional Membership & Commission

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, Hong Kong in 2012 and was subsequently promoted to Country Manager in 2015, where his role was expanded to include the strategic planning and business development in the region. In 2018, he was promoted to Senior Country Manager, China and Hong Kong. He is responsible for the overall supervision of our operational and business processes in China and Hong Kong.

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 Senior Country Manager of Taiwan from February 1, 2016, Mr Yeh is a direct selling veteran with over 20 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 18 years. Mr Yeh holds a Bachelor's Degree in Economics from Tamkang University in Taiwan.

Ho Kok Tong
General Manager (Manufacturing/Wholesale),
Best World (China) Pharmaceutical Co., Ltd

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, Best World (China) Pharmaceutical 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 Certified Public Accountants of Singapore (FCPA Singapore).

Ang Ping
Group Manager, Branding

Mr Ang was appointed Group Manager, Branding since 2009 where he leads a brand management team that specialises in brand creation, extension and proliferation. He is responsible to oversee the the brand packaging and marketing communication materials across the portfolio of skincare and health supplement brands. This includes driving strategic initiatives in video content development to enhance our digital presence with our customers online. His team comprising of designers and motion graphic specialists is also instrumental in the creation of the company's annual report and keynote presentation. In addition, Mr Ang also heads the company's corporate social responsibility initiative, the World Learner Student Exchange Scholarship which rewards underprivileged students with outstanding performance in schools, an opportunity to experience growth through travel and student immersion in Singapore.

Prior to Best World, Mr Ang spent over 10 years in brand consulting. His rich experience and expertise help maintain our brand experience fresh and engaging at every brand touch point. Mr Ang holds an MBA from the University of Chicago Graduate School of Business.

Tan Hui Keng, Phyllis
Group Manager,
Supply Chain

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. In 2019, she assumed further responsibility with Warehouse Operations & Production grouped under Supply Chain function. Her responsibility includes managing the Group's inventory planning and supply chain management.

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

Lim Sze Huey
Group Manager,
Product Development & Quality Control

Ms Lim joined Best World in October 2008 as an executive in the product development team. She was promoted to Assistant Manager in 2010 and to Manager in 2012. Her consistent work performance led to her promotion to Product Development Senior Manager in 2013 and subsequently to Product Development Division Manager in 2015.

Ms Lim was appointed as our Group Manager, Product Development and Quality Control in March 2018. Her responsibility includes overseeing the product development, product management, quality assurance, regulatory affairs, digital and content marketing functions of the group.

Ms. Lim was awarded the Nanyang Scholarship and graduated from Nanyang Technological University with a Degree of Bachelor of Engineering (Chemical and Biomolecular Engineering) with a minor in Business in June 2008. During her tenure at Best World, she has also been continuously upgrading her professional knowledge and skills through attending courses in the different areas of product regulations, quality and standards, digital and content marketing, and management skills.

Corporate Information

DIRECTORS

Dora Hoan Beng Mui	Co-Chairman, Group Chief Executive Officer, Managing Director
Doreen Tan Nee Moi	Co-Chairman, Executive Director, President
Huang Ban Chin	Executive Director, Chief Operating Officer
Lee Sen Choon	Lead Independent Non-Executive Director
Chan Soo Sen	Independent Non-Executive Director (Resigned on 15 February 2019)
Adrian Chan Pengee	Independent Non-Executive Director
Chester Fong Po Wai	Independent Non-Executive Director (Appointed on 15 February 2019)
Li Lihui	Alternate Director to Dora Hoan Beng Mui (Appointed on 16 January 2019)
Pek Wei Liang (Bai Weiliang)	Alternate Director to Doreen Tan Nee Moi (Appointed on 16 January 2019)

AUDIT COMMITTEE

Lee Sen Choon	Chairman
Adrian Chan Pengee	
Chester Fong Po Wai	(Appointed on 15 February 2019)
Chan Soo Sen	(Resigned on 15 February 2019)

REMUNERATION COMMITTE

Adrian Chan Pengee	Chairman
Lee Sen Choon	
Chester Fong Po Wai	(Appointed on 15 February 2019)
Chan Soo Sen	(Resigned on 15 February 2019)

NOMINATING COMMITTEE

Chester Fong Po Wai	Chairman
Dora Hoan Beng Mui	
Lee Sen Choon	
Adrian Chan Pengee	
Chan Soo Sen	(Resigned on 15 February 2019)

REGISTERED OFFICE

26 Tai Seng Street #05-01 Singapore 534057
Telephone: (65) 6899 0088
Facsimile: (65) 6636 1531
Email address: info@bestworld.com.sg
Website address: www.bestworld.com.sg

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Citibank N.A.

United Overseas Bank Ltd

Credit Suisse AG, Singapore Branch

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00 Singapore 068898

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
Partner in charge: Mr Ang Chuen Beng
(since financial year ended 31 December 2017)

Financial Calendar

24 February 2021
Announcement of full year results for the financial year ended 31 December 2020

26 February 2021
Annual General Meeting

11 May 2021
Announcement of first quarter results ending 31 March 2021

28 May 2021
Sustainability Report 2020

12 August 2021
Announcement of first half year results ending 30 June 2021

11 November 2021
Announcement of third quarter results ending 30 September 2021

Corporate Governance Report

The Board of Directors (the "**Board**") of Best World International Limited (the "Company" or "Best World") and its subsidiaries (the "**Group**") firmly believes that good corporate governance is essential for the long-term sustainability of the Group'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, set out in a tabular form, describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the "2018 Code") issued on 6 August 2018.

The Board confirms that for the financial year ended 31 December 2019 ("**FY2019**"), the Company has complied with the core principles of corporate governance laid down by the Code. The Company has also largely complied with the provisions that reinforce the principles of the 2018 Code, where applicable, and has provided appropriate explanations for variations from the provisions of the Code (namely, variations from Provisions 2.2, 2.3, 2.4, 3.1, 3.2, 11.4 and 11.6 as further described below), including the reason for variation and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code, in this report.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provisions	Corporate Governance Practices of the Company
1.1	The Company is headed by an effective Board, comprising competent individuals with diversified background and collectively brings with them a wide range of experience to lead the Company. The Board oversees the activities of the Group and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices and holds the management of the Company (the "**Management**") accountable for performance. The Board has also put in place a code of conduct and ethics, sets an appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Group, through the Group's Code of Ethical Conduct, Anti-Corruption Policy, Gift & Entertainment Policy and Conflict of Interest Policy. 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 divestment 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.

All directors exercise due diligence and independent judgment and are obliged to act in good faith and in the best interests of the Company. Where there are conflicts of interest, directors recuse themselves from discussions and decisions involving the issues of conflict.

1.2 A formal letter is sent to newly appointed directors upon their appointment explaining their duties and obligations as a director. New directors, upon appointment, will 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 primarily engaged in their respective profession, keeping themselves updated in their fields of knowledge.

The Board as a whole is updated regularly on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members.

New releases issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority which are relevant to the directors are circulated to the Board.

The Company Secretary and Management inform the directors of upcoming conferences and seminars relevant to their roles as directors of the Company.

Annually, the external auditors update the Audit Committee and the Board on new or revised financial reporting standards, in particular standards that could have a material impact on the Group's consolidated financial statements.

1.3 The Company has formulated guidelines setting forth matters reserved for the Board's decision. 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 while delegating authority for transactions below these limits to Management to facilitate operational efficiency.

Certain material corporate actions that require the Board's approval are as follows: -

- quarterly results announcements;
- annual results and financial statements;
- recommendation of dividends;
- convening of shareholders' meetings;
- authorization of material acquisition and disposal of non-routine assets, investments and treasury products exceeding S$500,000;
- authorization of joint ventures, mergers and major transactions;
- internal audit reports;
- appointment of directors and key management personnel; and
- all corporate actions for which shareholders' approval is required.

1.4 To facilitate effective management, certain functions have been delegated to various board committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), each of whose members are drawn from members of the Board (together "Board Committees" and each a "**Board Committee**"). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. For a summary of the activities of the AC, the NC and the RC during FY2019, please refer to Provisions 10.1, 4.1 and 6.4 respectively below.

1.5 The schedule of all the Board and the Board Committee meetings for the calendar year is usually given to all the directors well in advance. Besides the scheduled meetings, the Board has also held several informal discussions as and when required by specific circumstances, and as deemed appropriate by the Board members. The Company's Constitution allows a Board meeting to be conducted by means of telephone or similar communications equipment (which may include video conference). A record of the directors' attendance at general meetings and meetings of Board and Board Committees for FY2019, as well as the frequency of such meetings, is set out in Table 1 below. Please also refer to Provision 4.5 below for further information regarding directors with multiple board representations.

TABLE 1 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS AND AGM FOR FY2019

	BOARD	AUDIT	REMUNERATION	NOMINATING	AGM	ATTENDANCE	
	Meetings Attended / No. of Meetings	Meetings Attended / No. of Meetings	Meetings Attended / No. of Meetings	Meetings Attended / No. of Meetings	Attended	Total	%
Dora Hoan Beng Mui	4/4	4/4	-	1/1	1	10/10	100%
Doreen Tan Nee Moi	4/4	4/4	-	1/1	1	10/10	100%
Huang Ban Chin	4/4	4/4	-	1/1	1	10/10	100%
Lee Sen Choon	4/4	4/4	1/1	1/1	1	11/11	100%
Adrian Chan Pengee	4/4	4/4	1/1	1/1	1	11/11	100%
Chester Fong Po Wai (1)	4/4	4/4	1/1	1/1	1	11/11	100%
Li Lihui (2)	4/4	4/4	-	1/1	1	10/10	100%
Pek Wei Liang (3)	4/4	4/4	-	1/1	1	10/10	100%

Note: (1) Appointed on 15 February 2019
(2) Appointed on 16 January 2019.
(3) Appointed on 16 January 2019.

Provisions **Corporate Governance Practices of the Company**

1.6 The members of the Board are provided with complete, adequate and timely information prior to Board meetings, and on an on-going basis. Requests for information by the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur. These include relevant information and explanatory notes on matters that are presented to the Board, such as budgets, forecasts and business models.

In relation to budgets, any material variance between projections and actual results are disclosed and explained. Timely updates on developments in accounting matters, legislation, government policies and regulations affecting the Group's business operations are provided to all directors.

1.7 The Board has separate and independent access to the Group's senior management and the Company Secretary at all times. The Board seeks independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. The directors, whether as a group or individually, may seek and obtain legal and other independent professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as directors.

The Company Secretary provides corporate secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary assists the Co-Chairman by preparing meeting agendas, attending Board and Board Committee meetings and preparing minutes of Board proceedings. Under the direction of the Co-Chairman, the Company Secretary, with the support of the Management, ensures good information flows within the Board and the Board Committees and between senior management and non-executive directors. The appointment and replacement of the Company Secretary is a matter for the Board.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

<u>Provisions</u>	<u>Corporate Governance Practices of the Company</u>

2.1 The Board comprises the following 8 members, of whom three are executive directors ("**EDs**"), 2 are non-executive non-independent alternate directors ("**NENIs**") and the remaining 3 are non-executive independent directors ("**NEIDs**"). Excluding the alternate directors, independent directors make up half the Board. A summary of the current composition of the Board and its committees is set out in **Table 2**:

Dora Hoan Beng Mui	Co-Chairman, Group CEO / Managing Director
Doreen Tan Nee Moi	Co-Chairman, President
Huang Ban Chin	Executive Director and Chief Operating Officer
Lee Sen Choon	Lead Independent Director
Adrian Chan Pengee	Independent Director
Chester Fong Po Wai	Independent Director
Li Lihui	Alternate director to Dora Hoan Beng Mui
Pek Weiliang	Alternate director to Doreen Tan Nee Moi

Li Lihui and Pek Weiliang were appointed as alternate directors to Dora Hoan Beng Mui and Doreen Tan Nee Moi respectively. The reason for the appointment of alternate directors is to support the principal directors in their duties in their absence. Li Lihui's and Pek Weiliang's role as alternate directors are non-executive in nature and they receive no remuneration from the Company.

The NC, which reviews the independence of each director on an annual basis, adopts the 2018 Code's definition of what constitutes an independent director. Each independent director is required to complete a declaration of independence which is drawn up in accordance with the guidelines set out in the Code and submits the same to the NC for assessment and consideration. None of the independent non-executive directors has a relationship with the Company, its related corporations, its substantial shareholders (holding 5% or more of the shares) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

Concerning the independence of directors who have served on the Board beyond nine years, Lee Sen Choon ("**LSC**") who was appointed on 24 May 2004, have served on the Board beyond nine years. The NC performs an annual review of his interests in which all potential or perceived conflicts (including time commitments, length of service and other issues relevant to their independence) are considered.

Where a director has served on the Board for more than nine years, the Board has further reviewed whether such a director should be considered independent. The following were some of the factors considered in reviewing the independence of the director who has served beyond nine years:

(a) whether the director is free from any dealings, relationships or circumstances that could affect or appear to affect his independent judgement, particularly with regards to whether the Director has indicated or demonstrated an alignment or ongoing support for any specific group of stakeholders, instead of representing the interests of all stakeholders;

(b) whether the length of service had any adverse impact on the director's objectivity and judgement and whether during the tenure there had been any impairment to his ability to discharge his duties and responsibilities in the overall interest of the Group, taking into consideration the interests of all stakeholders; and

(c) whether the director continues to exhibit a firm commitment to his role and continues to actively contribute his knowledge and experience to the Group;

After due consideration and with the concurrence of the NC, the Board is of the view that Mr Lee Sen Choon has demonstrated strong independence of character and judgment over the years in discharging his duties and responsibilities as an independent director and he does not have any existing business and/or professional relationship whatsoever with Best World group of companies and its officers who could possibly influence his objectivity in discharging his duty as an independent director of the Company. Taking into account the above, the Board has determined that Mr Lee Sen Choon continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. LSC had duly recused himself from the discussion and taking a decision in respect of his own independence.

The Board also reviewed the performance of each independent director and considers each of these directors brings invaluable expertise, experience and knowledge to the Board and they continue to contribute positively to the Board and Board Committees. Each independent director continues to be committed to carry out his roles and responsibilities, 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 is satisfied as to the performance and continued independence of judgment of each of these directors.

2.2 The Co-Chairman of the Board and the Group Chief Executive Officer ("**Group CEO**") of the Company is the same person, namely Dora Hoan Beng Mui. The Co-Chairman is part of the management team and is not an Independent Director. Where the Chairman is not independent, independent directors should make up a majority of the Board. In this regard, excluding the alternate directors, half the Board is made up of independent directors. Whilst independent directors do not make up a majority of the Board, the culture practiced by the Board is to always to have a Group consensus on major decisions before moving forward. Even without majority representation, any issue highlighted by any director is always looked into and properly addressed in a satisfactory manner. In addition, the Board is of the view that the independent directors have demonstrated high commitment in their role as directors and have ensured that there is a good balance of power and authority and good corporate governance. The independent directors also assist in the development of proposals on strategy by constructively challenging management and reviewing the performance of management.

2.3 Excluding alternate directors, the Board is currently made up of half executive directors and half independent directors. The Company will seek to add another non-executive / independent director in 2021 to be in line with the 2018 Code's provision.

2.4 The Board currently does not have a formal diversity policy but recognizes the importance of an appropriate balance and diversity of skills, experience, age, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC reviews the Board's collective skills matrix during the annual assessment of the effectiveness of the Board. The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operations. The current Board comprises directors who as a group provide core competencies, such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary and critical to meet the Group's objectives. The biographies of all Board members are set out in the section entitled "Board of Directors".

2.5 Where warranted, the non-executive directors meet without the presence of management or executive directors or non-executive alternate directors to review any matters that should be raised privately and provide feedback to the Board and/or Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions	Corporate Governance Practices of the Company
3.1	Dora Hoan Beng Mui currently fulfils the role of Co-Chairman and Group CEO of the Group. As one of the founders and a substantial shareholder of the Company since its inception, she plays an instrumental role of developing the business of the Group and provides the Group with strong leadership and strategic vision. All major decisions are put up for Board discussion and endorsed by the Board as described in Provision 2.2.
3.2	The Chairman provides leadership to the Board. Besides being responsible for board proceedings, the Chairman is also responsible for presenting the Board's views and decisions to the public. The Group CEO is responsible for the day-to-day running of the Group and ensures that the Board's decisions and strategies are translated to the working level. As the Co-Chairman and Group CEO, Dora Hoan Beng Mui is responsible for Board processes and ensures the integrity and effectiveness of the governance process of the Board. With the assistance of the Company Secretary and Management, she schedules and prepares the Board meetings agenda. In addition, she sets guidelines on and ensures quality, quantity, accuracy and timeliness of information flow between the Board, Management and shareholders of the Company. She encourages constructive relations between the Board and Management and between the executive directors and the independent directors. By virtue of the dual roles, the Co-Chairman and Group CEO had been able to consistently ensure that Board decisions and strategies are implemented seamlessly. The sustained growth of the Group under her leadership as both Co-Chairman and Group CEO is an indication of her ability to execute the responsibilities of both these roles effectively.
3.3	The Board has appointed Mr. Lee Sen Choon, a NEID, as the Lead Independent Director. Mr. Lee Sen Choon will be available to address shareholders' concerns when contact through the normal channels of the Chairman, the CEO, or Management (including the Group Chief Financial Officer (or equivalent)) has failed to provide a satisfactory resolution or when such contact is inappropriate or inadequate. In view of the above, the Company believes that the existing practices are consistent with the intent of Principle 3 of the 2018 Code and believe there are adequate safeguards to prevent an individual from having unfettered powers of decision making.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions — **Corporate Governance Practices of the Company**

4.1 The Board, in conjunction with the NC, reviews the composition of the Board and Board Committees annually, taking into account the performance and contribution of each individual director and identifying areas that have potential for improvement. Board composition is also evaluated to ensure diversity of skills, experience, gender and age diversity are maintained within the Board and Board committees.

The duties of the NC stipulated in its terms of reference are summarized 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.

Summary of NC's activities in 2019

- Reviewed the Board's composition and size, Director's tenure, competencies and outside commitments, Board and Committee education, nomination of directors for re-election.
- Reviewed the major themes arising from the annual Board Committees and Board performance review process and considered whether any aspects of the Board's oversight framework could be strengthened.
- Reviewed and recommended training and professional development programmes for the Board and its directors.
- Reviewed the Director's independence criteria and assessment process.

4.2 The NC, regulated by a set of written terms of reference, comprises four members, one of whom is an executive director and three of whom, including the Chairman, are NEIDs. The lead independent director is a member of the NC.

Chairman:	Chester Fong Po Wai (Independent Non-Executive Director)
Member:	Dora Hoan Beng Mui (Co-Chairman, Group CEO / Managing Director)
Member:	Lee Sen Choon (Lead Independent Non-Executive Director)
Member:	Adrian Chan Pengee (Independent Non-Executive Director)

4.3 The NC is responsible for identifying and recommending new board members to the Board. In the selection process for the appointment of new directors, the NC reviews the diversity in skills, experience, gender, age and industry knowledge as well as the desired competencies of the potential candidate. The objective is to boost the Board's competency and add to the diversity of skills to enhance the Board's overall effectiveness. Relevant competencies such as (i) academic and professional qualifications; (ii) number of other directorships; (iii) relevant experience as a director; and (iv) ability and adequacy in carrying out required tasks are also considered by the NC.

The NC leads the process for Board appointments/re-appointments and makes recommendations to the Board. The process of appointment/re-appointment is as follows:

(i) developing a framework on desired competencies and diversity of the Board;

(ii) assessing current competencies and diversity of the Board;

(iii) developing desired profiles of new directors;

(iv) initiating search for new directors from various sources, including third party search firms and institutions,

(v) shortlisting and interviewing potential director candidates;

(vi) recommending appointments and retirements to the Board; and

(vii) re-election at general meeting.

In accordance with the Constitution, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third), selected in accordance with Article 93, shall retire from office by rotation (in addition to any Director retiring pursuant to Article 92). In addition, all directors, including executive directors, must submit themselves for re-nomination and re-appointment at least once every three years in accordance with Rule 720(5) of the SGX-ST Listing Rules (Mainboard).

All newly appointed directors will have to retire at the next AGM following their appointments. The retiring directors are eligible to offer themselves for re-election. The following directors will retire by rotation at the forthcoming AGM and have been re-nominated for re-election:

Dora Hoan Beng Mui (Article 93)

Adrian Chan Pengee (Article 93)

The NC has recommended the nomination of the directors retiring by rotation for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation and accordingly, the above-mentioned directors will be offering themselves for re-election at the forthcoming AGM.

The profile of all Board members is set out in the section entitled 'Board of Directors'. The date of the directors' initial appointment and last re-election and their directorships/ principal commitments are also disclosed. Except as disclosed, there were no other directorships or chairmanships held by the directors over the preceding three years in other listed companies.

4.4 The NC determines the independence of each director annually, and as and when circumstances require, based on the definitions and guidelines of independence as set forth in Provision 2.1 above. The Board, after taking into consideration the views of the NC, is of the view that Messrs Lee Sen Choon, Adrian Chan Pengee and Chester Fong Po Wai are independent. Please also refer to Provision 2.1 above for further information on the declaration of independence submitted by the independent directors to the NC for assessment and consideration.

4.5 The NC adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The Board has determined that directors should not concurrently hold more than six listed company board representations. Where a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.

Li Lihui and Pek Weiliang were appointed as alternate directors to Dora Hoan Beng Mui and Doreen Tan Nee Moi respectively.

The NC also ensures that new directors are aware of their duties and obligations. Please also refer to Provision 1.2 above on the induction, training and development provided to new directors.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions	Corporate Governance Practices of the Company
5.1	The Board has, through the NC, implemented an annual evaluation process to assess the effectiveness of the Board, the Board Committees and the contributions by each individual director. The NC is also responsible for deciding how the Board's performance may be evaluated and considers practical methods to assess the effectiveness of the Board, Board Committees and the individual director.
5.2	The NC has adopted a formal system of evaluating the Board, annually. A Board performance evaluation was carried out and the assessment parameters include evaluation of the Board's composition, size and diversity, Board processes and procedures, Board accountability, evaluation and succession planning. The annual evaluation exercise provides an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes had allowed him to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole. The evaluation of Board's performance 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 Board Committees' evaluation deals with the efficiency and effectiveness of each committee in assisting the Board. 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, senior management, shareholders and auditors. 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. No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual directors.

REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions	Corporate Governance Practices of the Company
6.1	The principal function of the RC is to ensure that a formal and transparent procedure is in place for fixing the remuneration framework and specific remuneration packages for the directors and key management personnel of the Group.

The duties of the RC under its terms of reference 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) 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

e) 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.

The RC's considerations and recommendation for the fee framework of NEIDs had been made in consultation with the Co-Chairman of the Board and had been endorsed by the entire Board, following which the recommendation is tabled for shareholders' approval at the Company's AGM. No member of the RC or the Board participated in the deliberation of his/her own remuneration.

6.2 The RC, regulated by a set of written terms of reference, comprises the following three independent non-executive directors as at the date of this report:

Chairman: Adrian Chan Pengee

Member: Lee Sen Choon

Member: Chester Fong Po Wai

6.3 The RC considers all aspects of remuneration, namely, director's fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits-in-kind and termination terms, to ensure that they are fair. The remuneration packages of the executive Directors are based on their respective service agreements. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the executive directors.

6.4 No independent consultant is engaged for advising on the remuneration of all directors and key management personnel. In its deliberations on remuneration matters, the RC takes into consideration industry practices and norms in compensation in addition to the Group's relative performance to the industries it operates in as well as the employment conditions within those industries and the performance of the individuals.

Summary of RC's activities in FY2019

- Extension of service agreements of executive directors;
- Renewed the terms of the service agreement of the Co-founder and Group President;
- Reviewed the remuneration level of executive directors;
- Reviewed the remuneration level of NEIDs;
- Reviewed the remuneration package of employees who are immediate family members of a director or CEO; and
- Agreed with the remuneration packages for the senior executives.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions	Corporate Governance Practices of the Company
7.1 and 7.3	**REMUNERATION POLICY IN RESPECT OF EXECUTIVE DIRECTORS AND OTHER 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 RC reviews the audited group financial results against the targets achieved before approving the distribution of the annual incentive bonus.

The Co-Chairman is consulted by the RC on matters relating to the other executive directors and key management personnel who report to her on matters relating to the performance of the Company. She duly abstained from participation in discussions and decisions on her own remuneration.

From time to time where appropriate and at the renewal of the service agreements, the RC reviews the service contracts of the Company's executive directors. The compensation commitments in service contracts are reviewed periodically and notice periods for termination are also reviewed to ensure that they are not excessively long. The Company has entered into separate service agreements with the executive directors.

Key management remuneration comprises 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.

The Company has contractual provisions for key management positions whereby the Company shall have the right to reclaim 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.

LONG TERM INCENTIVE SCHEME

The Company has an employee share award scheme known as the BWI Performance Share Scheme (the "Scheme"), administered by the RC. The Scheme provides an opportunity for employees who met performance targets to receive their bonus through an equity stake in the Company instead of receiving cash, based on the market closing price on the day that the share award vests. The Circular to Shareholders dated 8 April 2009 containing the details of the Scheme is available to shareholders upon their request.

In 2018, 231,600 shares were granted through the use of our treasury shares on 18 April 2018 to employees who opted into the Scheme. No new shares have been issued during the financial year by virtue of the grant of share awards under the Scheme.

The Scheme was at the end of its 10-year duration and was discontinued on 30 April 2019.

7.2 POLICY IN RESPECT OF NON - EXECUTIVE DIRECTORS' REMUNERATION

The independent non-executive directors are paid director's fees, consisting of a base fee for their appointments in the Board and its committees, fees for chairing each board committee and taking up additional appointment of Lead Independent Director, based on their effort and time spent to fulfil their responsibilities.

The fee structure is as follows:

	S$
Base fee for appointments in the Board and its committees	47,000
Additional fee for chairing each Board Committee	13,000
Additional fee for appointment as Lead Independent Director	2,000
One-off fee for extra work and additional duties for FY2019	20,000

The RC had recommended to the Board an amount of S$242,164 as Directors' fees to be paid for FY2019, which will be tabled for shareholders' approval at the forthcoming AGM

Fees for independent non-executive directors are subject to the approval of shareholders at the AGM.

DISCLOSURE OF REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions **Corporate Governance Practices of the Company**

8.1 **LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 DECEMBER 2019.**

For competitive reasons and difference in salary benchmarks across the countries the Group operates in, the Company discloses the remuneration of individual executive directors and the top five key management personnel on a named basis in bands of S$250,000.

Please also refer to Provisions 7.1 and 7.2 above for further details on the Company's policy and criteria for setting remuneration.

	Remuneration Bands / Remuneration	Salary (1) (%)	Bonus (%)	Benefits-in-kind (%)	Fees (%)	Total (%)
Executive Directors						
Dora Hoan Beng Mui	S$7,750,000 to S$8,000,000	11	88	1	-	100
Doreen Tan Nee Moi	S$7,750,000 to S$8,000,000	11	88	1	-	100
Huang Ban Chin	S$4,750,000 to S$5,000,000	13	86	1	-	100
Independent Directors						
Lee Sen Choon	S$82,000	-	-	-	100	100
Adrian Chan Pengee	S$80,000	-	-	-	100	100
Chester Fong Po Wai (2)	S$72,603	-	-	-	100	100
Chan Soo Sen (3)	S$7,561	-	-	-	100	100
Top Five Key Management Personnel						
Simon Yeh	S$750,000 to S$1,000,000	22	78	-	-	100
Jansen Tang	S$750,000 to S$1,000,000	27	72	1	-	100
Koh Hui	S$250,000 to S$500,000	45	54	1	-	100
Jerry Lu	S$250,000 to S$500,000	45	55	-	-	100
Gan Kok Wee	S$250,000 to S$500,000	50	50	-	-	100

Note: (1) Comprises salary and all CPF contributions
(2) Appointed on 15 February 2019
(3) Resigned on 15 February 2019

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 FY2019 was S$2,923,213.

8.2 **REMUNERATION OF EMPLOYEES WHO ARE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY, OR ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, THE CEO OR A SUBSTANTIAL SHAREHOLDER OF THE COMPANY**

Details of the remuneration of employees who are immediate family member (defined in the Listing Manual as the spouse, child, adopted child, stepchild, brother, sister and parent) of a director, the CEO or a substantial shareholder, in the employment of the Company whose annual remuneration exceeded S$100,000 during FY2019 are disclosed as follows:

Immediate Family Member of Director	Relationship with Director	Designation	Remuneration Bands
Hoan Beng Hua	Brother of Dora Hoan Beng Mui	Senior Production Supervisor	S$100,000 – S$200,000

8.3 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 for FY2019. Disclosure on all forms of remuneration has been sufficiently disclosed in this report under Principles 6, 7 and 8 and in the financial statements of the Company and the Group.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provisions	Corporate Governance Practices of the Company
9.1	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 Group's Investment Guideline Policy sets out the policies and guidelines for investments of more than S$500,000. Pursuant to the Investment Guideline Policy, all investments must be initiated by the Directors and assisted by the Treasury Division of the Finance department and Corporate Legal Manager of the Company. Once a potential investment is identified, the target will be brought to the attention of the Board in writing or during a board meeting. A working group which includes but is not limited to the management, legal counsel, certified public accountants, as well as relevant employees which the directors assign to be in the working group, will be formed. A financial adviser may also be involved for material transactions where appropriate. Upon completion of the due diligence and valuation exercises, the working group will present the final investment proposal to the Board for approval. In accordance with Chapter 10 of the Listing Manual of the SGX-ST, the investment may also be conditional upon the approval of the Company's shareholders and the SGX-ST. Completed investments will be analysed during the board meetings on a half-yearly basis as part of the enterprise risk management updates.

The ERM Committee comprises the Executive Director and Chief Operating Officer – Mr Huang Ban Chin, department heads and chaired by the Lead Independent Director – Mr Lee Sen Choon who 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 & 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 faced by the Group are identified below:

1) 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 resulted in higher storage costs and stock obsolescence. We regularly review sales forecasts, monitor custom regulations, maintain buffer stocks and work with our suppliers to minimize disruptions.

2) 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's 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.

3) 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.

4) 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.

5) Unfavorable foreign exchange movements

   As the Group operates internationally, revenue is generated in various currencies. Although subsidiaries are required to remit excess cash, the company still has foreign currency exposure should local currency fluctuate significantly against the Singapore dollar. BWI monitors monetary policy changes, major currency exposures and attempt to fix rates where feasible to minimize unfavorable exchange rate fluctuations.

The CSA programme established 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.

Updates to issues reviewed by PwC (the "Independent Accountant") in relation to:-

a. Goods not delivered on a timely basis, leading to potential sales cut-off issues for goods sold which remained undelivered as at 31 December 2018.

b. Sales order forms received from Franchisees via various sales platforms may not have been retained after the orders were compiled into a spreadsheet.

c. Potential understatement of Chinese subsidiary's sales and certain related expenses arising from the franchisee trade rebates.

Issues a. and b. have been satisfactorily addressed as part of the resumption proposal. Issue c. remained unconcluded as at the date of this report. Please refer to the audit report of the external auditor and the Note 2.1 to the financial statements for an update on these issues.

Apart from these areas highlighted and 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, the Board, with the concurrence of the Audit Committee is 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 2019.

The internal controls maintained by the Management provide reasonable but not absolute assurance against material misstatements or loss, and the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with relevant legislation, regulation and best practice and containment of business risk.

9.2 The Board has received assurance from (a) the Co-Chairman, Group CEO / Managing Director and the Senior Group Financial Controller that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Co-Chairman, Group CEO / Managing Director and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provisions	**Corporate Governance Practices of the Company**

10.1 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) 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;

   iii) their audit report;

   iv) 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) 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; and

j) 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; and

e) ensure that the Head of Internal Audit 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; and

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; and

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 particularly 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; and

h) review and monitor the Management's responsiveness to the findings.

Apart from the above duties, the AC will commission and review the findings of internal investigations into matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any Singapore law or regulation or rules of the SGX-ST or any other regulatory authority in Singapore which has or is likely to have a material impact on the operating results and/or financial position.

In performing its duties, the AC:

(i) has met with the internal and external auditors, without the presence of management, at least once a year;

(ii) has explicit authority to investigate any matter within its terms of reference;

(iii) has had full access to and cooperation from Management and has full discretion to invite any director and executive officer to attend its meetings; and

(iv) has been given reasonable resources to enable it to discharge its functions properly.

The AC reviewed the non-audit services provided by the external auditors of the Company for FY2019. As at 31 December 2019, total fees paid/payable amounted to S$605,800 out of which S$588,000 is for audit services and S$17,800 is for non-audit services. The AC is of the opinion that the provision of such non-audit services did not impair the independence or objectivity of the external auditors of the Company.

Having reviewed the nature and extent of non-audit services rendered by the external auditors to the Company for the year ended 31 December 2019, the AC is of the opinion that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC had therefore recommended to the Board that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

The auditors, Ernst & Young LLP, have indicated their willingness to accept reappointment.

In recommending the re-appointment of the auditors, the Audit Committee considered and reviewed various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm's other audit engagements, the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. Accordingly, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the AGM of the Company.

The Company's Whistle Blowing Policy allows employees to report any suspected corruption anonymously via the Company's whistle blowing channel with the assurance that reports will be acted upon at the earliest instance and investigated as appropriate. All disclosures made through the whistle blowing channel are recorded and reported to the Board on a half-yearly basis. If any investigation is necessary, the AC shall direct an independent investigation to be conducted on the disclosure received. The Board shall receive a report on the disclosure, findings of investigation and a follow-up report on actions taken.

Summary of AC's activities in FY2019

(i) reviewed the financial statements of the Company before the announcement of the Company's quarterly and full-year results;

(ii) together with the COO and Senior Group Financial Controller and where applicable, the external auditors, reviewed the key areas of Management's judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials;

(iii) reviewed and approved both the Group internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls comprising financial, operational, information technology and compliance controls of the Company;

(iv) reviewed the independence and objectivity of the internal and external auditors through discussions with the internal and external auditors;

(v) reviewed non-audit fees;

(vi) reviewed the appointment of different auditors for its subsidiaries;

(vii) reviewed the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group;

(viii) reviewed the internal audit functions and discussed accounting implications of major transactions including significant financial reporting issues;

(ix) reviewed interested party transactions;

(x) reviewed with the COO, Senior Group Financial Controller and external auditors on the changes to accounting standards and issues which are relevant to the Group and have a direct impact on the Group's financial statements; and

(xi) reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the Independent Auditors' Report thereon before submitting them to the Board for its approval.

Rule 1207(6) and Rules 712 and 715 and/or Rule 716 of the SGX-ST Listing Manual

The Board and AC have reviewed the appointment of different auditors for some of its subsidiaries and significant associated companies and were satisfied that such appointment would not compromise the standard and effectiveness of the audit of the Group and that Rule 716 of the Listing Manual has been complied with. Refer to Note 16 "Investments in subsidiaries" of the Notes to the Consolidated Financial Statements for the subsidiaries audited by different auditors.

In appointing the audit firms for the Company, its subsidiaries and significant associated companies, the Audit Committee and the Board are satisfied that the Group has complied with Listing Rules 712, 715 and 716.

10.2 The AC, regulated by a set of written terms of reference, comprises three NEIDs, all of whom are non-executive, and the majority of whom, including the AC Chairman, are independent.

Chairman: Lee Sen Choon

Member: Adrian Chan Pengee

Member: Chester Fong Po Wai

The AC Chairman, 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 members takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditors, briefings provided by professionals or external consultants as necessary

10.3 None of the AC members were previous partners or directors of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation and none of the AC members hold any financial interest in the auditing firm or auditing corporation.

10.4 The internal audit function of the Company is outsourced to an external consulting firm – BDO LLP, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The Internal Audit methodology adopted by the internal auditors is consistent with the requirements of The Institute of Internal Auditors.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the internal audit function is independent, effective and adequately resourced, has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company. The AC is satisfied that the internal audit function is adequately resourced and is independent of the activities it audits.

The AC approves the hiring, removal, evaluation and compensation of the internal audit function. 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.

10.5 Annually, the AC meets (physically or via teleconference) separately with the internal and external auditors without the presence of Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions **Corporate Governance Practices of the Company**

11.1 Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the general meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the general meeting.

In general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and Management regarding the Company. The Chairpersons of Board Committees are present at the AGM and other general meetings of shareholders, to assist the Board in addressing shareholders' questions.

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 to attendees.

In accordance with Rule 730A(2) of the Listing Manual and to have greater transparency in the voting process, the Company has conducted the voting of all its resolutions by poll at all of its general meetings. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

In view of the current COVID-19 pandemic, the Annual General Meeting ("**AGM**") held in respect of FY2018 audited financial statements was convened and held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**Order 2020**"). The Order provides that the alternative arrangements apply to meetings held during the period commencing from 27 March 2020 and extended to 30 June 2021, providing the listed entities with the option to conduct general meetings via electronic means. Alternative arrangements relating to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Chairman of the AGM in advance of the AGM, addressing substantial and relevant questions prior to and at the AGM and appointing the Chairman of the AGM as the proxy at the AGM, were put in place.

11.2 Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

11.3 All directors will be in attendance at the Company's AGM to address shareholders' questions relating to the work of the Board and Board Committees.

The Company's external auditors, Ernst & Young LLP, have also been invited to attend the AGM and will be available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report. All directors attended the Company's last AGM in FY2018 via electronic means on 22 June 2020.

11.4 Under the Company's Constitution and pursuant to the Companies Act, Chapter 50 of Singapore (the "**CA**"), a relevant intermediary (as defined in the CA) may appoint more than two proxies to attend AGMs and any other general meeting. A registered shareholder who is not a relevant intermediary may appoint up to two proxies.

The Company has not amended the Constitution to provide for other methods of voting in absentia due to security and integrity concerns. The Company noted that provision for such other methods of voting in absentia would also require a costly system of authentication to ensure the integrity of information and the identity of shareholders in telephonic and electronic media.

11.5 Questions, comments received from shareholders and responses from the Board and Management were recorded in the minutes of general meetings. At the immediate past AGM, in compliance with the requirements stipulated in the Order 2020, the Company published the minutes of its AGM held on 22 June 2020 on SGXNET within a month after the AGM.

11.6 In view of the Covid-19 pandemic, the Board has decided to temporarily suspend the implementation of any new dividend policy moving forward, as a prudent move to conserve the resources of the Company during this period of heightened economic volatility and business uncertainty. The Board and the Management will periodically assess the economic situation and the health of the Company and make further decisions or adjustments to the dividend policy as appropriate.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions	Corporate Governance Practices of the Company

12.1 The Company is committed to regular and timely communication with shareholders as part of the organization's development to build systems and procedures that will enable the Group to compete internationally. The Company communicates information to its shareholders on a timely basis through:

a) Disclosures via 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 analysts and investors.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the directors or the Management questions regarding the Company and its operations.

12.2 The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Pursuant to the Best World Investor Relations Policy, the Group strives to disseminate all price-sensitive and pertinent information to its Shareholders and the investment community in an accurate, fair and timely manner on a non-selective basis.

12.3 The Best World Investor Relations Policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions. In particular, shareholders and the investment community can contact the Company's Investor Relations team by telephone at (65) 6438 2990 during office hours or via email at IR@bestworld.com.sg. This is communicated to shareholders and the investment community on the Company's corporate website.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions	Corporate Governance Practices of the Company

13.1 The Company has appropriate channels in place to identify and engage with its key stakeholder groups. The Company recognizes the importance of understanding the Group's businesses and regular interactions with key stakeholders to determine material issues for the Group's businesses.

The Company embarked on a stakeholder engagement exercise with employees, shareholders/investors, distributors, government and regulator, communities, trade associations and suppliers in FY2019 for its sustainability reporting. The objective was to validate the group's materiality issues and align the sustainability goals with those of the stakeholders in order to prioritize resources for various sustainability programs. Feedback from all stakeholder groups was solicited through open dialogues on a regular basis. Internal stakeholder workshops for account-drivers and overseas markets were also organized to gather more in-depth views to enhance the Company's sustainability reporting.

13.2 The strategy and key areas of focus in relation to the management of stakeholder relationships are disclosed under "Stakeholder Engagement" of the FY2019 Sustainability Report.

13.3 The Company provides timely and informative updates relating to company announcements, quarterly financial results announcements, news releases and corporate presentations on its corporate website. Moving forward, the Company will include more details on its management of stakeholder relationships during the reporting period, including best practices for compliance.

DEALING IN SECURITIES

Rule 1207(19) of the SGX-ST Listing Manual — 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 provisions under the Securities and Futures Act, Chapter 289 of Singapore at all times even when dealing in the Company's securities within the permitted trading periods. In addition, the directors, Management and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

Rule 1207(8) of the SGX-ST Listing Manual

Save for the Service Agreements entered into with Dora Hoan Beng Mui, Doreen Tan Nee Moi and Huang Ban Chin, which are still subsisting as at the end of FY2019, 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.

SUSTAINABILITY REPORTING

Rule 711A - 711B of the SGX-ST Listing Manual

The Group is committed and passionate about contributing back to society in meaningful ways. In addition, we believe that the effective management of environmental, social and governance (ESG) risks and opportunities can help us to deliver long-term value to our stakeholders.

The Company published its FY2019 Sustainability Report (the "Report"), which is aligned to SGX-ST's Listing Rules – Sustainability Reporting Guide, in May 2020. This Report is publicly accessible via Best World's website as well as on SGXNet.

INTERESTED PERSON TRANSACTIONS

Rule 1207(17) of the SGX-ST Listing Manual

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 they are carried out at arm's length and the relevant rules in Chapter 9 of the Listing Manual of SGX-ST are complied with.

In the event that the Company or any of its subsidiaries proposes to enter into a contract or other transaction with one or more directors or with a corporation, firm, association or other entity in which one or more of the directors have a substantial financial interest or are officers or directors, the directors interested in the transaction shall:

a) disclose his or her interest to the Board, prior to any vote on the transaction;

b) in addition to compliance with a) above, recuse himself or herself from discussions, deliberations, or votes concerning the transaction; and

c) not to be counted in determining the existence of a quorum.

In considering any transaction, the Board shall satisfy itself that the transaction is fair and reasonable to the Company and/or subsidiaries and does not constitute an excess benefit to the director interested in the transaction. Wherever feasible, the Board shall approve an IPT only after obtaining at least 2 other quotations from unrelated third parties for comparison, to ensure that the interests of minority shareholders are not prejudiced. The fee for services shall not be higher than the most competitive fee of the 2 other quotations from unrelated third parties. In determining the most competitive fee, the service provider, quality, delivery time and track record will all be taken into consideration.

When reviewing the IPTs, the director interested in the transaction will not be consulted in the selection process and will not be given the quotations received from the other service providers.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions. The aggregate value of the interested person transactions entered into during FY2019 is as follows:-

Name of the interested person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions, conducted under Shareholders' Mandate pursuant to Rule 920
	S$'000	S$'000
Audrey Koh Karmen [1]		
- Sales	14	NA
- Freelance commission paid	6	NA
- Overseas trip expense	4	NA
- Training services	312	NA
Pek Lu Pin [2]		
- Sales	11	NA
- Freelance commission paid	97	NA
Huang Beng Choon [3]		
- Sales	21	NA
- Freelance commission paid	90	NA

Note: (1) Spouse of Huang Ban Chin
(2) Daughter of Doreen Tan Nee Moi
(3) Brother of Dora Hoan Beng Moi

TABLE 2 – COMPOSITION OF BOARD AND BOARD COMMITTEES

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dora Hoan Beng Mui	Executive Co-Chairman /Non- Independent	-	Member	-
Doreen Tan Nee Moi	Executive Co-Chairman /Non- Independent	-	-	-
Huang Ban Chin	Executive/Non-Independent	-	-	-
Lee Sen Choon	Non-Executive/Independent	Chairman	Member	Member
Adrian Chan Pengee	Non-Executive/Independent	Member	Member	Chairman
Chester Fong Po Wai	Non-Executive/Independent	Member	Chairman	Member
Li Lihui [1]	Non-Executive/Non-Independent	-	-	-
Pek Wei Liang [2]	Non-Executive/Non-Independent	-	-	-

Note: (1) Alternate Director to Dora Hoan Beng Mui
(2) Aternate director to Doreen Tan Nee Moi

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Best World International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Dora Hoan Beng Mui	Co-Chairman, Group Chief Executive Officer, Managing Director
Doreen Tan Nee Moi	Co-Chairman, Executive Director, President
Huang Ban Chin	Executive Director, Chief Operating Officer
Lee Sen Choon	Lead Independent Non-Executive Director
Adrian Chan Pengee	Independent Non-Executive Director
Chester Fong Po Wai	Independent Non-Executive Director (Appointed on 15 February 2019)
Li Lihui	Alternate Director to Dora Hoan Beng Mui (Appointed on 16 January 2019)
Pek Wei Liang (Bai Weiliang)	Alternate Director to Doreen Tan Nee Moi (Appointed on 16 January 2019)
Chan Soo Sen	Independent Non-Executive Director (Resigned on 15 February 2019)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest		Deemed Interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Name of Director				
Ordinary shares of the Company				
Dora Hoan Beng Mui	32,230,000	32,330,000	193,037,500	193,037,500
Doreen Tan Nee Moi	31,230,000	31,380,000	193,037,500	193,037,500
Huang Ban Chin	23,300,000 (1)	23,300,000 (2)	–	–
Lee Sen Choon	207,500	207,500	–	–
Li Lihui	250,000	250,000	–	–

(1) Includes 7,000,000 ordinary shares, 1,820,000 ordinary shares and 13,000,000 ordinary shares held in the name of KGI Securities (Singapore) Pte Ltd, Hong Leong Finance Nominees Pte Ltd and HSBC (Singapore) Nominees Pte Ltd respectively.

(2) Includes 7,000,000 ordinary shares and 13,000,000 ordinary shares held in the name of KGI Securities (Singapore) Pte Ltd and HSBC (Singapore) Nominees Pte Ltd respectively.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Options

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under options as at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") at the date of this statement are:

Lee Sen Choon	(Chairman of Audit Committee and Lead Independent Director)
Adrian Chan Pengee	
Chester Fong Po Wai	

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following

- Reviewed the audit plans of the internal and external auditors of the Group and the Company;
- Reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Dora Hoan Beng Mui
Director

Doreen Tan Nee Moi
Director

Singapore
11 February 2021

Independent Auditor's Report

For the financial year ended 31 December 2019

<u>Independent auditor's report to the members of Best World International Limited</u>

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Best World International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position and the statement of changes in equity of the Company. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The final report by the independent reviewer appointed by the Company was issued in July 2020 and contained certain matters which were in line with the interim findings announced in March 2020, as disclosed in Note 2.1 to the financial statements. We carried out audit procedures, including follow-up procedures on the findings of the independent review, but have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion in respect of the following areas:

(a) Potential unrecorded transactions

As disclosed in Note 2.1(b) to the financial statements, up to 30 June 2019, the Group recorded sales revenue in China based on tax invoices issued to its franchisees. The invoiced amounts of the goods average approximately 80% of the sales value of the goods to these franchisees under the franchise model. It was noted that the balance amounts (approximately 20% of the sales value) were paid by these franchisees into personal bank accounts not belonging to the Group.

Management explained, as in the previous year, the money in these bank accounts belong to the franchisees and are not recorded in the books and records of the Group as this represents mainly trade rebates given to the franchisees. As disclosed in Note 2.1, management also represented that a key personnel of the Group's subsidiary in China was involved in the management of these bank accounts on behalf of the franchisees. Accordingly, they are not recorded in the accounting records of the Group. The outflows from these bank accounts included payments of commissions to members (sales representatives), business expenses and transfers made to the marketing agent mentioned in paragraph (b) below.

Separately, with effect from 1 July 2019, the Group engaged external promotional companies to assist in the payment of commission to sales representatives, amongst other services. The payments to the promotional companies comprise payments to sales representatives, service fee for services rendered by these promotional companies and other payments. The payments made by the Group to the promotional companies during the year included other payments of S$2,008,000 (RMB10,165,000) which was netted

Basis for disclaimer of opinion (cont'd)

against revenue and a service fee of S$8,338,000 (RMB42,204,000) which was classified as marketing expenditure. Management has represented that the commission rates have been verbally agreed between the Group, the franchisees and sales representatives. Based on information available to us, we are unable to determine whether the service fees and other payments are used for payments to the sales representatives or appropriately classified. If the payments made to the promotional companies are used for payments to sales representatives, such payments could fall as consideration payable to customers under SFRS(I) 15 Revenue from Contracts with Customers and is to be recorded against revenue. Due to the lack of information available to us, we are not able to ascertain the appropriateness of classification of the service fee paid to the promotional companies as operating expense or whether the other payments should be netted against revenue. Accordingly, we are unable to determine if revenue and the related expenses are appropriately classified and presented/disclosed in the income statement.

We were unable to obtain all necessary information and explanations to verify management's representations due to insufficient documentary evidence and determine the completeness of the commission expense recorded by the Group. Due to the absence of relevant details with respect to the above arrangements in the agreements with the franchisees, sales representatives and promotional companies, we are neither able to determine the legality and substance of these arrangements nor determine the basis and nature of the payments, including whether any of these payments were made on behalf of the Group. Therefore, we are unable to determine the rights and obligations of the Group under these arrangements and whether there are any other financial statements implications to the Group, including the relevant legal and regulatory compliance, and taxation.

(b) Relationship with the Group's import agents and marketing agent

As disclosed in Note 2.1(c) to the financial statements, notwithstanding that the Group does not hold any beneficial equity interest in these entities, the Group was substantially involved in the daily operations and exercised certain degree of management oversight and control over the financial affairs of its import agents and marketing agent. The Group management had represented that none of these entities are related to the Group and that the Group had justifiable commercial rationale for playing such roles in the entities.

The Group's active involvement in the operating and financial matters of these entities raise questions on the commercial substance of the arrangement between the Group and its import and marketing agents.

As in the previous financial year, we have not been able to obtain sufficient audit evidence to establish the business rationale for these arrangements or the exact nature of the relationship between the Group, its import agents and marketing agent. Due to a lack of evidence available to us, we are unable to consider all the relevant facts and circumstances to assess if the entities are related to the Group or whether their financial results should be included in the consolidated financial statements of the Group for the years ended 31 December 2019 and before. We are also unable to determine whether these arrangements are in compliance with the applicable laws and regulations or if there will be any consequential impact to the financial statements.

(c) Goods sold but undelivered in the previous financial year

As disclosed in Note 2.1(a) to the financial statements, management made adjustments to revenue and other related accounts during the financial year ended 31 December 2018 by approximately S$11,028,000 pertaining to sales made during that financial year but the related goods were undelivered to customers as at 31 December 2018. Due to insufficient information available to us, we were unable to determine the completeness of this adjustment to revenue, cost of sales and other related accounts for the year ended 31 December 2018. As opening balances affect the determination of results for the current financial year, we are unable to determine if any consequential adjustments are required in respect of revenue, cost of sales and other related accounts for the year ended 31 December 2019.

(d) Legal review

As disclosed in Note 2.1(d) to the financial statements, the legal advice obtained by the Group has indicated potential risk areas of the franchise business model in China. Based on the information available to us, we are unable to conclude on whether the Group's business operations in China are in violation of the relevant provisions under China laws.

Accordingly, we are unable to determine if any adjustments or disclosures are required to the current and prior year financial statements.

In view of the matters set out in the preceding paragraphs, we are unable to determine the completeness and accuracy of the financial statements, nor are we able to quantify the extent of further adjustments or disclosures that might be necessary to the financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the year ended 31 December 2019.

The audit opinion on the financial statements of the Group and Company for the year ended 31 December 2018 were disclaimed for similar reasons.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the Basis for disclaimer of opinion section of our report, we do not express an opinion on whether 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 auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Chuen Beng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 February 2021

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Revenue	4	384,305	257,280
Cost of sales		(110,941)	(57,256)
Gross profit		273,364	200,024
Interest income		1,632	840
Other income	5	4,953	18,755
Distribution costs		(87,062)	(77,926)
Administrative expenses		(68,879)	(49,998)
Other expenses	6	(3,922)	(6,232)
Finance costs	8	(529)	(91)
Share of results of an associate	17	(210)	–
Profit before income tax	9	119,347	85,372
Income tax expense	10	(29,798)	(21,439)
Net profit for the year		89,549	63,933
Net profit for the year attributable to:			
Owners of the Company		89,622	64,253
Non-controlling interests		(73)	(320)
		89,549	63,933
Earnings per share:			
Basic (cents)	11	16.42	11.69
Diluted (cents)	11	16.42	11.69

For the financial year ended 31 December 2019

	2019 S$'000	2018 S$'000
Net profit for the year	89,549	63,933
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation, representing other comprehensive income for the financial year, net of tax	52	(275)
Total comprehensive income for the year	89,601	63,658
Total comprehensive income for the year attributable to:		
Owners of the Company	89,731	63,914
Non-controlling interests	(130)	(256)
	89,601	63,658

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2019

		Group		Company	
	Note	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Assets					
Non-current assets					
Property, plant and equipment	12	21,728	7,470	4,220	3,062
Investment property	13	1,127	1,146	–	–
Other intangible asset	14	7,975	8,206	–	–
Intangible assets	15	1,198	1,263	18	5
Right-of-use assets	24	13,219	–	5,040	–
Investment in subsidiaries	16	–	–	33,794	30,234
Investment in an associate	17	5,415	–	–	–
Deferred tax assets	10	13,662	441	–	–
Other financial assets	18	535	1,097	535	1,097
Cash and bank balances, non current	22	1,000	–	–	–
		65,859	19,623	43,607	34,398
Current assets					
Inventories	19	103,695	32,968	56,984	15,175
Trade and other receivables	20	14,941	5,218	54,603	32,734
Other assets	21	20,188	14,400	9,360	12,424
Other financial assets	18	12,848	9,596	12,848	9,596
Cash and bank balances	22	240,071	197,124	102,873	64,851
		391,743	259,306	236,668	134,780
Total Assets		457,602	278,929	280,275	169,178
Equity and liabilities					
Current liabilities					
Trade and other payables	23	137,627	76,697	56,617	23,515
Contract liabilities	4	44,609	16,661	–	–
Lease liabilities	24	3,894	–	1,235	–
Other financial liabilities	25	817	2,049	817	–
Other liabilities	26	1,302	961	1,082	882
Income tax payable	10	18,406	18,848	12,730	11,521
		206,655	115,216	72,481	35,918
Net current assets		185,088	144,090	164,187	98,862

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

As at 31 December 2019

		Group		Company	
	Note	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Non-current liabilities					
Deferred tax liabilities	10	5,441	1,568	2,572	138
Lease liabilities	24	8,848	–	3,351	–
		14,289	1,568	5,923	138
Total liabilities		220,944	116,784	78,404	36,056
Net assets		236,658	162,145	201,871	133,122
Equity attributable to owners of the Company					
Share capital	27	20,618	20,618	20,618	20,618
Treasury shares	27	(10,591)	(2,010)	(10,591)	(2,010)
Retained earnings		223,277	140,676	191,522	114,192
Other reserves	28	5,277	5,827	322	322
		238,581	165,111	201,871	133,122
Non-controlling interests		(1,923)	(2,966)	–	–
Total equity		236,658	162,145	201,871	133,122
Total equity and liabilities		457,602	278,929	280,275	169,178

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Note	Share capital S$'000	Treasury shares S$'000	Retained earnings S$'000	Other reserves, total S$'000	Foreign currency translation reserve S$'000	Statutory Reserve S$'000	Other reserves S$'000	Equity attributable to owners of the Company, total S$'000	Non-controlling interests S$'000	Total equity S$'000
		Attributable to owners of the Company									
Opening balance at 1 January 2019		20,618	(2,010)	140,676	5,827	(184)	5,647	364	165,111	(2,966)	162,145
Total comprehensive income for the year		–	–	89,622	109	109	–	–	89,731	(130)	89,601
Contributions by and distributions to owners											
Purchase of treasury shares	27(b)	–	(8,581)	–	–	–	–	–	(8,581)	–	(8,581)
Restructuring exercise	16(j)	–	–	–	(1,151)	–	–	(1,151)	(1,151)	1,173	22
Transfer to statutory reserve	28	–	–	(492)	492	–	492	–	–	–	–
Dividends paid	37	–	–	(6,529)	–	–	–	–	(6,529)	–	(6,529)
Total contributions and distributions to owners		–	(8,581)	(7,021)	(659)	–	492	(1,151)	(16,261)	1,173	(15,088)
Closing balance at 31 December 2019		20,618	(10,591)	223,277	5,277	(75)	6,139	(787)	238,581	(1,923)	236,658
Opening balance at 1 January 2018 (FRS framework)		20,618	(880)	108,002	1,760	1,718	–	42	129,500	(2,710)	126,790
Cumulative effects of adopting SFRS(I)		–	–	1,563	(1,563)	(1,563)	–	–	–	–	–
Opening balance at 1 January 2018 (SFRS(I) framework)		20,618	(880)	109,565	197	155	–	42	129,500	(2,710)	126,790
Total comprehensive income for the year		–	–	64,253	(339)	(339)	–	–	63,914	(256)	63,658
Contributions by and distributions to owners											
Purchase of treasury shares	27(b)	–	(1,176)	–	–	–	–	–	(1,176)	–	(1,176)
Transfer of treasury shares pursuant to Performance Share Scheme		–	46	–	322	–	–	322	368	–	368
Transfer to statutory reserve	28	–	–	(5,647)	5,647	–	5,647	–	–	–	–
Dividends paid	37	–	–	(27,495)	–	–	–	–	(27,495)	–	(27,495)
Total contributions and distributions to owners		–	(1,130)	(33,142)	5,969	–	5,647	322	(28,303)	–	28,303
Closing balance at 31 December 2018		20,816	(2,010)	140,676	5,827	(184)	5,647	364	165,111	(2,966)	162,145

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 31 December 2019

	Note	Share capital S$'000	Treasury shares S$'000	Retained earnings S$'000	Other reserve S$'000	Total equity S$'000
Company						
Opening balance at 1 January 2019		20,618	(2,010)	114,192	322	133,122
Total comprehensive income for the year		–	–	83,859	–	83,859
Contributions by and distributions to owners						
Purchase of treasury shares	27(b)	–	(8,581)	–	–	(8,581)
Dividends paid	37	–	–	(6,529)	–	(6,529)
Total contributions and distributions to owners		–	(8,581)	(6,529)	–	(15,110)
Closing balance at 31 December 2019		20,618	(10,591)	191,522	322	201,871
Opening balance at 1 January 2018		20,618	(880)	96,434	–	116,172
Total comprehensive income for the year		–	–	45,253	–	45,253
Contributions by and distributions to owners						
Purchase of treasury shares	27(b)	–	(1,176)	–	–	(1,176)
Transfer of treasury shares pursuant to Performance Share Scheme		–	46	–	322	368
Dividends paid	37	–	–	(27,495)	–	(27,495)
Total contributions and distributions to owners		–	(1,130)	(27,495)	322	(28,303)
Closing balance at 31 December 2018		20,618	(2,010)	114,192	322	133,122

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flow

For the financial year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Operating activities			
Profit before income tax		119,347	85,372
Adjustments for:			
Interest income		(1,632)	(840)
Interest expenses	8	529	91
Depreciation of property, plant and equipment	9	1,768	1,769
Depreciation of right-of-use assets	9	3,404	–
Depreciation of investment property	9	19	18
Amortisation of other intangible asset	9	231	51
Amortisation of intangible assets	9	79	693
(Gain)/loss on disposal of plant and equipment	5,6	(275)	52
Fair value loss on foreign exchange derivative	6	817	–
Impairment loss on plant and equipment	6	–	776
Impairment loss on intangible assets	6	–	3,216
Inventories written down, net	6	1,211	–
Writeback of Inventories written down, net	5	–	(338)
Issue of shares by transferring of treasury shares		–	368
Share of loss of an associate	17	210	–
Fair value (gain)/loss on other financial assets	5,6	(652)	15
Unrealised exchange gains, net		(784)	(980)
Operating cash flows before changes in working capital		124,272	90,263
<u>Changes in working capital</u>			
Increase in inventories		(71,938)	(4,436)
(Increase)/ decrease in trade and other receivables		(9,756)	41,908
Increase in other assets		(5,788)	(10,079)
Increase in trade and other payables and contract liabilities		89,896	47,650
Cash flows generated from operations		126,686	165,306
Income tax paid		(38,988)	(14,995)
Net cash flows generated from operating activities		87,698	150,311

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 S$'000	2018 S$'000
Investing activities			
Acquisition of an associate	17	(5,625)	–
Purchase of property, plant and equipment	12	(16,512)	(2,580)
Proceeds from disposal of property, plant and equipment		322	–
Purchase of intangible assets	15	(30)	(11)
Purchase of other financial assets	18	(2,506)	(296)
Proceeds from disposal of other financial assets	18	274	789
Interest received		1,632	840
Net cash flows used in investing activities		(22,445)	(1,258)
Financing activities			
Dividends paid on ordinary shares	37	(6,529)	(27,495)
Purchase of treasury shares	27(b)	(8,581)	(1,176)
Repayment of bank borrowings	25	(2,049)	(5,325)
Payment of lease liabilities	24	(3,551)	–
Payment of finance lease liabilities	25	–	(2)
Interest paid	8	(24)	(91)
Decrease/(increase) in cash restricted in use		3,717	(127)
Net cash flows used in financing activities		(17,017)	(34,216)
Net increase in cash and cash equivalents		48,236	114,837
Effects of exchange rate changes on cash and cash equivalents		(572)	(68)
Cash and cash equivalents at beginning of the year		187,752	72,983
Cash and cash equivalents at end of the year	22A	235,416	187,752

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. Corporate information

Best World International Limited ("the Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 26 Tai Seng Street, #05-01, Singapore 534057 and 15A Changi Business Park Central 1, Eightrium, #07-02, Singapore 486035 respectively.

The principal activities of the Company are those of investment holding and the distribution of nutritional supplement products, personal care products and healthcare equipment. The principal activities of the subsidiaries are disclosed in Note 16 of the financial statements.

2. Summary of significant accounting policies

2.1 *Independent Review of the Group*

On 13 May 2019, SGX RegCo issued a Notice of Compliance ("Notice of Compliance") to the Group in connection with the Business Times article " Sales of DR's Secret in China: Best World's best-kept secret?" published on 18 February 2019 and Bonitas Research report dated 24 April 2019, requiring the Group to:

a. direct PwC ("Independent Accountant") to report solely to SGX RegCo on the scope and all findings pursuant to its independent review;

b. expand the scope of the Independent Accountant's review to determine the veracity of the Group's sales in China under the Export Model from FY2015 to FY2018 and whether these sales were conducted on normal commercial terms;

c. obtain an independent legal opinion on the legality of the Group's sales and distribution business under the franchise model;

d. procure the primary import agent and other import agents to provide access to financial, accounting and other corporate records and render all reasonable acts of assistance to SGX RegCo, the Independent Accountant or any person(s) as directed by the exchange; and

e. render full cooperation to SGX RegCo, the Independent Accountant or any person(s) as directed by SGX RegCo on their requests pursuant to the independent review.

On 22 March 2020, the Independent Accountant issued an interim update setting out its interim observations concerning the Group's sales in China under the Export Model and Franchise Model.

On 23 July 2020, the Independent Accountant completed its independent review and set out its findings in a final report ("Final Report") that was issued to the audit committee of the Company ("AC"). The Company announced the key findings of the Independent Accountant and management's responses, together with an executive summary of the Final Report, on 23 July 2020.

On 8 September 2020, the Company engaged BDO Advisory Pte Ltd ("BDO") to perform certain agreed upon procedures to address some of the areas of concern highlighted in the Final Report. BDO issued its final report on 5 February 2021. The procedures performed by BDO included reviewing processes related to sales and revenue recognition, inventory and delivery operations, conflict of interest management, and payments to third party promotion companies for the period from July 2020 to September 2020.

2. Summary of significant accounting policies (cont'd)

2.1 *Independent Review of the Group (cont'd)*

In the Final Report, the Independent Accountant noted the following:

(a) *Potential sales cut-off issue for goods sold which were paid for but remained undelivered by the third-party logistics service provider*

As part of its samples testing on inventory and sales to significant franchisees, the Independent Accountant noted undelivered goods at the third-party logistics service provider with an estimated value of approximately RMB111.8 million as at 31 December 2018.

To address the Independent Accountant's observation, the Group re-assessed the value of goods sold and recognised as revenue for FY2018 to address any potential cut-off date and sales issue. The Group reconciled its records of total quantities sold with the value of the total quantities of goods delivered by the third-party logistics service provider, and quantified the sales relating to goods sold but undelivered to be approximately RMB55 million (equivalent to approximately S$11.0 million) as at 31 December 2018. The Group made the relevant adjustments to revenue, cost of sales, distribution costs, trade receivables and trade and other payables in its audited financial statements for FY2018. This sales cut-off issue has a consequential impact for FY2019.

In 2019, the Group undertook a comprehensive reconciliation of its records, based on sales orders issued by BW Changsha, warehouse delivery orders and courier slips for deliveries.

With effect from August 2020, the Company implemented an integrated electronic inventory system for use with the third-party logistics service provider, pursuant to which sales invoices will only be generated, and sales will only be recorded, upon receipt of confirmation of delivery of the goods from the third-party logistics service provider. BDO reviewed sample sales orders and delivery orders between August to September 2020, after the system was fully implemented, to check that revenue was recognised and posted after deliveries to customers were completed and did not note any exceptions based on the work done. The Group will continue to ensure that the third-party logistics service provider retains and provides full access to all delivery documents for audit purposes.

(b) *Potential understatement of sales and expenses*

The Independent Accountant observed that the personal bank accounts used by Changsha Best during the Export Model period continued to be used by the Company's wholly-owned subsidiary, Best World (China) Pharmaceutical Co., Ltd. (Hunan Branch) (全美世界(中国)药业有限公司湖南分公司) ("BW Changsha"), during the one-year transition period to the Franchise Model from June 2018 to June 2019.

During the transition period, BW Changsha sold products to the franchisees at the franchise price (approximately 80% of the recommended retail price) and the franchisees on-sold the products to distributors at the recommended retail prices of the relevant products, giving the franchisees a margin of approximately 20% as trade rebates. The franchisees would then pay the 20% trade rebates into personal bank accounts from which commissions would thereafter be paid to the distributors. Mr. Yan Weijun ("Mr. Yan"), the general manager of the Group's former primary import agent, 长沙百世特威日用品贸易有限公司 ("Changsha Best"), who joined BW Changsha as a key executive in June 2018, was at all times in total control of these payment arrangements and the personal bank accounts in his personal capacity and not on behalf of the Group.

The Independent Accountant was unable to independently verify the above payment arrangements against any third-party supporting documents as they were private arrangements made orally between Changsha Best and the franchisees. The Independent Accountant also noted that the outflows from the relevant personal bank accounts included commission payments to members, payments to employees and transfers to the Group's former marketing agent, Vicstar Lifestyle Pte Ltd ("Vicstar"). The Independent Accountant highlighted that, in its view, from a financial perspective, all cash movements relating to BW Changsha should be fully and accurately recorded in BW Changsha's books, i.e., total sales revenue and any corresponding trade rebates, commission expenses or incentive payments to employees should be fully recorded as BW Changsha's income and expenses.

2. Summary of significant accounting policies (cont'd)

2.1 *Independent Review of the Group (cont'd)*

(b) *Potential understatement of sales and expenses (cont'd)*

Merits and Tree (Beijing) Law Office ("M&T") has advised that in the event that BW Changsha is determined by the relevant authority to be the owner of the trade rebates and the trade rebates were not recorded as income in BW Changsha's financial statements, BW Changsha could be subject to administrative punishments which include, amongst others, an order to make corrections to the accounts, to pay a fine of between RMB3,000 and RMB100,000 (inclusive) and/or to pay the unpaid or underpaid taxes and late payment fines, and concurrently receive a fine of between 50% of and five times the amount of taxes unpaid or underpaid (inclusive).

Management's view is that these transactions should not have been recorded in the books of BW Changsha, as they were trade rebates given for the benefit of the franchisees and neither BW Changsha nor the Group had any legal or beneficial interest in such monies or legal rights or obligations in respect of the payment of commissions or managing the use of the personal bank accounts. There were no written agreements between BW Changsha or the Group and distributors to pay such commissions out of the franchisees' trade rebates. M&T, the Company's PRC legal counsel, has advised that oral agreements are valid and enforceable under the laws of China, and to their knowledge, are unaware of any laws or administrative regulations that require the agreement between Mr. Yan and the franchisees to have been concluded in writing. In addition, M&T has reviewed a counter authorization letter signed between BW Changsha and a franchisee on 1 January 2020 ("Counter Authorization Letter"). The Counter Authorization Letter is signed between the Group and each franchisee on the same terms. According to the Counter Authorization Letter, BW Changsha is authorised to pay sales commission (销售佣金), labor remuneration (劳务报酬), labor fees (劳务费), and consulting service fees (咨询服务费) to, and withhold personal income tax (个人所得税) from, the franchisee's sales staff on behalf of the franchisee. Although the term of the Counter Authorization Letter does not cover the Franchise Model period from 1 June 2018 to 31 December 2019, M&T has stated that the Counter Authorization Letter may constitute indirect evidence of the existence of the oral agreement between Mr. Yan and the franchisees, which would support management's position that such income should be attributed to the franchisees. Accordingly, the Group treated the oral agreements as valid and prepared its financial statements on the basis that BW Changsha did not have any legal interest or rights in the trade rebates, and the relevant income should be attributed to the franchisees.

BW Changsha was initially established with the intention that it would eventually take over the entire China business from Mr. Yan. BW Changsha hired the sales team of Changsha Best as the team was very experienced and already had an established and successful track record in promoting the Group's products in China. As the franchisees and distributors needed time to work out their respective payment arrangements, the Company agreed to a limited transition period for Mr. Yan to cease the above payment arrangements after he and his team joined BW Changsha.

The transitional arrangements ceased on 30 June 2019 with the implementation of payment gateway solutions managed by third party promotion companies to assist franchisees with the payments of commissions to their sales representatives. During the transitional period ended 30 June 2019, the promotional companies also paid other marketing expenses amounting to S$2,008,000 (RMB10,165,000) relating to short-term sales incentives to employees which was netted against revenue. These third party promotion companies, which provide payment solutions to individuals / businesses, are independent service providers licensed by the 中国人民银行 (People's Bank of China). The terms of the contracts with the third party promotion companies were agreed on an arm's length basis. From July 2019 to March 2020, franchisees paid 100% of the recommended retail price based on tax invoices issued by BW Changsha and BW Changsha recorded 100% of the sales to the franchisees as revenue, and paid and recorded marketing fees amounting to approximately 20% of the recommended retail price (which represent the previous trade rebates) as expenses, recorded as net against revenue.

2. Summary of significant accounting policies (cont'd)

2.1 *Independent Review of the Group (cont'd)*

(b) Potential understatement of sales and expenses (cont'd)

As at the date of this Note 2, franchisees pay 100% of the recommended retail price based on tax invoices issued by 全美世界日用品有限公司 (Best World Lifestyle (China) Co., Ltd.) ("BWL China"). BWL China is a wholly-owned subsidiary of the Company that was incorporated on 4 November 2019 to take over the distribution function from BW Changsha in China, while BW Changsha maintains the import function. BWL China has been engaged in the distribution business since April 2020 and is currently the Group entity that is contracting with the franchisees and third party promotion companies for the implementation of the payment gateway solutions. For accounting purposes, both BW Changsha and BWL China are treated as comprising of the China operations. The sales representatives work for the franchisees, who entrust BWL China to manage the payment of commissions through the third party promotion companies. The third party promotion companies make commission payments in accordance with BWL China's instructions and withhold and pay the personal income tax of the sales representatives.

BDO reviewed the payment of commissions through the payment gateways on a sampling basis for the period from July 2020 to September 2020 to check that amounts disbursed to the third party promotion companies were made from BWL China's bank account, and that the commission payables were to recipients listed in the payment listing which matched the records in the CRM maintained by the Company. BDO did not note any exceptions based on the work done. Based on the samples tested, BDO also noted that approved payment vouchers, fapiao and the list of intended sales representative recipients of the commission payables (with details of their names, identification numbers and bank account numbers) were retained to support the amount paid to the third party promotion companies.

Management considers this issue to be historical as it would have been resolved with the completion of the transitional arrangements related to the Group's transition from the Export Model to the Franchise Model from June 2018 to June 2019. None of the abovementioned personal bank accounts were in the name of the Company or any of its subsidiaries and none of the individuals in whose names the personal bank accounts were opened are related to management, the directors or the substantial shareholders of the Company. Mr. Yan has executed a statutory declaration confirming that the eight (8) personal bank accounts referred to in the Final Report are no longer in use and will not be used by Mr. Yan or anyone connected with the Group moving forward. BDO also obtained written confirmations from the Group's Finance staff that they have not been depositing any funds into personal bank accounts and have not been asked to manage, monitor or prepare instructions for bank accounts that do not belong to the Group.

(c) Relationship with the Group's former import agents and marketing agent

The Independent Accountant noted that the Group's employees were substantially involved in the financial and operational affairs of the Group's former import agents, 青岛贝汇贸易有限公司 ("Qingdao Beihui") and Changsha Best, and former marketing agent, Vicstar. The Independent Accountant recommended, amongst others, that the Group's auditors consider the implications of the Group's involvement on its financial statements (if any). According to the Independent Accountant, it was not able to corroborate management's representations that Qingdao Beihui, Changsha Best and Vicstar are not related to the Group.

Management's position is that each of Qingdao Beihui, Changsha Best and Vicstar is an independent entity, and none of the Company, its subsidiaries, the directors, substantial shareholders, or senior management of the Company or their respective associates own or owned any shares in Qingdao Beihui, Changsha Best or Vicstar, save as disclosed below. The Group and its controlling shareholders did not have any beneficial interests in Qingdao Beihui, Changsha Best or Vicstar, nor did the Group have any control of the voting power or any legal right to appoint or remove any directors of any of these entities. Accordingly, management does not consider any of Qingdao Beihui, Changsha Best and Vicstar to be a related party of the Group.

(c) Relationship with the Group's former import agents and marketing agent (cont'd)

While the brother-in-law of the Company's Co-Founder, Co-Chairman, Group Chief Executive Officer and Managing Director (the "Group CEO"), was the 监事 (Supervisor) of Qingdao Beihui and the legal representative and registered owner of Changsha Best, he was only a passive investor in Changsha Best and was not involved in the management or business operations of Qingdao Beihui or Changsha Best. Mr. Yan had management control of, and an 80% economic ownership, in Changsha Best, while the shareholders of Qingdao Beihui and Vicstar were beneficially entitled to their respective profits. There is no evidence to suggest that the Company, any of its subsidiaries or management received or were entitled to any of the profits of Qingdao Beihui, Changsha Best or Vicstar. Neither management nor the Group CEO were involved in any profit-sharing agreements of Qingdao Beihui, Changsha Best or Vicstar. The working relationships between the Group and Qingdao Beihui, Changsha Best and Vicstar were governed by formal agreements entered into between the parties.

The Group had a justifiable commercial rationale for playing a role in the affairs of Qingdao Beihui, Changsha Best and Vicstar. As the Company was a supplier and consultant for Qingdao Beihui, Changsha Best and Vicstar, frequent interactions between the Group's employees and the employees of these entities were necessary for the Company to provide its services to these entities, including financial management and personnel management, information systems, and business planning and consultancy services.

With respect to Qingdao Beihui and Changsha Best, management implemented certain measures, such as requiring final validation for payments made by Qingdao Beihui and Changsha Best and providing product training to their employees, in order to safeguard the monies due to the Group for products sold on credit terms, to establish and build the Group's brand equity in the China market, and to learn and acquire market knowledge from their employees. As Qingdao Beihui and Changsha Best had their own employees and were capable of operating independently, the measures granting the Group oversight were intended to safeguard the interests of the Group and the Company's shareholders. The Group ceased to sell products to the Qingdao Beihui in September 2015 and Changsha Best in June 2018. Qingdao Beihui was deregistered in February 2019 and Changsha Best was deregistered in January 2020.

Vicstar was the strategic partner of Qingdao Beihui and Changsha Best in the development of the China market for the Group's products. Vicstar had deployed the Customer Relationship Management ("CRM") system in China for Qingdao Beihui, and subsequently, Changsha Best to develop and support their distribution networks and the expansion of sales of the Group's products in China. Due to the strict restrictions on non-trade payments out of China, the Company charged service fees to Vicstar instead of Qingdao Beihui and Changsha Best in order to reduce cross border credit risk. As Vicstar's shareholders and their spouses were distributors who had little resources and experience in managing and operating companies, the Group's employees provided assistance per the terms of the service agreement between the Company and Vicstar, for which the Company received service fees. The Group ceased to provide services to Vicstar from the end of the second quarter of FY2019 onwards in line with the completion of the transitional arrangements related to the Group's transition from the Export Model to the Franchise Model. All billings and transactions between the Group and Vicstar ceased by 31 December 2019. Vicstar is currently in the process of undertaking a members' voluntary winding up.

As part of its internal controls review, BDO developed a test to determine whether any of the Group's personnel are involved in the management of any other entities which are not part of the Group ("Independence Test"). In implementing the Independence Test, BDO obtained written declarations from key Group personnel confirming that they do not have any shareholdings or directorships in key entities that transact with the Group and that there are no potential conflicts of interests that they face in their respective roles in the Group. Other than Mr. Yan's declaration that his spouse has management control over of one of the franchisees, no other relationship with key entities were noted. The involvement of Mr. Yan's spouse in a franchisee had previously been disclosed to management and management has assessed that the risk of potential conflict of interest is low given that franchise fees and commission rates are standardised for

2. Summary of significant accounting policies (cont'd)

2.1 *Independent Review of the Group (cont'd)*

(c) Relationship with the Group's former import agents and marketing agent (cont'd)

all franchisees. In addition, as the senior director of the administrative and logistics department, Mr. Yan's role does not involve marketing to franchisees directly and Mr. Yan has no direct influence on any promotions relating to franchisees. The Company had announced on 12 May 2019 that Mr. Yan's spouse owns a franchisee under the Group's standard franchise arrangement.

Moving forward, the Company will conduct the Independence Test annually as a risk management measure to safeguard against potential risks associated with arrangements with entities not within the Group.

In addition to implementing any recommendations from BDO's internal control review, the AC has implemented certain corporate governance initiatives, including the conduct of corporate governance and risk management training for the directors, senior management and key personnel, the engagement of a Singapore law firm to prepare a comprehensive corporate governance handbook to serve as a governance best practices guide for management and employees, and the adoption of a situation alert protocol to trigger prompt notification of significant events to the board of directors and an annual board calendar covering, amongst others, a review of the Enterprise Risk Management (ERM) committee and key business and financial reporting issues, an analytical review of performance against plans, and management's recommended actions.

(d) Legality of the Franchise Model

In accordance with the Notice of Compliance, the Company engaged M&T to provide an independent legal opinion dated 22 July 2020 on the legality of the Group's sales and distribution model under the Franchise Model ("M&T Legal Opinion"). Based on the information of the business model under the Franchise Model (including the sales and distribution process) provided by the Company and M&T's review of the description of the business model in the Final Report, M&T has advised that BW Changsha is qualified to engage in franchise business in China and that the business model complies with franchise related laws and regulations in China.

M&T has highlighted the following potential risks under other laws in China:

(i) Direct Selling Risk

M&T noted that there remains some ambiguity in whether the Sales Representatives, Province Representatives and City Representatives (collectively, the "Representatives") promote products on behalf of the franchisees, despite reviewing the Counter Authorization Letter which may constitute indirect evidence that such representatives promote products on behalf of the franchisees. If the relevant authorities decide that the Representatives are in fact sales representatives of BW Changsha (as opposed to the franchisees), and determine that the Representatives sold relevant products to ultimate consumers outside of BW Changsha's fixed places of business, they may find BW Changsha guilty of conducting direct selling illegally (i.e., beyond the scope of the Group's direct selling licence). If such a finding were to be made, BW Changsha may be subject to administrative punishments which include confiscation of its direct selling products and illegal sales income, as well as a fine of between RMB50,000 and RMB500,000 (inclusive), and may be banned from operating. Further, the business license of the branch of a direct selling company which has illegal operations may be revoked.

BW Changsha has confirmed to M&T in its Commitment Letter dated 8 July 2020 that the Representatives promoted the relevant products on behalf of the franchisees, and BW Changsha did not recruit door-to-door salesmen to sell the relevant products directly to ultimate consumers outside its fixed places of business, and only distributed the relevant products in China under the Franchise Model. Based on the foregoing facts confirmed by BW Changsha, M&T has confirmed that the Group's business model in China does not constitute direct selling.

2. Summary of significant accounting policies (cont'd)

2.1 Independent Review of the Group (cont'd)

(d) Legality of the Franchise Model (cont'd)

(ii) ChuanXiao Risk

The commission structure under which Province Representatives and City Representatives receive commissions based on the purchase volume of that "member's group", which consist of members directly or indirectly recruited by the Province Representatives or City Representatives, may constitute one of the situations indicative of a ChuanXiao scheme in violation of ChuanXiao related provisions under China law. In the event that the commission structure is determined to contravene ChuanXiao related provisions, BW Changsha may be subject to administrative punishments that include the confiscation of illegal properties and gains, a fine of between RMB100,000 and RMB2,000,000 (inclusive), and/or suspension of operations for rectification or revocation of its business license. As management has confirmed that the sole objective of BW Changsha's business activities was the sale of products in China and its business does not profit from recruiting persons and remunerating recruiters on the basis of the number of persons recruited, or requiring recruiters to pay to participate, M&T has opined that, assuming BW Changsha is found guilty of contravening ChuanXiao related provisions, BW Changsha is unlikely to be subject to criminal liability and may only receive administrative punishment. M&T further highlighted that it has observed that, in practice, the competent authority is usually very cautious in making a determination of ChuanXiao behavior.

While the M&T Legal Opinion may indicate potential risk areas of the franchise business model in China, it does not constitute a determination by a competent court or governmental authority of any breach of law, or confirmation of liability. M&T has not identified any instances of BW Changsha having been administratively punished by any Chinese authorities for engaging in illegal direct selling or ChuanXiao activities within the period from 1 June 2018 and up to 31 December 2020. In addition, the Company has provided M&T with certificate letters issued by the competent ChuanXiao authorities from the Zhejiang Province, the Sichuan Province, Chongqing City, Guiyang City, Changsha City, and the Panlong District of Kunming City, which state that BW Changsha has no records of administrative penalties for ChuanXiao. M&T has advised that normally the Chinese competent authorities are cautious in issuing the abovementioned certificate letters, as such certificate letters to some extent reflect the low likelihood of these competent authorities taking investigative action against BW Changsha. Accordingly, M&T has advised that the risk of investigation by such competent authorities in the near future is relatively low.

2.2 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or S$) and all values in the tables are rounded to the nearest thousand (S$'000), except when otherwise indicated.

2. Summary of significant accounting policies (cont'd)

2.3 *Adoption of new standards*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The effect of adoption of SFRS(I) 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) S$'000
Right-of-use assets	10,700
Property, plant and equipment	(415)
Lease liabilities	10,285

The Group has leases for its office spaces, warehouse and a factory property. Before the adoption of SFRS(I) 16, the Group classified these leases (as lessee) at the inception date as operating leases. The accounting policy prior to 1 January 2019 is disclosed in Note 2.22.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.22. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised as well as estimated costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.3 *Adoption of new standards (cont'd)*

Leases previously accounted for as operating leases (cont'd)

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Leases previously accounted for as operating leases (cont'd)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of S$10,700,000 were recognised and presented separately in the statement of financial position.
- Property, plant and equipment of S$415,000 pertaining to estimated costs of reinstatement were reclassified to right-of-use assets.
- Additional lease liabilities of S$10,285,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	S$'000
Operating lease commitments as at 31 December 2018	12,510
Less: Commitments relating to short-term leases	(438)
	12,072
Weighted average incremental borrowing rate as at 1 January 2019	4.05%
Lease liabilities as at 1 January 2019	10,285

SFRS(I) Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS(I) 1-12 Income Taxes. It does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers *uncertain tax treatments separately.*
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (cont'd)

2.4 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendment to SFRS(I) 16 *Leases*: Covid-19-Related Rent Concessions	1 June 2020
Amendments to SFRS(I) 1-39 *Financial Instruments*, SFRS(I) 7 *Financial Instruments: Disclosures*, SFRS(I) 4 *Insurance Contracts*, SFRS(I) 16 *Leases*: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment* – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 17 *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

2.5 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

2.5 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. **Summary of significant accounting policies (cont'd)**

2.7 *Foreign currency (cont'd)*

(b) *Consolidated financial statements*

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line method over their estimated useful lives of these assets as follow:

Leasehold buildings	-	Over the terms of lease that is 1.3%
Plant and equipment	-	8% to 33%

'Construction in progress' and 'Plant and equipment in progress' included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2.9 *Investment property*

Investment property is a property that is either owned by the Group or leased under a finance lease that is held 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 in the ordinary course of business. Investment property comprises completed investment property and property that is being constructed or developed for future use as investment property. Property held under operating lease is classified as investment property when the definition of an investment property is met.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the remaining term of lease that is 1.3%.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.10 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2.10 *Intangible assets (cont'd)*

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is computed on the straight-line basis over the estimated useful lives of the intangible assets as follows:

Licenses	-	10 to 25 years
Trademarks	-	5 to 10 years
Customer relationship	-	5 years
Other intangible asset	-	38 years

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.12 *Associate*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the associate.

2. Summary of significant accounting policies (cont'd)

2.12 *Associate (cont'd)*

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of loss of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.13 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2.14 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2.14 Financial instruments (cont'd)

(a) ***Financial assets (cont'd)***

Subsequent measurement

<u>Investment in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derivatives are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.15 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, fixed deposits, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.18 *Provisions*

General

Provisions are recognised when the Group has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for restoration costs

Provision for restoration cost arose from the estimated cost of dismantling, removing and restoring the leasehold properties at the end of their lease terms.

The restoration costs which are provided at the present value of estimated costs required to settle the obligation are recognised as part of the cost of that particular asset. The estimated future cost if restoration is reviewed annually and adjusted as appropriate.

2.19 *Financial guarantees*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.20 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.22 *Leases*

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.13.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2.22 *Leases (cont'd)*

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Direct selling

The Group sold their products (except for products sold under the “Aurigen” brand) through an international network of independent active distributors across Taiwan, Indonesia, Singapore, and other markets such as Thailand, Malaysia, Vietnam, Hong Kong, Korea, Philippines, and the United Arab Emirates.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the estimated transaction price, which comprise the contractual price, net of certain commissions payable to the customer.

Export sales

The Group export its products (except for products sold under the “Aurigen” brand) at export price to its import agents in China (until 30 June 2019) and Myanmar for onward distribution within such jurisdiction.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract.

Manufacturing/wholesale

The Group manufacture its “Aurigen” line of healthy supplements in the manufacturing facility in China and distribute these supplements through wholesalers who then onsell such products to retail stores across China.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract.

2. Summary of significant accounting policies (cont'd)

2.23 *Revenue (cont'd)*

Franchise sales

The Group sold their products (except for products sold under the "Aurigen" brand) through franchisees who are independent third parties that operates BWL Lifestyle Centers in China. These franchisees purchase products from the Group and exclusively on-sell the Group's products to consumers.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the contractual transaction price, which comprise the contractual price, net of sales related expenses payable to the customer.

Consideration payable to a customer

The Group pays commission and sales related expenses to the customers for their purchase of the Group's products when they achieve certain minimum purchase and maintenance requirements under the respective compensation plans, as applicable. These consideration paid to customers are recorded as a reduction in transaction price and, therefore, of revenue unless the payment to the customer is in exchange of a distinct good or service that the customer transfers to the entity. To the extent that the customer purchases the products for their own personal use, such commission and sales related expense given to them are presented as a reduction of the transaction price.

If the payment is for distinct services received from the customer, the Group accounts for any excess of such consideration payable to the customer over the fair value of the distinct services as a reduction of the transaction price. In addition, if the Group cannot reasonably estimate the fair value of the goods or services received from the customer, it accounts for all the consideration payable to the customer as a reduction of the transaction price.

The Group recognises the reduction of revenue when it recognises revenue for the transfer of the related goods or services to the customer.

2.24 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.24 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.25 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2. Summary of significant accounting policies (cont'd)

2.27 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. The PRC subsidiaries make tax submissions and obtain clearances from the local tax authorities in accordance with local practices. As disclosed in Note 2.1, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group’s income tax payable, deferred tax liabilities and deferred tax assets at the end of the reporting period was S$18,406,000 (2018: S$18,848,000), S$5,441,000 (2018: S$1,568,000) and S$13,662,000 (2018: S$441,000) respectively.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

Sales cut-off

As disclosed in Note 2.1 to the financial statements, in connection with the Independent Review of the Group, the Independent Accountant noted certain goods sold which were paid for had remained undelivered to the customers as at 31 December 2018. The Group has re-assessed the Group's revenue for the financial year ended 31 December 2018 to address any potential cut-off date and sales issue. Consequently, an adjustment of RMB55,000,000, equivalent to S$11,028,000, was recognised for the financial year ended 31 December 2018. In determining the adjustment amounts, estimates are made in relation to the average selling price of the goods and quantities that remains undelivered as at 31 December 2018.

4. Revenue

<u>Disaggregation of revenue</u>

Primary geographical markets	**Taiwan** S$'000	**Singapore** S$'000	**People’s Republic of China** S$'000	**Indonesia** S$'000	**Others** S$'000	**Total** S$'000
2019 Revenue	110,816	8,764	235,661	10,453	18,611	384,305
2018 Revenue	85,994	8,124	135,787	15,760	11,615	257,280

Major operating segments	**Direct selling** S$'000	**Export** S$'000	**Franchise** S$'000	**Manufacturing / wholesale** S$'000	**Total** S$'000
2019 Revenue	148,213	431	233,240	2,421	384,305
2018 Revenue	120,896	10,932	121,361	4,091	257,280

	Group	
	2019 S$'000	**2018** S$'000
Timing of transfer of goods or services At a point in time	384,305	257,280

Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2019 S$'000	**2018** S$'000
Contract liabilities	44,609	16,661

Contract liabilities mainly relate to advances received from customers for which goods had not been delivered as at the respective financial year end.

Revenue recognised that was included in the contract liabilities balance at the beginning of the year is S$16,661,000 (2018: S$713,000).

5. Other income

	Note	Group 2019 S$'000	Group 2018 S$'000
Service fee income		2,411	4,550
Royalty fee income		–	11,053
Rental income		124	114
Write-back of accruals		–	1,278
Write-back of inventories written down, net	19	–	338
Overprovision of restoration costs	26	64	–
Write-back of allowance on trade receivables	20	–	816
Fair value gain on other financial assets	18	652	–
Gain on disposal of plant and equipment		275	–
Government grant		802	–
Miscellaneous income		625	606
		4,953	18,755

Service fee income

Service fee income relates to the provision of information system support services and business planning services to external parties and is recognised over time on a straight-line basis when the services are rendered.

Royalty fee income

Royalty fee income is recognised over time on a straight-line basis for the use of the Group's trademarks by external parties.

Government grant

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant income mainly relates to a grant to one of our China subsidiary to support modernisation of service providers. There are no unfulfilled conditions or contingencies attached to the grant.

6. Other expenses

	Note	Group 2019 S$'000	Group 2018 S$'000
Expected credit loss on other receivables	20	–	183
Expected credit loss on trade receivables	20	67	–
Fair value loss on other financial assets	18	–	15
Fair value loss on foreign exchange derivatives	25	817	–
Foreign exchange losses, net		1,432	1,990
Impairment loss on plant and equipment	12	–	776
Impairment loss on intangible assets	15	–	3,216
Inventories written-down, net	19	1,211	–
Loss on disposal of plant and equipment		–	52
Others		395	–
		3,922	6,232

7. Distribution costs and administrative expenses

	Group 2019 S$'000	Group 2018 S$'000
Included in distribution costs		
- convention expenses	10,338	20,471
- commission expenses	51,774	38,173
- franchise sales related expenses	8,467	10,088
- training expenses	617	2,358
Included in administrative expenses		
- employee benefit expenses	41,545	29,097
-operating lease expense relating to fixed lease payments	–	3,390
- operating lease expense relating to short-term leases	523	785

Convention expenses

Convention expenses relate to event expenses, accommodations, travelling expenses and related tour expenses incurred to hold the annual convention event held by the Group.

Commission expenses

Commission expenses are commissions paid to Direct Selling Members for their sale of the Group's products. Direct Selling Members are rewarded based on their efforts in developing the membership networks, ensuring Direct Selling Members within their networks remain active, and recognising the purchases made by those in their membership network. Commission expenses do not include amounts the Group pay to Direct Selling Members based on their personal purchase; rather, such amounts are reflected as reductions to revenue.

7. Distribution costs and administrative expenses (cont'd)

Franchise sales related expenses

Franchise sales related expenses relates to fees for market research, marketing strategies, training, handling fees and other services as required by the Group.

8. Finance costs

		Group	
	Note	**2019** S$'000	**2018** S$'000
Interest expense			
- bank borrowings		24	91
- lease liabilities	24	505	–
		529	91

9. Profit before income tax

Profit before income tax is arrived at after charging the following:

		Group	
	Note	**2019** S$'000	**2018** S$'000
Audit fees paid/payable to:			
- Auditor of the Company		588	781
- Other auditors		182	213
Non-audit fees paid/payable to auditor of the Company:			
- Non-recurring			
- Interim review fees		–	227
- Others		18	8
		18	235
Non-audit fees paid/payable to other auditors		8	9
Professional fees		12,153	4,934
Directors fees		242	182
Employee benefits expenses (including directors):		42,211	29,845
- Salaries, bonuses and allowances (included in distribution cost)		666	748
- Salaries, bonuses and allowances		39,381	27,344
- Employer's contribution to defined contribution plan		2,164	1,753
Amortisation of intangible assets	15	79	693
Amortisation of other intangible asset	14	231	51
Depreciation of right-of-use assets	24	3,404	–
Depreciation of property, plant and equipment	12	1,768	1,769
Depreciation of investment property	13	19	18

10. Income tax expense

(a) Major components of income taxes recognised in profit or loss

The major components of income taxes for the financial years ended 31 December 2019 and 2018 are:

		Group	
	Note	**2019** S$'000	**2018** S$'000
Consolidated statement of profit or loss:			
Current income tax:			
- Current income taxation		32,423	23,531
- Under/(over) provision in respect of previous years		25	(147)
		32,448	23,384
Deferred income tax:			
- Origination and reversal of temporary differences	10(c)	(9,348)	(1,945)
Withholding tax		6,698	–
Income tax expense recognised in profit or loss		29,798	21,439

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the Singapore corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019 S$'000	**2018** S$'000
Profit before income tax	119,347	85,372
Tax calculated at Singapore tax rate of 17%	20,289	14,513
Adjustments:		
Income not subject to tax	(859)	(247)
Expenses not deductible for tax purposes	2,549	2,121
Tax exemptions	(35)	(52)
Deferred tax assets not recognised	884	1,433
Under/(over) provision for tax in respect of previous years	25	(147)
Effect of utilisation of tax losses not previously recognised	(98)	(80)
Deferred tax relating to undistributed earnings of subsidiaries	(1,423)	1,650
Withholding tax	6,698	–
Effect of different tax rates in other countries	2,100	2,546
Effect of tax concessions and tax rebates	(157)	(288)
Others	(175)	(10)
Income tax expense recognised in profit or loss	29,798	21,439

10. Income tax expense (cont'd)

(c) Deferred tax assets/(liabilities)

	Group				Company	
	Consolidated statement of financial position		Consolidated statement of profit or loss		Statement of financial position	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Deferred tax liabilities						
Excess of net book value of plant and equipment over tax values	(270)	(270)	–	129	(270)	(270)
Unrealised profits on inventories arising from intra-group sale	–	5,296*	5,296	(3,164)	–	–
Undistributed earnings of subsidiaries	(5,303)*	(6,726)*	(1,423)	1,650	(2,434)	–
Fair value adjustments on acquisition of subsidiary	–	–	–	(817)	–	–
Unremitted interest income	(62)	(62)	–	62	(62)	(62)
Provisions	191*	191*	–	(191)	191*	191*
Others	3	3	–	(3)	3	3
	(5,441)	(1,568)			(2,572)	(138)
Deferred tax assets						
Provisions	365	434	69	396	–	–
Unrealised profits on inventories arising from intra-group sale	13,131*	–	(13,131)*	–	–	–
Excess of net book value of plant and equipment over tax values	–	(9)*	(9)	9	–	–
Others	166	16	(150)	(16)	–	–
	13,662	441			–	–
			(9,348)	(1,945)		

* The Group had offset these deferred tax assets and deferred tax liabilities as these relate to the same taxable entity and the same taxation authority.

10. Income tax expense (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S$7,780,000 (2018: S$11,268,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate in. The tax losses have no expiry date except for an amount of S$6,993,000 (2018: S$10,810,000) which will expire between 3 to 10 years (2018: 3 to 10 years).

Details of the unutilised tax losses are as follows:

	Group	
	2019 S$'000	2018 S$'000
Can be utilised up to:		
2019	–	1,863
2020	550	1,094
2021	275	275
2022	3,892	4,811
2023	1,088	2,767
2024	1,188	–
	6,993	10,810

Tax consequences of proposed dividends

There are no income tax consequences (2018: S$Nil) attached to the dividends to the shareholders proposed by the Company and hence no liability has been recognised in the financial statements (Note 37).

11. Earnings per share

Basic earnings per share are calculated by dividing the Group's profit net of tax for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2019 S$'000	2018 S$'000
Net profit for the financial year attributable to owners of the Company	89,622	64,253

	Group	
	2019 '000	2018 '000
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation*	545,940	549,696

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

There are no dilutive potential ordinary shares.

12. Property, plant and equipment

	Freehold land S$'000	Leasehold buildings S$'000	Construction in progress S$'000	Plant and Equipment in progress S$'000	Plant and equipment S$'000	Total S$'000
Group						
Cost						
At 1 January 2018	51	2,264	–	–	16,792	19,107
Additions	–	–	1,575	–	1,005	2,580
Disposals	–	(1,600)	–	–	(665)	(2,265)
Exchange differences	–	(5)	–	–	(191)	(196)
At 31 December 2018 and 1 January 2019	51	659	1,575	–	16,941	19,226
Additions	–	–	4,457	8,194	3,861	16,512
Disposals	–	–	–	–	(2,333)	(2,333)
Reclassification to right-of use assets	–	–	–	–	(882)	(882)
Exchange differences	–	2	–	–	(50)	(48)
At 31 December 2019	51	661	6,032	8,194	17,537	32,475
Accumulated depreciation						
At 1 January 2018	–	1,742	–	–	9,805	11,547
Depreciation charge for the year	–	11	–	–	1,758	1,769
Impairment for the financial year (Note 6)	–	–	–	–	776	776
Disposals	–	(1,600)	–	–	(613)	(2,213)
Exchange differences	–	(1)	–	–	(122)	(123)
At 31 December 2018 and 1 January 2019	–	152	–	–	11,604	11,756
Depreciation charge for the year	–	11	–	–	1,757	1,768
Disposals	–	–	–	–	(2,286)	(2,286)
Reclassification to right-of use assets	–	–	–	–	(467)	(467)
Exchange differences	–	–	–	–	(24)	(24)
At 31 December 2019	–	163	–	–	10,584	10,747
Net carrying amount						
At 31 December 2019	51	498	6,032	8,194	6,953	21,728
At 31 December 2018	51	507	1,575	–	5,337	7,470

12. Property, plant and equipment (cont'd)

	Plant and equipment S$'000
Company	
Cost	
At 1 January 2018	7,665
Additions	795
Disposals	(41)
At 31 December 2018 and 1 January 2019	8,419
Additions	2,490
Disposals	(1,109)
Reclassification to right-of use assets	(882)
At 31 December 2019	8,918
Accumulated depreciation	
At 1 January 2018	4,593
Depreciation charge for the year	803
Disposals	(39)
At 31 December 2018 and 1 January 2019	5,357
Depreciation charge for the year	888
Disposals	(1,080)
Reclassification to right-of-use assets	(467)
At 31 December 2018	4,698
Net carrying amount	
At 31 December 2019	4,220
At 31 December 2018	3,062

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

During the financial year ended 31 December 2019, certain leasehold buildings of subsidiaries at carrying value of S$403,000 (2018: S$408,000) were mortgaged to banks to secure banking facilities granted by the banks (Note 34(b)).

As at 31 December 2019 and 2018, none of the Group's plant and equipment were under finance lease arrangements.

13. Investment property

	Group S$'000
Statement of financial position	
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,400
Accumulated depreciation	
At 1 January 2018	236
Depreciation charge for the year	18
At 31 December 2018 and 1 January 2019	254
Depreciation charge for the year	19
At 31 December 2019	273
Net carrying amount	
At 31 December 2019	1,127
At 31 December 2018	1,146

	Group	
	2019 S$'000	**2018** S$'000
Statement of profit or loss		
Rental income from investment property	124	114
Direct operating expenses arising from investment property that generated rental income	(12)	(11)

Depreciation expense is charged as administrative expenses in profit or loss.

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Details of the investment property held by the Group as at 31 December 2019 was as follows:

Description and location	**Existing use**	**Tenure**	**Unexpired lease term**
One unit of leasehold property at Block 726 Ang Mo Kio Avenue 6 Singapore 560726	Shop	Leasehold	60 years

Valuation of investment property

The fair value of the investment property was measured as at 9 December 2019 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 2019. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. Details of valuation techniques and inputs used are disclosed in Note 33.

Property pledged as security

The investment property is pledged as security for certain unutilised banking facility as at 31 December 2019 and 2018.

14. Other intangible asset

	Group S$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,737
Accumulated amortisation	
At 1 January 2018	480
Amortisation charge for the year	51
At 31 December 2018 and 1 January 2019	531
Amortisation charge for the year	231
At 31 December 2019	762
Net carrying amount	
At 31 December 2019	7,975
At 31 December 2018	8,206

Other intangible asset relates to the costs paid to the old tenant to buy out the old tenant's remaining lease of one of the leasehold buildings, which was demolished in 2018, and the right to lease the land for another 30 years from the lessor during the financial year ended 31 December 2016. This intangible asset is amortised over an estimated useful life of 38 years. As disclosed in Note 2.3 to the financial statements, the Group had applied the practical expedient of excluding this initial direct cost from the measurement of the right-of-use assets in Note 24 to the financial statements.

Amortisation expense is charged as administrative expenses in profit or loss.

Other intangible asset at carrying value of S$7,975,000 (2018: S$8,206,000) is mortgaged to banks to secure banking facilities granted by the banks (Note 34(b)).

15. Intangible assets

	Goodwill S$'000	Licenses S$'000	Trademarks S$'000	Customer relationship S$'000	Total S$'000
Group					
Cost					
At 1 January 2018	1,016	8,709	840	740	11,305
Additions	–	11	–	–	11
Exchange differences	–	(150)	–	–	(150)
At 31 December 2018 and 1 January 2019	1,016	8,570	840	740	11,166
Additions	–	14	16	–	30
Exchange differences	–	(66)	(49)	–	(115)
At 31 December 2019	1,016	8,518	807	740	11,081
Accumulated amortisation and impairment					
At 1 January 2018	–	4,743	784	592	6,119
Amortisation charge for the year	–	543	2	148	693
Impairment for the year	324	2,892	–	–	3,216
Exchange differences	–	(125)	–	–	(125)
At 31 December 2018 and 1 January 2019	324	8,053	786	740	9,903
Amortisation charge for the year	–	77	2	–	79
Exchange differences	–	(101)	2	–	(99)
At 31 December 2019	324	8,029	790	740	9,883
Net carrying amount					
At 31 December 2019	692	489	17	–	1,198
At 31 December 2018	692	517	54	–	1,263

	Trademarks S$'000
Company	
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019	610
Additions	16
At 31 December 2019	626
Accumulated amortisation	
At 1 January 2018	603
Amortisation charge for the year	2
At 31 December 2018 and 1 January 2019	605
Amortisation charge for the year	3
At 31 December 2019	608
Net carrying amount	
At 31 December 2019	18
At 31 December 2018	5

15. Intangible assets (cont'd)

(A) Goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating-units ("CGU"):

	Group	
	2019 S$'000	**2018** S$'000
Best World (China) Pharmaceutical Co., Ltd. ("BWC") – Manufacturing/wholesale	686	686
BWL (Thailand) Company Limited ("BWLT")	6	6
Best World Lifestyle Sdn. Bhd. ("BWLSB")	324	324
Gross carrying amount	1,016	1,016
Less: accumulated impairment loss	(324)	(324)
	692	692

Goodwill related to BWLT was not significant.

<u>Impairment loss recognised</u>

Included in the Group's goodwill were goodwill attributable to BWLSB, whose carrying value has been reduced to it recoverable amount through recognition of aggregate impairment loss of S$324,000.

<u>Impairment testing of goodwill</u>

The recoverable amount of the BWC - wholesale/manufacturing CGU has been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	2019 S$'000	**2018** S$'000
Pre-tax discount rate	16.50%	16.50%
Terminal growth rate	3%	3%

Key assumptions used in the value-in-use calculation

The calculation of value-in-use for the CGU is most sensitive to the following assumptions:

- Budgeted gross margin – Gross margin is based on average values achieved in the three years preceding the start of the budget period.
- Budgeted sales growth rate and terminal growth rate – The forecasted growth rate is based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets of the CGUs.
- Pre-tax discount rate – discount rate represents the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

15. Intangible assets (cont'd)

(A) Goodwill (cont'd)

Sensitivity to changes in assumptions

Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not affect the carrying amount of the goodwill recorded.

(B) Licences

Included in licenses of S$489,000 as at 31 December 2019 (2018: S$517,000) was 36 production permits and production formulae with costs of S$6,594,000 as at 31 December 2019 (2018: S$6,654,000) which arose from the acquisition of BWC in 2014.

The useful lives of the production permits and production formulae ranges from 10 to 15 years. Amortisation of the production permits and production formulae commenced when the products under the product licenses commenced trading. The recoverable amounts of the intangible assets relating to licenses of BWC have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

Information on key assumptions on pre-tax discount rates, budgeted gross margins and budgeted sales growth rates used in the calculation and sensitivity analysis of changes in these assumptions are disclosed in Note 15(A).

Impairment loss recognised

Included in the Group's licenses were product licenses of BWC and Best World Lifestyle (Shanghai) Co. Ltd, whose carrying value has been reduced to its recoverable amount through recognition of an aggregate impairment loss of S$2,892,000.

16. Investment in subsidiaries

	Company	
	2019 S$'000	**2018** S$'000
Unquoted equity shares, at cost	12,809	12,616
Loan to subsidiaries [(a)]	30,130	26,570
Accumulated impairment losses	(9,145)	(8,952)
	33,794	30,234

(a) These relates to loans to subsidiaries which are unsecured and non-interest bearing and are quasi-equity in nature. The settlement of the loans is not planned, and they are not expected to be settled in the foreseeable future. As these loans, in substance, form part of the Company's net investment in the subsidiaries, they are stated at cost.

16. Investment in subsidiaries (cont'd)

Composition of the Group

The Group has the following investment in subsidiaries.

Name of subsidiaries and country of incorporation	Principal activities	Cost		Effective percentage of equity held by Group	
		2019 S$'000	**2018** S$'000	**2019** %	**2018** %
Held by the Company					
Best World Lifestyle Pte. Ltd. [(a)] (Singapore)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	1,251	1,251	100	100
Avance Living Pte. Ltd. [(a)] (Singapore)	Distribution of nutritional supplements, personal care products and healthcare equipment	4	4	100	100
Best World Lifestyle Sdn. Bhd. [(f)] (Malaysia)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	2,234	2,234	100	100
PT Best World Indonesia [(d)] (Indonesia)	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) (i)] (Thailand)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	48	48	49	49
Best World Lifestyle (HK) Company Limited [(b)] (Hong Kong)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	118	118	100	100
Best World Lifestyle (Taiwan) Co., Ltd [(d)] (Taiwan)	Distribution of health food, network services, sanitary products, skin care and cosmetic products	94	94	100	100
BWL Korea Co., Ltd [(h)] (Korea)	Distribution of skin care, health food and equipment	2,438	2,438	100	100
PT BWL Indonesia [(d) (j)] (Indonesia)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	193	–	80	80
BWL Health & Sciences, Inc. [(c)] (Philippines)	Selling and distribution, on wholesale basis of skin care, nutritional supplements and personal care products and health care supplement	765	765	100	100

16. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of subsidiaries and country of incorporation	Principal activities	Cost		Effective percentage of equity held by Group	
		2019 S$'000	2018 S$'000	2019 %	2018 %
Held by the Company					
Best World Vietnam Company Limited [e] (Vietnam)	Trading and distribution of skin care and health-related products	649	649	100	100
BWL General Trading LLC [h] [i] (Dubai, The United Arab Emirates ("UAE")	General trading including importing, trading and re-exporting of trade goods and products	37	37	49	49
Celcott Investments Pte. Ltd. [a] (Singapore)	Investment holding	*	*	100	100
Best World Taiwan Holdings Pte. Ltd. [k] (Singapore)	Investment holding	*	*	100	100
		12,809	12,616		

Name of subsidiaries and country of incorporation	Principal activities	Effective percentage of equity held by Group	
		2019 %	2018 %
Held through Best World Lifestyle Pte. Ltd.			
Best World (China) Pharmaceutical Co., Ltd. [g] (People's Republic of China)	Development, manufacture and wholesale of its proprietary brand of dietary supplements, including wholesale, retail and import and export of personal care and skincare and healthcare equipment import and distribution of cosmetics, skincare, nutritional supplements, personal care products and healthcare equipment and engage in franchising activities	100	100
Held through Best World (China) Pharmaceutical Co., Ltd.			
Best World Lifestyle (Shanghai) Co., Ltd [g] (People's Republic of China)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment. Has not commenced commercial operations	100	100
Best World Lifestyle (China) Co., Ltd [g] (People's Republic of China)	Sales of personal necessities, cosmetics and hygiene products, nutritional supplements and health care products, pre-packaged food and other related activities.	100	-

16. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

* Denotes amount less than S$1,000.

[a] Audited by Ernst & Young LLP.

[b] Audited by member firms of RSM International.

[c] Audited by Reyes Tacandong & Co.

[d] Audited by member firms of Ernst & Young Global in the respective countries.

[e] Audited by DTL Auditing Company Ltd.

[f] Audited by Crowe Horwath Malaysia, a member of Crowe Horwath International.

[g] Audited by Hunan Zhongqiao Sanxiang Certified Public Accountants

[h] Not audited as the financial result is not significant to the Group

[i] The Group has accounted for the entity as a subsidiary as the Group controls the relevant activities (including financial and operating policies) of the entity through a shareholders' agreement.

[j] On 22 January 2019, PT BWL Indonesia issued 2,000 new common shares to Best World International Limited for a subscription price of RP2,000,000,000 (equivalent to S$193,000). The restructuring exercise was completed on 1 February 2019. There was no change in effective shareholding of 80% subsequent to the restructuring. Prior to the restructuring, the entity is not owned by the Group directly or indirectly through subsidiaries, but is consolidated as the Group has control over the entity's relevant activities (including financial and operating policies) by virtue of an agreement with the shareholders of the entity whereby the Group has 80% effective control over the entity.

[k] Not subject to any statutory requirements under the relevant rules and regulations in their countries of incorporation.

As required by Rule 715(2) 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 auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The Directors have assessed that the Group did not have subsidiaries with non-controlling interests that are material to the Group as at 31 December 2019.

Restructuring of PT Best World Indonesia and PT BWL Indonesia

On 22 January 2019, PT BWL Indonesia issued 2,000 new common shares to Best World International Limited for a subscription price of RP2,000,000,000 (equivalent to S$193,000). The restructuring exercise was completed on 1 February 2019. There was no change in effective shareholding subsequent to the restructuring.

The following summarises the effect of the change in the Group's ownership interest in PT BWL Indonesia on the equity attributable to owners of the Company:

	Company 2019 S$'000
Consideration paid for acquisition of non-controlling interest	193
Increase in equity attributable to non-controlling interest	1,173
Others	(215)
Decrease in equity attributable to owners of the Company	1,151

16. **Investment in subsidiaries (cont'd)**

Impairment loss recognised

During the previous financial year ended 31 December 2019, an impairment loss of S$193,000 was recognised to fully write down the carrying value of the investment in PT BWL Indonesia to its recoverable amount because the subsidiary had been persistently making losses.

Movement in impairment losses was as follows:

	Company	
	2019 S$'000	**2018** S$'000
At 1 January	8,952	8,952
Impairment loss charged to profit or loss	193	–
Balance at 31 December	9,145	8,952

Undertaking to support subsidiaries with deficit position

At the end of the reporting period, the Company has agreed to provide continuing financial support to certain subsidiaries and the net deficit position of these subsidiaries was:

	Company	
	2019 S$'000	**2018** S$'000
Total net deficit position of subsidiaries	17,787	15,339

17. **Investment in an associate**

	Company	
	2019 S$'000	**2018** S$'000
Shares, at cost	5,625	–
Share of post-acquisition results	(210)	–
	5,415	–

Details of the associate are as follows:

Name of company	**Principal activities**	**Principal place of business**	**Ownership interest**	
			2019 %	**2018** %
Celligenics Pte. Ltd. [a] [b]	Research and development of Biotechnology, life and medical sciences	Singapore	12.5	–

[a] On 21 January 2019, the Company's wholly-owned subsidiary, Celcott Investments Pte. Ltd., acquired 115,000 ordinary shares in Celligenics Pte. Ltd. for a cash consideration of S$5,625,000, representing 12.5% of the total issued share capital. Investment in Cellegenics Pte. Ltd. is classified as investment in associate because the Group has significant influence over the entity through representation on the board of directors. The Company, or its designated wholly-owned subsidiary, was given the right (but not the obligation) to subscribe for additional shares such that the aggregate shareholding of the Group in Celligenics Pte. Ltd. after such further subscription represents up to but not more than 15.0% of the total shares in Celligenics Pte. Ltd as at the date of exercise of such right on a fully diluted basis. The Group did not exercise the right and the right has since lapsed.

[b] Audited by Pricewaterhouse Coopers LLP

17. **Investment in an associate (cont'd)**

The following table illustrates the summarised financial information of Celligenics Pte. Ltd.

	2019 S$'000
Current assets	3,300
Non-current assets	43
Current liabilities, representing total liabilities	(108)
Net assets, representing surplus in equity	3,235

	2019 S$'000
Proportion of the Company's ownership	12.5%
Company's share of net assets	404
Goodwill on acquisition	4,949
Other adjustments	62
Carrying amount of the investment	5,415

	2019 S$'000
Other income	270
Administrative expenses	(1,012)
Research and development	(952)
Loss before income tax	(1,694)
Income tax expense	–
Loss for the financial year, representing total comprehensive loss for the financial year	(1,694)
Proportion of the Company's ownership	12.5%
Company's share of loss for the year	(210)
Company's cumulative share of losses	(210)

The associate had no contingent liabilities or capital commitments as at 31 December 2019.

18. Other financial assets

	Group and Company			
	Carrying value		Fair value	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Non-current:				
Quoted bonds, classified as financial instruments at amortised cost, in corporations with fixed interest rate at:				
3.50% maturing on 21 April 2020 (effective rate: 3.51% (2018: 3.51%)), British Virgin Islands	–	273	–	274
4.50% to 4.85% maturing between 31 January 2020 to 5 February 2020 (effective rate: 3.98% to 4.40% (2018: 3.98% to 4.40%)), Singapore	–	551	–	559
5.38% maturing on 31 January 2023 (effective rate: 5.38% (2018: Nil), PRC	268	273	216	259
4.38% maturing on 9 January 2023 (effective rate: 4.75% (2018: Nil)), Singapore	267	–	277	–
Total other financial assets (non-current)	535	1,097	493	1,092
Current:				
Quoted bonds, classified as financial instruments at amortised cost, in corporations with fixed interest rate at:				
3.50% maturing on 21 April 2020 (effective rate: 3.51% (2018: 3.51%)), British Virgin Islands	269	–	272	–
4.85% maturing on 31 January 2020 (effective rate: 4.40% (2018: 4.40%)), Singapore	269	–	275	–
	538	–	547	–
Financial instruments at FVPL:				
United High Grade Corporate Bond Fund	2,147	1,932	2,147	1,932
United SGD Fund United SGD Fund – AACCUSDH[a]	10,163	7,664	10,163	7,664
Total other financial assets (current)	12,848	9,596	12,857	9,596
Total other financial assets (current and non-current)	13,383	10,693	13,350	10,688

[a] Included S$2,186,000 pledged fund to certain banks to secure banking facilities granted to the Group These banking facilities remain unutilised as at the end of the reporting period (Note 34(b)).

18. Other financial assets (cont'd)

A reconciliation of other financial assets at 31 December 2019 arising from financial activities is as follows:

	1 January 2019 S$'000	Addition S$'000	Disposal S$'000	Non-cash changes: Fair value adjustment S$'000	Non-cash changes: Foreign exchange movement S$'000	Non-cash changes: Reclassification S$'000	31 December 2019 S$'000
Group							
Non-current:							
- Financial instruments at amortised cost	1,097	270	(274)	–	(20)	(538)	535
Current:							
- Financial instruments at amortised cost	–	–	–	–	–	538	538
- Financial instruments at FVPL	9,596	2,236	–	652	(174)	–	12,310
Total	10,693	2,506	(274)	652	(194)	–	13,383

	1 January 2018 S$'000	Addition S$'000	Disposal S$'000	Non-cash changes: Fair value adjustment S$'000	Non-cash changes: Foreign exchange movement S$'000	Non-cash changes: Reclassification S$'000	31 December 2018 S$'000
Group							
Non-current:							
- Financial instruments at amortised cost	805	262	–	–	30	–	1,097
Current:							
- Financial instruments at FVPL	10,126	34	(789)	(15)	240	–	9,596
Total	10,931	296	(789)	(15)	270	–	10,693

18. Other financial assets (cont'd)

A summary of the nature and maturity dates of the other financial assets as at the end of the reporting period is as follows:

	Group and Company			
	Carrying value		Fair value	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Financial instruments at FVPL	12,310	9,596	12,310	9,596
Financial assets at amortised cost	1,073	1,097	1,040	1,092
	13,383	10,693	13,350	10,688
Within 1 year	12,848	9,596	12,857	9,596
Within 2 to 3 years	–	824	–	833
After 3 years	535	273	493	259
	13,383	10,693	13,350	10,688

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

Interest income recognised on financial instruments at amortised cost is S$50,000. This is disclosed as 'Interest income' in the consolidated statement of comprehensive income.

19. Inventories

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Statement of financial position:				
Finished goods (at lower of cost and net realisable value)	103,194	32,486	56,984	15,175
Raw materials	235	246	–	–
Work-in-progress	72	47	–	–
Packaging materials	194	189	–	–
Total inventories	103,695	32,968	56,984	15,175

	Group	
	2019 S$'000	2018 S$'000
Consolidated statement of profit or loss:		
Inventories recognised as an expense in profit before tax	72,955	49,430
Inclusive of the following charge:		
- Inventories written-off charged to profit or loss included in cost of sales	20	268
- Inventories written-down, net	1,211	–
- Reversal of write-down of inventories, net	–	(338)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in the respective financial year and no longer required for write-down.

20. Trade and other receivables

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Financial assets				
Trade receivables				
Third parties	11,309	3,470	2,711	442
Amounts due from subsidiaries	–	–	57,229	32,739
Less: Allowance for expected credit losses	(1,458)	(1,425)	(9,982)	(8,953)
	9,851	2,045	49,958	24,228
Other receivables				
Third parties	3,301	1,602	275	384
Amounts due from subsidiaries	–	–	12,618	15,498
Less: Allowance for expected credit losses	(393)	(438)	(9,661)	(8,631)
	2,908	1,164	3,232	7,251
Refundable rental deposits	2,182	2,009	1,413	1,255
Total trade and other receivables	14,941	5,218	54,603	32,734
Less: GST and VAT receivables	(8,577)	–	(2,693)	(420)
Total trade and other receivables at amortised cost	6,364	5,218	51,910	32,314

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days terms (2018: 30 to 120). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The movement in the Group's and Company's expected credit losses of trade receivables are as follows:

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Movement in allowance accounts:				
At beginning of the year	1,425	2,286	8,953	8,882
Charge/(write-back) for the year	67	(816)	1,029	71
Exchange difference	(34)	(45)	–	–
At end of the year	1,458	1,425	9,982	8,953

Other receivables

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

Amount due from subsidiaries

Amounts due from subsidiaries are unsecured, bear interests ranging from 1.44% to 6.9% (2018: 4.6% to 6.9%) per annum and are to be settled in cash.

20. **Trade and other receivables (cont'd)**

Refundable deposits

Deposits placed with lessors are unsecured and non-interest bearing. These deposits are refundable upon termination of leases.

The movement in allowance for expected credit losses used to record the impairment of the Group's and Company's other receivables are as follows:

	Group		Company	
	2019 S$'000	**2018** S$'000	**2019** S$'000	**2018** S$'000
Movement in allowance accounts:				
At beginning of the year	438	255	8,631	7,970
Charge for the year	–	183	1,073	661
Utilised	(43)	–	(43)	–
Exchange difference	(2)	–	–	–
At end of the year	393	438	9,661	8,631

21. **Other assets**

	Group		Company	
	2019 S$'000	**2018** S$'000	**2019** S$'000	**2018** S$'000
Advances to suppliers	9,582	9,419	9,165	9,004
Prepayments	10,606	4,981	195	3,420
	20,188	14,400	9,360	12,424

22. **Cash and bank balances**

	Group		Company	
	2019 S$'000	**2018** S$'000	**2019** S$'000	**2018** S$'000
Non-current				
Fixed deposits - restricted in use [a]	1,000	–	–	–
Current				
Cash at bank - Not restricted in use [b]	235,416	187,752	102,873	63,351
Cash pledged for bank facilities [c]	209	4,807	–	1,500
Cash pledged for security deposits [d]	4,446	4,565	–	–
	240,071	197,124	102,873	64,851
Cash and bank balance at end of the financial year	241,071	197,124	102,873	64,851

The rate of interest for the cash on interest earning balances is between 0.05% to 3.05% (2018: 0.6% to 3.85%) per annum.

22. **Cash and bank balances (cont'd)**

(a) Fixed deposits have a maturity period of 24 months (2018: Nil) are not freely remissible for use by a subsidiary because of charges imposed on withdrawing the funds before maturity. The rate of interest for the cash on interest earning balances is 1.34% (2018: Nil%) per annum. These fixed deposits are classified as non-current assets.

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

(c) This is pledged to certain banks to secure banking facilities granted to the Group. These banking facilities remain unutilised as at the end of the reporting period (Note 34(b)).

(d) This relates to security deposits required by authorities in China and Vietnam for direct selling licences and are restricted in use.

22A. **Cash and cash equivalents in the consolidated statement of cash flows:**

	Group	
	2019 S$'000	**2018** S$'000
Cash and bank balance at end of the financial year	241,071	197,124
Fixed deposits restricted in use	(1,000)	–
Cash pledged for bank facilities	(209)	(4,807)
Cash pledged for security deposits	(4,446)	(4,565)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the financial year	235,416	187,752

23. **Trade and other payables**

	Group		Company	
	2019 S$'000	**2018** S$'000	**2019** S$'000	**2018** S$'000
Trade payables				
- Third parties	10,332	3,198	10,079	2,648
Accrued operating expenses	59,346	43,130	37,511	19,691
	69,678	46,328	47,590	22,339
Other payables				
- Third parties	67,949	30,369	8,215	1,176
- Amount due to subsidiaries	–	–	812	–
Total trade and other payables	137,627	76,697	56,617	23,515
Less: GST and VAT payables	–	(3,943)	–	–
Total trade and other payables at amortised cost	137,627	72,754	56,617	23,515

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 30-day terms while other payables have an average term of one month.

24. Right-of use assets and lease liabilities

As a lessee

The Group has leases for its office spaces, warehouse and a factory property. The Group's obligations under its lease is secured by the lessor's title to the leased asset. Generally, the Group is restricted from assigning and subleasing the leased asset.

The Group also has leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Office spaces S$'000	Warehouse S$'000	Factory property S$'000	Total S$'000
At 1 January 2019	9,025	54	1,621	10,700
Reclassification from property, plant and equipment, net	415	–	–	415
Additions	5,508	–	–	5,508
Depreciation charge for the year	(3,334)	(24)	(46)	(3,404)
At 31 December 2019	11,614	30	1,575	13,219

Company	Office spaces S$'000	Warehouse S$'000	Total S$'000
At 1 January 2019	4,263	54	4,317
Reclassification from property, plant and equipment, net	415	–	415
Additions	1,359	–	1,359
Depreciation charge for the year	(1,027)	(24)	(1,051)
At 31 December 2019	5,010	30	5,040

Set out below are the carrying amounts of lease and the movements during the period:

	Group S$'000	Company S$'000
At 1 January 2019	10,285	4,317
Additions	5,503	1,159
Accretion of interest	505	153
Payments	(3,551)	(1,043)
	12,742	4,586
Current	3,894	1,235
Non-current	8,848	3,351
At 31 December 2019	12,742	4,586

The maturity analysis of lease liabilities are disclosed in Note 34 (b).

24. Right-of use assets and lease liabilities (cont'd)

As a lessee (cont'd)

The total cash outflows for leases are as follows:

	Group 2019 S$'000	Group 2018 S$'000
Repayment of lease liabilities	3,551	–
Operating lease expense relating to fixed lease payments	–	3,390
Operating lease expense relating to short-term leases	513	785
Total cash outflows for leases	4,064	4,175

25. Other financial liabilities

	Group 2019 S$'000	Group 2018 S$'000	Company 2019 S$'000	Company 2018 S$'000
Bank loan (Note a)	–	2,049	–	–
Foreign exchange derivatives (Note b)	817	–	817	–
Total	817	2,049	817	–

a) Bank loan

The Group's bank loan was fully repaid during the financial year ended 31 December 2019.

A reconciliation of liabilities as at 31 December 2019 and 2018 arising from financial activities is as follows:

	1 January 2019 S$'000	Cash flows S$'000	Non-cash changes: Foreign exchange movement S$'000	31 December 2019 S$'000
Group				
Bank loan				
- current	2,049	(2,049)	–	–

	1 January 2018 S$'000	Cash flows S$'000	Non-cash changes: Foreign exchange movement S$'000	31 December 2018 S$'000
Group				
Bank loan				
- current	5,359	(3,288)	(22)	2,049
- non-current	2,037	(2,037)	–	–
Obligations under financial leases				
- current	2	(2)	–	–
Total	7,398	(5,327)	(22)	2,049

b) Foreign currency derivatives

During the financial year ended 31 December 2019, the Group entered into foreign currency derivatives to manage its transaction exposures. The balances reflect the negative change in fair value of those foreign exchange derivatives as at year end date.

26. Other liabilities

Other liabilities comprise provision for restoration costs to be incurred for the Group's and Company's leased units.

Movements in provision for restoration costs during the year are as follows:

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Balance at the beginning of the financial year	961	961	882	882
Addition	420	–	200	–
Utilised	(15)	–	–	–
Overprovision (Note 5)	(64)	–	–	–
Balance at the end of the financial year	1,302	961	1,082	882

It is expected that most of these costs will be incurred upon termination of the leases.

27. Share capital

(a) ***Share capital***

	Group and Company			
	2019		2018	
	No. of shares '000	S$'000	No. of shares '000	S$'000
Issued and fully paid ordinary shares				
At beginning and end of the financial year	554,392	20,618	554,392	20,618

(b) ***Treasury shares***

	Group and Company			
	2019		2018	
	No. of shares '000	S$'000	No. of shares '000	S$'000
At beginning of the financial year	4,996	(2,010)	4,303	(880)
Acquired during the financial year [(a)]	5,295	(8,581)	925	(1,176)
Transfer of treasury shares pursuant to performance share scheme [(b)]	–	–	(232)	46
At end of the financial year	10,291	(10,591)	4,996	(2,010)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

[(a)] The Company acquired 5,295,000 (2018: 925,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was S$8,581,000 (2018: S$1,176,000) and this was presented as a component within shareholders' equity.

[(b)] On 23 April 2018, the Company transferred 231,600 of its treasury shares for fulfilment of share awards vested under the Performance Share Scheme.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

28. Other reserves

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Foreign currency translation reserve	(75)	(184)	–	–
Statutory reserve	6,139	5,647	–	–
Other reserve	(787)	364	322	322
Total other reserves	5,277	5,827	322	322

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Statutory reserve

In accordance with the relevant regulations applicable to the subsidiaries in the People's Republic of China (PRC) and Taiwan, the subsidiaries are required to make appropriation to Statutory Reserve Fund ("SRF") based on 10% of statutory profits after tax until the cumulative total of the SRF reaches 50% and 100% of the subsidiaries' registered capital for PRC and Taiwan, respectively. Subject to approval from the relevant authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

Other reserves

Other reserves relate to the effects of:

(a) a change in ownership interests in a subsidiary when there was no change in control during the financial year ended 31 December 2017;

(b) transfer of treasury shares under fulfilment of equity settled share awards granted to employees under the performance share scheme during the financial year ended 31 December 2018; and

(c) a restructuring exercise in respect of its subsidiaries in Indonesia where there was no change in effective shareholding and control during the financial year ended 31 December 2019.

29. Significant transactions with related companies and related parties

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions between the Group and its related parties on rates and terms agreed between the parties during the financial year:

	Group	
	2019 S$'000	**2018** S$'000
With companies related to directors of the Company		
Sale of goods	(19)	(21)
Commission expenses	70	42
Consultancy fee expenses	342	68
Catering expenses	1	–
With persons related to directors of the Company		
Sale of goods	(62)	(60)
Commission expenses	159	283
Travel allowances	29	13
With directors of the Company		
Sale of goods	(3)	–

(b) ***Compensation of key management personnel***

The remuneration of Directors and other members of key management of the Group and of the Company during the financial year are as follows:

	Group	
	2019 S$'000	**2018** S$'000
Short-term employee benefits	24,977	15,783
Central Provident Fund contributions and other pension contributions	236	235
Total compensation paid to key management personnel	25,213	16,018
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	20,481	12,107
- Other key management personnel	4,732	3,911
	25,213	16,018

30. Commitments

(a) ***Operating lease commitments - as lessee***

Operating lease payments are for rental payable for the Group's certain office premises. In 2018, these leases have an average tenure of between 1 and 36 years with no contingent rent provision included in the contracts. The Group was restricted from subleasing the leased equipment to third parties.

Future minimum lease payable under non-cancellable operating leases at end of the reporting period are as follows:

	Group	Company
	2018 S$'000	**2018** S$'000
Not later than one year	4,375	1,384
Later than one year and not later than five years	5,849	1,314
Later than five years	2,286	–
	12,510	2,698

As disclosed in Note 2.3, the Company has adopted SFRS(I) 16 on 1 January 2019. The lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term leases.

(b) ***Operating lease commitments - as lessor***

The Group has entered into a commercial property lease on its investment property. The non-cancellable lease has a fixed monthly rental charge and a remaining lease term of 13 months (2018: 25) months.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2019 S$'000	**2018** S$'000
Not later than one year	125	124
Later than one year and not later than five years	10	136
	135	260

(c) ***Capital commitments***

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group	
	2019 S$'000	**2018** S$'000
Capital commitments in respect of property, plant and equipment	40,904	10,009

31. Corporate guarantees

In 2018, The Company has provided a corporate guarantee to a bank for S$2,049,000 loan (Note 25) taken by a subsidiary. Such guarantee was discharged as the loan was fully repaid during the current year.

32. Classification of financial instruments

The following table categories the carrying amounts of financial assets and liabilities recorded at the end of the reporting period:

		Group		Company	
	Note	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Financial assets:					
Financial assets at fair value through profit or loss					
Other financial assets	18	12,310	9,596	12,310	9,596
Financial assets at amortised cost					
Cash and bank balances	22	241,071	197,124	102,873	64,851
Other financial assets	18	1,073	1,097	1,073	1,097
Trade and other receivables	20	6,364	5,218	51,910	32,314
Total financial assets at amortised cost		248,508	203,439	155,856	98,262
Total financial assets		260,818	213,035	168,166	107,858
Financial liabilities:					
Financial liabilities at fair value through profit or loss					
Foreign exchange derivatives	25	817	–	817	–
Financial liabilities at amortised cost					
Trade and other payables	23	137,627	72,754	56,617	23,515
Lease liabilities	24	12,742	–	4,586	–
Bank loan	25	–	2,049	–	–
Total financial liabilities at amortised cost		150,369	74,803	61,203	23,515
Total financial liabilities		151,186	74,803	62,020	23,515

33. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfers between the levels of fair value measurements during the financial year.

33. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value by level at the end of the reporting period:

	Group S$'000 Quoted prices in active markets for identical instruments (Level 1)	
	2019	2018
Recurring fair value measurements assets:		
Other financial assets (Note 18)		
- Financial instruments at FVPL	12,310	9,596
Recurring fair value measurements liabilities:		
Other financial liabilities (Note 25)		
- Foreign exchange derivatives	(817)	–

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed:

	Group 2019 S$'000			
	Quoted prices in active markets for identical assets (Level 1)	Significant unobservable inputs (Level 3)	Fair value Total	Carrying amount
Assets				
Investment property (Note 13)	–	2,900	2,900	1,127
Other financial assets (Note 18)				
- Financial instruments at amortised cost	1,040	–	1,040	1,073

33. Fair value of assets and liabilities (cont'd)

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)***

	Group 2018 S$'000			
	Quoted prices in active markets for identical assets (Level 1)	**Significant unobservable inputs** (Level 3)	**Fair value Total**	**Carrying amount**
Assets				
Investment property (Note 13)	–	3,100	3,100	1,146
Other financial assets (Note 18)				
- Financial instruments at amortised cost	1,092	–	1,092	1,097

Determination of fair value

Investment property

Description	**Valuation techniques**	**Unobservable inputs**	**Range**
2019			
Investment property	Direct comparison method	Price per square foot	S$1,772 to S$1,950
2018			
Investment property	Direct comparison method	Price per square foot	S$1,658 to S$2,511

As at the end of the reporting period, a 10% variation from the estimated price per square foot with all other variables held constant would increase/decrease the fair value of the investment property by S$290,000 (2018: S$310,000).

(d) ***Fair value of financial instruments whose carrying amounts approximate their fair values***

Management has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from/(to) subsidiaries (current portion), lease liabilities (current), trade and other payables and other financial liabilities, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature.

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. Guidelines set up the short-term and long-term objectives and actions to be taken in order to manage the financial risks. Such guidelines include:

34. Financial risk management objectives and policies (cont'd)

- Minimise interest rate, currency, credit and market risk for all kinds of transactions;
- Maximise the use of "natural hedge", favouring as much as possible the natural offsetting 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;
- All financial risk management activities are carried out and monitored by senior management staff;
- All financial risk management activities are carried out following good market practices;
- When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risks by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that credit review, which takes into account qualitative and quantitative factors like business performance and profile of the customers, is performed and approved by management before credit is granted. Customer's payment profile and credit exposures are monitored on an ongoing basis by the Financial Controller.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 to 120 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

34. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group and Company provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group and Company's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region.

Summarised below is the information about the credit risk exposure on the Group and Company's trade receivables using provision matrix:

Group

31 December 2019	Less than 30 days S$'000	31- 60 days S$'000	61 to 90 days S$'000	More than 90 days S$'000	Total S$'000
Gross carrying amount	9,081	116	61	2,051	11,309
Allowance for ECL	–	–	–	(1,458)	(1,458)

31 December 2018	Less than 30 days S$'000	31- 60 days S$'000	61 to 90 days S$'000	More than 90 days S$'000	Total S$'000
Gross carrying amount	1,437	231	55	1,747	3,470
Allowance for ECL	–	(25)	(55)	(1,345)	(1,425)

Company

31 December 2019	Less than 30 days S$'000	31- 60 days S$'000	61 to 90 days S$'000	More than 90 days S$'000	Total S$'000
Gross carrying amount	30,231	14,598	4,315	10,796	59,940
Allowance for ECL	(347)	(198)	(407)	(9,030)	(9,982)

31 December 2018	Less than 30 days S$'000	31- 60 days S$'000	61 to 90 days S$'000	More than 90 days S$'000	Total S$'000
Gross carrying amount	10,608	11,569	2,094	8,910	33,181
Allowance for ECL	(269)	(716)	(338)	(7,630)	(8,953)

(a) *Credit risk (cont'd)*

Company (cont'd)

Information regarding loss allowance movement of trade receivables are disclosed in Note 20.

Excessive risk concentration

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position.
- an amount of S$11,600,000 (2018: S$11,600,000) relating to corporate guarantees provided by the Company to a bank on its subsidiary's borrowings which has not been drawn down as at each of the financial year end.

Credit risk concentration profiles

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Top customer	282	478	14	17

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risks arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company manages its liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions. In addition, the Group and Company also maintain surplus cash for future investment opportunities. As at 31 December 2019, the Group has no outstanding loans and borrowings (2018: S$2,049,000).

34. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	Less than one year S$'000	One to five years S$'000	More than five years S$'000	Total S$'000
Group				
31 December 2019				
Financial assets:				
Trade and other receivables	6,364	–	–	6,364
Other financial assets	12,848	535	–	13,383
Cash and bank balances	240,071	1,000	–	241,071
Total undiscounted financial assets	259,283	1,535	–	260,818
Financial liabilities:				
Trade and other payables	137,627	–	–	137,627
Other financial liabilities	817	–	–	817
Lease liabilities	4,154	8,072	2,445	14,671
Total undiscounted financial liabilities	142,598	8,072	2,445	153,115
Total net undiscounted financial assets/(liabilities)	116,685	(6,537)	(2,445)	107,703

	Less than one year S$'000	One to five years S$'000	Total S$'000
Group			
31 December 2018			
Financial assets:			
Trade and other receivables	5,218	–	5,218
Other financial assets	9,596	1,097	10,693
Cash and bank balances	197,124	–	197,124
Total undiscounted financial assets	211,938	1,097	213,035
Financial liabilities:			
Trade and other payables	72,754	–	72,754
Other financial liabilities	2,073	–	2,073
Total undiscounted financial liabilities	74,827	–	74,827
Total net undiscounted financial assets	137,111	1,097	138,208

34. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Less than one year S$'000	One to five years S$'000	Total S$'000
Company			
31 December 2019			
Financial assets:			
Trade and other receivables	51,910	–	51,910
Other financial assets	12,848	535	13,383
Cash and bank balances	102,873	–	102,873
Total undiscounted financial assets	167,631	535	168,166
Financial liabilities:			
Trade and other payables	56,617	–	56,617
Other financial liabilities	817	–	817
Lease liabilities	1,383	3,524	4,907
Total undiscounted financial liabilities	58,817	3,524	62,341
Total net undiscounted financial assets/(liabilities)	108,814	(2,989)	105,825
31 December 2018			
Financial assets:			
Trade and other receivables	32,314	–	32,314
Other financial assets	9,596	1,097	10,693
Cash and bank balances	64,851	–	64,851
Total undiscounted financial assets	106,761	1,097	107,858
Financial liabilities:			
Trade and other payables	23,515	–	23,515
Total undiscounted financial liabilities	23,515	–	23,515
Total net undiscounted financial assets	83,246	1,097	84,343

The table below shows the contractual expiry by maturity of the Group's and Company's commitment. The maximum amount of the financial guarantee contract is allocated to the earliest period in which the guarantee could be called.

	Group and Company	
	2019 S$'000	**2018** S$'000
Less than one year	–	2,037

34. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Undrawn available credit facilities

At the end of the reporting period, the Group has undrawn available credit facilities with certain banks of S$38,380,000 (2018: S$52,465,000). The undrawn credit facilities are available for operating activities and to settle other commitments. Credit facilities are maintained to ensure funds are available for the operations.

The following assets are mortgaged to banks to secure bank facilities granted by the bank:

- Certain leasehold properties of subsidiaries at carrying value of S$403,000 (2018: S$408,000);
- An investment property of a subsidiary at carrying value of S$1,127,000 (2018: S$1,146,000);
- A non-current other intangible asset of a subsidiary at carrying value of S$7,975,000 as at 31 December 2019 (2018: S$8,206,000);
- Other financial assets of the company at carrying value of S$2,186,000 (2018: S$Nil);
- Certain fixed deposits of the Group of S$209,000 (2018: S$4,807,000)

(c) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United States Dollar (USD) and Euro (EUR).

At the end of the reporting period, an analysis of the financial assets and financial liabilities denominated in USD and EUR is as follow:

2019	**USD** S$'000	**EUR** S$'000	**Total** S$'000
Group			
Financial assets:			
Other financial assets	13,383	–	13,383
Cash and bank balances	21,520	8,929	30,449
Total financial assets	34,903	8,929	43,832
Financial liabilities:			
Trade and other payables	1,503	–	1,503
Other financial liabilities	817	–	817
Total financial liabilities	2,320	–	2,320
Total net financial assets	32,583	8,929	41,512

(c) *Foreign currency risk (cont'd)*

2018	**USD** S$'000	**EUR** S$'000	**Total** S$'000
Group			
Financial assets:			
Trade and other receivables	576	–	576
Other financial assets	10,693	–	10,693
Cash and bank balances	1,816	47	1,863
Total financial assets	13,085	47	13,132
Financial liabilities:			
Trade and other payables	630	–	630
Total financial liabilities	630	–	630
Total net financial assets	12,455	47	12,502

2019	**USD** S$'000	**EUR** S$'000	**Total** S$'000
Company			
Financial assets:			
Trade and other receivables	3,597	–	3,597
Other financial assets	13,383	–	13,383
Cash and bank balances	21,200	8,929	30,129
Total financial assets	38,180	8,929	47,109
Financial liabilities:			
Trade and other payables	1,503	–	1,503
Other financial liabilities	817	–	817
Total financial liabilities	2,320	–	2,320
Total net financial assets	35,860	8,929	44,789

2018	**USD** S$'000	**EUR** S$'000	**Total** S$'000
Company			
Financial assets:			
Trade and other receivables	2,519	–	2,519
Other financial assets	10,693	–	10,693
Cash and bank balances	1,432	47	1,432
Total financial assets	14,644	47	14,644
Financial liabilities:			
Trade and other payables	630	–	630
Total financial liabilities	630	–	630
Total net financial assets	14,014	47	14,014

34. Financial risk management objectives and policies (cont'd)

(c) *Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the foreign currencies against the respective functional currencies of the Group entities, with all other variables held constant.

	Increase/(decrease) Profit before tax	
	2019 S$'000	**2018** S$'000
Group		
USD		
- strengthened 10% (2018: 10%)	3,258	1,246
- weakened 10% (2018: 10%)	(3,258)	(1,246)
EUR		
- strengthened 10% (2018: 10%)	893	5
- weakened 10% (2018: 10%)	(893)	(5)
Company		
USD		
- strengthened 10% (2018: 10%)	3,586	1,401
- weakened 10% (2018: 10%)	(3,586)	(1,401)
EUR		
- strengthened 10% (2018: 10%)	893	5
- weakened 10% (2018: 10%)	(893)	(5)

(d) *Market price risk*

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest of exchange rates). The Group is exposed to market price risk arising from its investments in quoted investment funds and are held as financial instruments at FVPL (Note 18). The Group does not have exposure to commodity price risk.

The Group's objective is to preserve capital and generate stable and consistent returns through investments in securities with the following restrictions on its Investment Portfolio ("Portfolio"):

1. Up to 100% of the Portfolio may be invested into the United SGD Fund;
2. Up to 30% of the Portfolio may be invested into the United High Grade Corporate Bond Fund; and
3. Up to 100% of the Portfolio may be invested or held in cash, cash equivalents and fixed deposits.

The Portfolio aims to target returns of 3.0% per annum. Any deviation from this policy is required to be approved by the CEO and Audit Committee. At the end of the reporting period, the entire Portfolio of the Group comprise quoted investment securities.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the funds held had been 10% (2018: 10%) higher/lower with all other variables held constant, the Group's profit before tax would have been S$1,285,000 (2018: S$960,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) The direct selling segment mainly comprises sales to customers through direct selling channels in Singapore, Malaysia, Indonesia, Thailand, Taiwan, Hong Kong, Vietnam, Philippines, Korea and United Arab Emirates;

(ii) The export segment comprises sales to customers at export retail price through retailers in the People's Republic of China and Myanmar;

(iii) The manufacturing/wholesale segment comprises sales to customers through wholesale channel in the People's Republic of China; and

(iv) The franchise segment comprises sales to independent third parties who are permitted to establish and operate BWL Lifestyle Centres in People's Republic of China and exclusively distribute the products under franchise agreements entered into with the Group. Under the Franchise Model, the Group sells the products directly to Franchisees at wholesale price.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Direct selling S$'000	**Export** S$'000	**Franchise** S$'000	**Manufacturing/ wholesale** S$'000	**Others** S$'000	**Group** S$'000
31 December 2019						
Revenue:						
Sales to external customers (Note A)	148,213	431	233,240	2,421	–	384,305
Results:						
Recurring EBITDA (Note B)	41,287	182	85,055	(2,512)	(57)	123,955
Interest income	303	1	1,188	138	2	1,632
Interest expense	(335)	–	(115)	–	(79)	(529)
Depreciation	(3,534)	(2)	(1,590)	–	(65)	(5,191)
Amortisation	(13)	–	(2)	(64)	(231)	(310)
Share of results of an associate	–	–	–	–	(210)	(210)
Segment profit/(loss)	37,708	181	84,536	(2,438)	(640)	119,347
Income tax expense						(29,798)
Net profit for the year						89,549
Assets:						
Segment assets (Note C)	95,986	354	265,671	10,430	17,627	390,068
Unallocated assets (Note D)						67,534
Total assets						457,602

35. **Segment information (cont'd)**

	Direct selling S$'000	Export S$'000	Franchise S$'000	Manufacturing/ wholesale S$'000	Others S$'000	Group S$'000
31 December 2019						
Liabilities:						
Segment liabilities (Note E)	(43,846)	(116)	(145,846)	(2,293)	(4,179)	(196,280)
Unallocated liabilities (Note F)						(24,664)
Total liabilities						(220,944)
Other information:						
Investment in an associate	–	–	–	–	5,415	5,415
Additions to property, plant and equipment	1,863	6	1,896	33	12,714	16,512
Additions to intangible assets	18	–	12	–	–	30

	Direct selling S$'000	Export S$'000	Franchise S$'000	Manufacturing/ wholesale S$'000	Others S$'000	Group S$'000
31 December 2018						
Revenue:						
Sales to external customers (Note A)	120,896	10,932	121,361	4,091	–	257,280
Results:						
Recurring EBITDA (Note B)	25,414	22,371	44,911	(1,154)	(396)	91,146
Impairment on plant and equipment	–	–	–	(776)	–	(776)
Impairment on intangible assets	(324)	–	–	(2,892)	–	(3,216)
Interest income	266	24	439	111	–	840
Interest expense	(3)	–	(3)	–	(85)	(91)
Depreciation	(853)	(142)	(644)	(130)	(18)	(1,787)
Amortisation	(13)	–	(1)	(679)	(51)	(744)
Segment profit/(loss)	24,487	22,253	44,702	(5,520)	(550)	85,372
Income tax expense						(21,439)
Profit for the year						63,933
Assets:						
Segment assets (Note C)	91,192	8,080	129,703	9,381	1,822	240,178
Unallocated assets (Note D)						38,751
Total assets						278,929

	Direct selling S$'000	Export S$'000	Franchise S$'000	Manufacturing/ wholesale S$'000	Others S$'000	Group S$'000
31 December 2018						
Liabilities:						
Segment liabilities (Note E)	(31,786)	(2,360)	(59,342)	(731)	(100)	(94,319)
Unallocated liabilities (Note F)						(22,465)
Total liabilities						(116,784)
Other information:						
Additions to property, plant and equipment	308	77	582	38	1,575	2,580
Additions to intangible assets	11	–	–	–	–	11

Notes:

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

(B) 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 impairment losses that are not expected to recur regularly in every reporting year.

(C) Segment assets consist principally plant and equipment, intangible assets, right-of-use assets, inventories, trade receivables and cash and cash equivalents.

(D) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2019 S$'000	**2018** S$'000
Deferred tax assets	13,662	441
Investment property	1,127	1,146
Other intangible asset	7,975	8,206
Investment in an associate	5,415	–
Other financial assets	13,383	10,693
Other assets	20,188	14,400
Other unallocated amounts	5,784	3,865
Total	67,534	38,751

(E) Segment liabilities consist principally trade and other payables, contract liabilities, lease liabilities, other financial liabilities and other liabilities.

35. Segment information (cont'd)

Notes: (cont'd)

(F) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2019 S$'000	**2018** S$'000
Other financial liabilities	(817)	(2,049)
Deferred tax liabilities	(5,441)	(1,568)
Income tax payable	(18,406)	(18,848)
Total	(24,664)	(22,465)

Geographical information

The Group's operations are located in Singapore, Taiwan, People's Republic of China, Indonesia, Philippines, Thailand, Malaysia, Hong Kong, Vietnam, Myanmar, Korea and United Arabs Emirates.

The following tables provide an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods and services:

	Taiwan S$'000	**Singapore** S$'000	**People's Republic of China** S$'000	**Indonesia** S$'000	**Others** S$'000	**Group** S$'000
2019 Revenue	110,816	8,764	235,661	10,453	18,611	384,305
2018 Revenue	85,994	8,124	135,787	15,760	11,615	257,280

The following table provides an analysis of the Group's non-current assets by geographical location in which the assets are located:

	Group Non-current assets	
	2019 S$'000	**2018** S$'000
Singapore	37,244	14,103
People's Republic of China	4,179	1,957
Malaysia	578	609
Taiwan	1,950	1,278
Other countries	1,296	138
Unallocated amounts (Note A)	20,612	1,538
	65,859	19,623

Non-current assets information presented above consist of property, plant and equipment, investment property, right-of-use assets, intangible assets and other intangible asset as presented in the consolidated statement of financial position.

35. Segment information (cont'd)

Notes: (cont'd)

(A) The following items are included within unallocated amounts:

	Group	
	2019 S$'000	**2018** S$'000
Investment in an associate	5,415	–
Deferred tax assets	13,662	441
Other financial assets	535	1,097
Cash and bank balances, non current	1,000	–
Total	20,612	1,538

Information about a major customer

Revenue from one major customer amounted to S$64,431,000 (2018: S$25,059,000), arising from the franchise (2018: franchise) segment.

36. Capital management

Capital includes debt and equity items.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2019 and 2018.

In order to maintain its listing on the Singapore Stock Exchange, the Company 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 financial 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 financial year.

As disclosed in Note 28, certain subsidiaries of the Group are required by the respective regulations in the People's Republic of China (PRC) and Taiwan to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2019 and 2018.

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 25, the Group had fully repaid the bank borrowings during the year and does not have bank borrowing as at year end date. As such, the debt-to adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings.

37. Dividends

	Group and Companyt	
	2019 S$'000	**2018** S$'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2018: $Nil (2017: 2.6) cents per share	–	14,307
- Interim exempt (one-tier) dividend for 2019: 1.2 cents (2018: 1.2) cents per share	6,529	6,594
- Special interim exempt (one-tier) dividend for 2019: S$Nil cents (2018: 1.2) cents per share	–	6,594
	6,529	27,495
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2019: S$Nil (2018: 4.2) cents per share	–	23,075
- Final special exempt (one-tier) dividend for 2019: S$Nil (2018: 0.8) cents per share	–	4,395
	–	27,470

38. Events after the reporting period

Independent Review of the Group

On 13 May 2019, SGX RegCo issued a Notice of Compliance to the Group in connection with the Business Times article "Sales of DR's Secret in China: Best World's best-kept secret?" published on 18 February 2019 and Bonitas Research report dated 24 April 2019. The Company had appointed PricewaterhouseCoopers Consulting (Singapore) Pte Ltd as the Independent Accountant and Merits and Tree Law Offices as the Legal Reviewer of the Company. The Independent Accountant's report and Legal Review report was issued on 23 July 2020 and 22 July 2020 respectively. Details of the independent review and legal review are disclosed in Note 2.1 of the financial statements.

Incorporation of a wholly-owned subsidiary and Acquisition of Pedal Pulses Limited

The Company has on 1 April 2020 incorporated Best World Investments Pte. Ltd., a wholly-owned subsidiary of the Company, in Singapore, with its principal activity being a holding company.

On 3 April 2020, the Group has through its wholly-owned subsidiary, Best World Investments Pte. Ltd, entered into a sales and purchase agreement, to acquire 579 ordinary shares of Pedal Pulses Limited, a premium, direct-to-consumer, British beauty brand (Margaret Dabbs) combining health and beauty practices in its specialist approach to products and treatments for the feet, hands and legs, in the United Kingdom, representing 49.9% equity interest in Pedal Pulses Limited for a consideration of GBP13.9 million (approximately S$24.6 million).

In June 2020, Best World Investments Pte. Ltd. has changed its name to MDUK Investments Pte. Ltd..

Incorporation of wholly-owned subsidiary

In June 2020, the Company incorporated BONSA Systems Pte Ltd, a wholly-owned subsidiary of the Company, in Singapore, with its principal activities being online distribution of skincare products.

In January 2021, BONSA Systems Pte Ltd. has changed its name to BWL Online Systems Pte. Ltd.

38. Events after the reporting period (cont'd)

Impacts of Covid-19

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("Covid-19") outbreak a pandemic. Management has since taken precautionary measures in accordance with guidelines provided by the authorities in the respective markets the Group operates in.

Since then, the Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020 to 1 June 2020, to arrest the trend of increasing local transmission of Covid-19. This had resulted in the delay of the construction of our Tuas manufacturing facility. Management anticipates additional storage costs for machineries arriving ahead of the initial TOP date and other expenses in relation to the construction delays. As there is no clarity to when normalcy will return, management remains very cautious about the Group's performance outlook and will take necessary steps to ensure business continuity plans are in place.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 11 February 2021.

Major Properties of the Group

LOCATION	DESCRIPTION	EXISTING USE	TENTURE OF LANE
Block 726 Ang Mo Kio Avenue 6 #01-4150 Singapore 560726	2-storey building	Investment property	Leasehold land Expiring on 1 October 2079
No. 11 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Malaysia	4-storey building	Office and Business Centre	Leasehold land Expiring on 5 April 2078
No. 141 Jalan Danga Taman Nusa Bestari Dua 81300 Johor Bahru Malaysia	3-storey building	Office and Business Centre	Freehold land
1 Tuas Basin Link Singapore 638755	5-storey production building	Manufacturing and Warehousing	Leasehold land Expiring on 15 July 2054

Statistics of Shareholdings

BEST WORLD INTERNATIONAL LIMITED
(Registration No: 199006030Z)

Statistics of Shareholdings
As at 13 January 2021

SHARE CAPITAL

Issued and fully paid-up Share Capital	:	S$20,773,279.883
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for every ordinary share (excluding treasury share)
Number of issued shares excluding treasury shares	:	544,100,114
Number of treasury shares	:	10,291,900
Percentage of treasury shares	:	1.89%

The Company has no *subsidiary holdings.

*subsidiary holdings – as defined in the SGX-ST Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Cap 50.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 13 JANUARY 2021

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	99	38	1.24	1,445	0.00
100	-	1,000	332	10.85	209,837	0.04
1,001	-	10,000	1,605	52.47	8,602,571	1.58
10,001	-	1,000,000	1,049	34.30	73,253,570	13.46
1,000,001		and above	35	1.14	462,032,691	84.92
		TOTAL:	**3,059**	**100.00**	**544,100,114**	**100.00**

20 LARGEST SHAREHOLDERS AS AT 13 January 2021

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	D2 INVESTMENT PTE LTD	192,787,500	35.43
2	DBS NOMINEES PTE LTD	39,626,517	7.28
3	DORA HOAN BENG MUI	32,330,000	5.94
4	DOREEN TAN NEE MOI	31,380,000	5.77
5	CITIBANK NOMINEES SINGAPORE PTE LTD	29,085,570	5.35
6	MAYBANK KIM ENG SECURITIES PTE. LTD	26,907,212	4.95
7	HUANG BAN CHIN	23,300,000	4.28
8	RAFFLES NOMINEES (PTE) LIMITED	12,338,112	2.27
9	DBSN SERVICES PTE LTD	9,693,229	1.78
10	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,717,449	1.05
11	NG SEOW YUEN (HUANG XIAOYAN)	5,158,200	0.95
12	HSBC (SINGAPORE) NOMINEES PTE LTD	4,768,016	0.88
13	PHILLIP SECURITIES PTE LTD	4,262,100	0.78
14	SU AH TEE	3,701,000	0.68
15	CHIN POH LENG	3,639,103	0.67
16	CHANG GRACE SHAIN-JOU	3,000,000	0.55
17	WEE KWEE HUAY HELENE	2,873,124	0.53
18	FOO MOOH SHUNG	2,528,950	0.46
19	KGI SECURITIES (SINGAPORE) PTE. LTD	2,511,000	0.46
20	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,383,942	0.44
	TOTAL:	**437,991,024**	**80.50**

SUBSTANTIAL SHAREHOLDERS as at 13 January 2021
as shown in the Company's Register of Substantial Shareholders

NAME OF SUBSTANTIAL SHAREHOLDERS	SHAREHOLDING REGISTERED IN NAME OF SUBSTANTIAL SHAREHOLDERS		OTHER SHAREHOLDINGS IN WHICH SUBSTANTIAL SHAREHOLDERS ARE DEEMED TO HAVE AN INTEREST	
	No of Shares	**% of Issued Shares**	**No of Shares**	**% of Issued Shares**
D2 Investment Pte Ltd	192,787,500	35.43	-	-
Dora Hoan Beng Mui	32,330,000	5.94	193,037,500 (1)	35.48
Doreen Tan Nee Moi	31,380,000	5.77	193,037,500 (2)	35.48

Notes:-

(1) This represents Hoan Beng Mui, Dora's deemed interest of 193,037,500 shares held in the name of the following:-

a) 192,787,500 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and

b) 250,000 shares held by Li Lihui (an immediate family member)

(2) This represents Tan Nee Moi, Doreen's deemed interest of 193,037,500 shares held in the name of the following:-

c) 192,787,500 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and

d) 250,000 shares held by Pek Jia Rong (an immediate family member).

Public Shareholdings

Based on the information provided to the Company as at 13 January 2021, approximately **48.44%** 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 of Annual General Meeting

BEST WORLD INTERNATIONAL LIMITED
(Company Registration No. 199006030Z)
(Incorporated in the Republic of Singapore)

This Notice has been made available on SGXNet and the Company's website at: https://bestworld.listedcompany.com/ar.html Physical copies of this Notice will NOT be despatched to members.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Best World International Limited (the "Company") will be held via electronic means on Friday, 26 February 2021 at 9.00 a.m. 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 2019 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To approve payment of Directors' fees of S$242,164 for the financial year ended 31 December 2019. (31 December 2018: S$182,000) **(Resolution 2)**

3(a) To re-elect Dora Hoan Beng Mui who retires pursuant to Article 93 of the Company's Constitution. **(Resolution 3)**

3(b) To re-elect Adrian Chan Pengee who retires pursuant to Article 93 of the Company's Constitution. **(Resolution 4)**

Adrian Chan Pengee will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and 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 (1)]

4. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. 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:

6. Authority to Issue Shares pursuant to the Share Issue Mandate

"That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**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 and subsidiary holdings), 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 and subsidiary holdings) of the Company, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities which were issued and are outstanding or subsisting at the time this Resolution is passed;

b) new shares arising from exercising share options or vesting of share awards which were issued and are 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." **(Resolution 6)**

By Order of the Board

Huang Ban Chin
Director and Chief Operating Officer

Dated: 11 February 2021

Explanatory Note:

(1) In relation to Ordinary Resolutions 3 and 4 proposed in item 3 above, the detailed information on Dora Hoan Beng Mui and Adrian Chan Pengee is set out in the section entitled "Board of Directors" of the Company's 2019 Annual Report Dora Hoan Beng Mui is an Executive Director of the Company. Save as disclosed therein, there are no material relationships (including immediate family relationships) between each of these directors and the other directors of the Company.

STATEMENT PURSUANT TO ARTICLE 52 OF THE COMPANY'S CONSTITUTION

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

Ordinary Resolution 6 proposed in item 6 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 and subsidiary holdings) 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 and subsidiary holdings) 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 6, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) 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 which were issued and are outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the

proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. The instrument appointing a proxy must be deposited at the Headquarters office of the Company, Best World International Limited, 15A Changi Business Park Central 1, Eightrium #07-02, Singapore 486035; or electronically via email to the Company at IR@bestworld.com.sg not later than 48 hours before the time appointed for the holding of 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.

Additional Information

on Directors Seeking Re-Election

Dora Hoan Beng Mui and Adrian Chan Pengee are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on Friday, 26 February 2021 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	Dora Hoan Beng Mui	**Adrian Chan Pengee**
Date of Initial Appointment	11 December 1990	3 January 2018
Date of last re-appointment	Nil	30 April 2018
Age	67	56
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria and the search and nomination process)	The re-election of Dora Hoan Beng Mui as the Executive Director was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration her qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.	The re-election of Adrian Chan Pengee as the Non-Executive Independent Director was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Dora Hoan Beng Mui is responsible for the Group's business operations and strategic planning.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director Nominating Committee member	Non-Executive, Independent Director, Audit Committee member, Remuneration Committee Chairman and Nominating Committee member.
Professional qualifications	Bachelor's Degree in History, Nanyang University, Singapore MBA, National University of Singapore	LLB (Hons), National University of Singapore
Working experience and occupation(s) during the past 10 years	As Co-founder of the Group since inception, Dora Hoan Beng Mui steers the strategic direction and vision of the Group.	May 1989- Present Senior Partner and Head of Corporate Department, Lee & Lee

	Dora Hoan Beng Mui	Adrian Chan Pengee
Shareholding interest in the listed issuer and its subsidiaries	• 32,330,000 shares (direct interest) • 193,037,500 shares (deemed interest)	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	Dora Hoan Beng Mui is a controlling shareholder of the Company. Together with Doreen Tan Nee Moi and D2 Investment Pte Ltd, they are concert parties pursuant to a shareholders' agreement dated 23 September 2005. Dora Hoan Beng Mui is the mother of Li Lihui who is alternate director to her.	None
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships		
Past (for the last 5 years)	Nil	1. Biosensors International Group, Ltd. 2. Nobel Design Holdings Ltd 3. Global Investments Limited
Present	1 Best World International Limited Other principal commitments - Secretary, World Federation of Direct Selling Associations - First Vice Chairman, Direct Selling Association of Singapore - Chairman, World Learner Exchange Program Committee - Co-Chairman, SPBA Lianhe Zaobao China Prestige Brand Award - Past President & Council Member, ASME - Chairman, ASME Mandarin Chapter - Vice Chairman, Radin Mas CCC	1. Best World International Limited 2. Ascendas Funds Management (S) Limited 3. Yoma Strategic Holdings Ltd. 4. Hong Fok Corporation Limited 5. AEM Holdings Ltd 6. First REIT Management Limited Other principal commitments - Head of Corporate and Senior Partner, Lee & Lee - Council Member, Law Society of Singapore - Member, Legal Service Commission - Board Member, Accounting and Corporate Regulatory Authority - Member, SGX Catalist Advisory Panel - Honorary Secretary, Association of Small and Medium Enterprises

	Dora Hoan Beng Mui	Adrian Chan Pengee
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust that business trust, on the ground of insolvency?	No	Yes He was a nominee director of International Stream Investments Pte. Ltd, Al Mirage Property Holding Pte.Ltd. and Al Mirage Leisure Holding Pte. Ltd. which were Singapore companies that were dissolved pursuant to voluntary winding up proceedings commenced by him in 2013.
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

	Dora Hoan Beng Mui	Adrian Chan Pengee
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

	Dora Hoan Beng Mui	Adrian Chan Pengee
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	Yes She is currently the Co-founder, Co-Chairman and Group CEO and Managing Director of Best World International Limited, a listed company in Singapore, which announced that the Company has appointed an Independent Reviewer on 19 March 2019 to validate the Company's sales under Franchise Model. Based on the Notice of Compliance ("NOC") received on 6 February 2020, the SGX RegCo has highlighted regulatory concerns with the Company in the previous NOC dated 13 May 2019 which include, inter alia, the veracity of the Group's sales in China under the Export Model from Financial Years ended 31 December 2015 to 2018 and whether these sales were conducted on normal commercial terms.	Yes He was a non-executive independent director of AEM Holdings Limited, a listed company in Singapore,which announced in May 2007 that seven of its employees (including the then Chief Executive Officer) were under investigation by the CPIB and he had assisted the CPIB in their investigations. The then Chief Executive Officer was eventually charged and convicted for corruption in 2012. He is currently a non-executive independent director of Best World International Limited, a listed company in Singapore, which announced that the Company has appointed an Independent Reviewer on 19 March 2019 to validate the Company's sales under Franchise Model. Based on Notice of Compliance ("NOC") received on 6 February 2020, the SGX RegCo has highlighted regulatory concerns with the Company in the previous NOC dated 13 May 2019 which include, inter alia, the veracity of the Group's sales in China under the Export Model from Financial Years ended 31 December 2015 to 2018 and whether these sales were conducted on normal commercial terms.

	Dora Hoan Beng Mui	Adrian Chan Pengee
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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