



BEST WORLD INTERNATIONAL LTD

(Company Registration: 199006030Z)
Incorporated in the Republic of Singapore

Financial Statements And Related Announcement For the 6 months ended 30 June 2018

BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts expressed in Singapore dollars)

1(a)(i). An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3 months Ended 30.06.18 \$'000	3 months Ended 30.06.17 \$'000	Change %	6 months Ended 30.06.18 \$'000	6 months Ended 30.06.17 \$'000	Change %
Revenue	35,032	55,283	(36.6)	60,390	100,027	(39.6)
Cost of Sales	<u>(8,331)</u>	<u>(16,126)</u>	(48.3)	<u>(16,112)</u>	<u>(29,138)</u>	(44.7)
Gross Profit	26,701	39,157	(31.8)	44,278	70,889	(37.5)
<u>Other Items of Income</u>						
Interest Income	161	86	87.2	306	187	63.6
Other Operating Income	4,416	2,789	58.3	8,319	4,258	95.4
<u>Other Items of Expense</u>						
Distribution Costs	(12,570)	(13,475)	(6.7)	(20,215)	(24,726)	(18.2)
Administrative Expenses	(8,812)	(9,279)	(5.0)	(15,393)	(18,186)	(15.4)
Finance Costs	(23)	(31)	(25.8)	(49)	(57)	(14.0)
Other Gain (Losses), Net	<u>929</u>	<u>(889)</u>	NM	<u>693</u>	<u>(1,949)</u>	NM
Profit Before Tax	10,802	18,358	(41.2)	17,939	30,416	(41.0)
Income Tax Expense	<u>(1,739)</u>	<u>(6,494)</u>	(73.2)	<u>(3,173)</u>	<u>(8,993)</u>	(64.7)
Profit For the Period	<u>9,063</u>	<u>11,864</u>	(23.6)	<u>14,766</u>	<u>21,423</u>	(31.1)
Profit Attributable to:						
- Owners of the Parent Company	9,128	11,965	(23.7)	14,899	21,688	(31.3)
- Non-Controlling Interests	(65)	(101)	(35.6)	(133)	(265)	(49.8)
Profit For the Period	<u>9,063</u>	<u>11,864</u>	(23.6)	<u>14,766</u>	<u>21,423</u>	(31.1)
Additional notes:						
Gross Profit Margin	76.2%	70.8%		73.3%	70.9%	
Net Profit Margin	26.1%	21.6%		24.7%	21.7%	
Earnings Per Share (cents)	1.66	2.17		2.71	3.94	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Statement of Comprehensive Income for the six months ended 30 June 2018:

	Group			Group		
	3 months Ended 30.06.18 \$'000	3 months Ended 30.06.17 \$'000	Change %	6 months Ended 30.06.18 \$'000	6 months Ended 30.06.17 \$'000	Change %
Profit for the Period, Net of Tax	9,063	11,864	(23.6)	14,766	21,423	(31.1)
<u>Other Comprehensive Expense</u>						
Exchange Differences on Translating Foreign Operations	(371)	279	NM	523	(205)	NM
Other Comprehensive Expense for the Period, Net of Tax	(371)	279	NM	523	(205)	NM
Total Comprehensive Income for the Period	<u>8,692</u>	<u>12,143</u>	(28.4)	<u>15,289</u>	<u>21,218</u>	(27.9)
Attributable to:						
Owners of the Parent Company	8,758	12,228	(28.4)	15,362	21,435	(28.3)
Non-Controlling Interests	(66)	(85)	(22.4)	(73)	(217)	(66.4)
Total Comprehensive Income for the Period	<u>8,692</u>	<u>12,143</u>	(28.4)	<u>15,289</u>	<u>21,218</u>	(27.9)

1(a)(ii). Profit before Income tax is determined after charging (crediting):

	Group	
	6 months Ended	
	30.06.18 \$'000	30.06.17 \$'000
Depreciation of Property, Plant and Equipment	866	996
Depreciation of an Investment Property	9	9
Amortisation of Intangible Assets	411	489
Inventories Written Off	-	19
Fair value loss on Other financial Assets	87	-
(Reversal of) Allowance for Impairment on Inventories	(273)	48
Reversal of Unaccounted Cash Written Off	(687)	-
Reversal of Impairment Allowance on Trade Receivables	(84)	-
Reversal of Impairment Allowance on Other Receivables	(39)	-
Foreign Exchange Adjustment Losses, Net	303	1,974
Gain on Disposal of Property, Plant and Equipment	-	(73)
Interest Income	(306)	(187)
Interest Expense	49	57

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

(Amounts expressed in Singapore dollars)

1(b). (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.18	31.12.17	30.06.18	31.12.17
	\$'000	\$'000	\$'000	\$'000
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	6,847	7,560	2,729	3,072
Investment Property	1,155	1,164	-	-
Other Intangible Assets	8,321	8,257	-	-
Intangible Assets	4,130	5,186	6	7
Investment in Subsidiaries	-	-	3,664	3,664
Deferred Tax Assets	846	830	-	-
Other Receivables	-	-	21,937	21,937
Other Financial Assets	1,092	805	1,092	805
Total Non-Current Assets	<u>22,391</u>	<u>23,802</u>	<u>29,428</u>	<u>29,485</u>
CURRENT ASSETS				
Inventories	34,287	28,194	23,840	19,384
Trade and Other Receivables	15,095	47,104	30,239	49,708
Other Assets	9,642	4,322	7,878	3,369
Other Financial Assets	9,525	10,126	9,525	10,126
Cash and Cash Equivalents	90,085	82,228	35,972	40,153
Total Current Assets	<u>158,634</u>	<u>171,974</u>	<u>107,454</u>	<u>122,740</u>
TOTAL ASSETS	<u>181,025</u>	<u>195,776</u>	<u>136,882</u>	<u>152,225</u>
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	18,608	19,738	18,608	19,738
Retained Earnings	110,157	109,565	93,136	96,434
Other Reserves	982	197	322	-
Equity, Attributable to Owners of the Parent	<u>129,747</u>	<u>129,500</u>	<u>112,066</u>	<u>116,172</u>
Non-Controlling Interests	(2,783)	(2,710)	-	-
Total Equity	<u>126,964</u>	<u>126,790</u>	<u>112,066</u>	<u>116,172</u>
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	3,296	3,902	138	138
Other Financial Liabilities	687	2,037	-	-
Total Non-Current Liabilities	<u>3,983</u>	<u>5,939</u>	<u>138</u>	<u>138</u>
CURRENT LIABILITIES				
Income Tax Payable	8,731	10,799	6,955	8,656
Trade and Other Payables	37,680	45,926	16,841	23,703
Other Financial Liabilities	2,706	5,361	-	2,674
Other Liabilities	961	961	882	882
Total Current Liabilities	<u>50,078</u>	<u>63,047</u>	<u>24,678</u>	<u>35,915</u>
Total Liabilities	<u>54,061</u>	<u>68,986</u>	<u>24,816</u>	<u>36,053</u>
TOTAL EQUITY AND LIABILITIES	<u>181,025</u>	<u>195,776</u>	<u>136,882</u>	<u>152,225</u>

BORROWINGS AND DEBT SECURITIES

(Amounts expressed in Singapore dollars)

1(b). (ii) Aggregate amount of Group's borrowings and debt securities.

Amount Repayable in One Year or less, or on Demand

As at 30.06.18		As at 31.12.17	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
2,706	-	5,361	-

Amount Repayable after One Year

As at 30.06.18		As at 31.12.17	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
687	-	2,037	-

Details of any collateral

Certain leasehold properties of subsidiaries at carrying value of \$424,000 as at 30 June 2018 (31 December 2017: \$418,000), a non-current other intangible asset of a subsidiary at carrying value of \$8,305,000 as at 30 June 2018 (31 December 2017: \$8,257,000) and an investment property of a subsidiary at carrying value of \$1,155,000 as at 30 June 2018 (31 December 2017: \$1,164,000) are mortgaged to bank to secure bank facilities granted by the banks.

Plant and equipment with carrying value of Nil as at 30 June 2018 (31 December 2017: \$20,000) were acquired under finance lease arrangements. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain fixed deposits of the group are pledged to banks for facilities granted. See 1(c) for pledged details.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts expressed in Singapore dollars)

1(c). A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	3 Months Ended 30.06.18	3 Months Ended 30.06.17	6 Months Ended 30.06.18	6 Months Ended 30.06.17
	\$'000	\$'000	\$'000	\$'000
Cash flows from Operating Activities:				
Profit before Tax	10,802	18,358	17,939	30,416
Interest Income	(161)	(86)	(306)	(187)
Interest Expense	23	31	49	57
Depreciation of Property, Plant and Equipment	401	500	866	996
Depreciation of an Investment Property	4	4	9	9
Amortisation of Intangible Assets	295	243	411	489
Gain on Disposal of Property, Plant and Equipment	-	(73)	-	(73)
Issue of Shares by transferring of Treasury Shares	368	-	368	-
Fair Value Loss on Other Financial Assets	74	-	87	-
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	(1,016)	1,618	595	3,112
Operating Cash Flows before Changes in Working Capital	<u>10,790</u>	<u>20,595</u>	<u>20,018</u>	<u>34,819</u>
Inventories	(4,728)	1,873	(6,092)	1,008
Trade and Other Receivables	13,398	(13,370)	32,022	(20,503)
Other Assets	(877)	1,132	(5,275)	918
Trade and Other Payables	(6,333)	723	(8,056)	(2,247)
Net Cash Flows from Operations before Tax	<u>12,250</u>	<u>10,953</u>	<u>32,617</u>	<u>13,995</u>
Income Tax Paid	(5,815)	(9,674)	(5,815)	(9,674)
Net Cash Flows from Operating Activities	<u>6,435</u>	<u>1,279</u>	<u>26,802</u>	<u>4,321</u>
Cash flows from Investing Activities:				
Purchase of Property, Plant and Equipment	(133)	(414)	(188)	(469)
Disposal of Property, Plant and Equipment	-	4	-	4
Increase in Intangible Assets	-	(1)	-	(1)
Decrease in Other Financial Assets	538	-	527	-
Interest Received	161	86	306	187
Net Cash Flows from (used in) Investing Activities	<u>566</u>	<u>(325)</u>	<u>645</u>	<u>(279)</u>
Cash flows from Financing Activities:				
Dividends paid	(14,307)	(8,257)	(14,307)	(8,257)
Purchase of Treasury Shares	(1,176)	-	(1,176)	-
Repayment of Borrowings	(666)	(657)	(3,976)	(1,310)
Finance Lease Repayment	-	(2)	(2)	(4)
Interest Paid	(23)	(31)	(49)	(57)
Decrease (Increase) in Cash Restricted in Use	69	(5)	(9)	120
Net Cash Flows used in Financing Activities	<u>(16,103)</u>	<u>(8,952)</u>	<u>(19,519)</u>	<u>(9,508)</u>
Net (decrease) increase in Cash and Cash Equivalents	(9,102)	(7,998)	7,928	(5,466)
Effects of exchange rate changes on Cash and Cash Equivalents	211	(233)	(80)	(628)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	<u>89,722</u>	<u>50,858</u>	<u>72,983</u>	<u>48,721</u>
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance Note A	<u><u>80,831</u></u>	<u><u>42,627</u></u>	<u><u>80,831</u></u>	<u><u>42,627</u></u>

Note A :

	Group		Group	
	3 Months Ended 30.06.18	3 Months Ended 30.06.17	6 Months Ended 30.06.18	6 Months Ended 30.06.17
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	90,085	48,721	90,085	48,721
Less: Cash pledged	(9,254)	(6,094)	(9,254)	(6,094)
Cash and Cash Equivalents in the Consolidated Cash Flow Statement	<u><u>80,831</u></u>	<u><u>42,627</u></u>	<u><u>80,831</u></u>	<u><u>42,627</u></u>

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts expressed in Singapore dollars)

1(d). (i) A statement (for the Group and company) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to Owners of the Parent Company								
	Total Equity	Total	Share Capital	Treasury Shares	Retained Earnings	Foreign Currency Translation Reserve	Share- based Compen- sation Reserves	Other Reserves	Non- Controlling Interests
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Group									
Balance at 1 January 2018	126,790	129,500	20,618	(880)	108,002	1,718	-	42	(2,710)
Impact on adoption of SFRS(I) 1	-	-	-	-	1,563	(1,563)	-	-	-
Balance at 1 January 2018 as restated	126,790	129,500	20,618	(880)	109,565	155	-	42	(2,710)
Movements in Equity									
Total Comprehensive Income (Expense) for the Period	6,597	6,604	-	-	5,771	833	-	-	(7)
Balance at 31 March 2018	133,387	136,104	20,618	(880)	115,336	988	-	42	(2,717)
Movements in Equity									
Total Comprehensive Income (Expense) for the Period	8,692	8,758	-	-	9,128	(370)	-	-	(66)
Share Buy Back - Held as Treasury Shares	(1,176)	(1,176)	-	(1,176)	-	-	-	-	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	368	368	-	46	-	-	322	-	-
Dividends	(14,307)	(14,307)	-	-	(14,307)	-	-	-	-
Balance at 30 June 2018	126,964	129,747	20,618	(2,010)	110,157	618	322	42	(2,783)
Balance at 1 January 2017	88,663	90,587	20,618	(449)	68,855	1,563	-	-	(1,924)
Impact on adoption of SFRS(I) 1	-	-	-	-	1,563	(1,563)	-	-	-
Balance at 1 January 2017 as restated	88,663	90,587	20,618	(449)	70,418	-	-	-	(1,924)
Movements in Equity									
Total Comprehensive Income (Expense) for the Period	9,075	9,207	-	-	9,723	(516)	-	-	(132)
Balance at 31 March 2017	97,738	99,794	20,618	(449)	80,141	(516)	-	-	(2,056)
Movements in Equity									
Total Comprehensive Income (Expense) for the Period	12,143	12,228	-	-	11,965	263	-	-	(85)
Dividends	(8,257)	(8,257)	-	-	(8,257)	-	-	-	-
Balance at 30 June 2017	101,624	103,765	20,618	(449)	83,849	(253)	-	-	(2,141)

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

Company	Attributable to Owners of the Parent Company				
	Total Equity \$'000	Share Capital \$'000	Treasury Shares \$'000	Retained Earnings \$'000	Share- based Compen- sation Reserve \$'000
Balance at 1 January 2018	116,172	20,618	(880)	96,434	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	3,124	-	-	3,124	-
Balance as at 31 March 2018	119,296	20,618	(880)	99,558	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	7,885	-	-	7,885	-
Share Buy Back - Held as Treasury Shares	(1,176)	-	(1,176)	-	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	368	-	46	-	322
Dividends	(14,307)	-	-	(14,307)	-
Balance as at 30 June 2018	112,066	20,618	(2,010)	93,136	322
Balance at 1 January 2017	94,074	20,618	(449)	73,905	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	6,730	-	-	6,730	-
Balance as at 31 March 2017	100,804	20,618	(449)	80,635	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	7,296	-	-	7,296	-
Dividends	(8,257)	-	-	(8,257)	-
Balance as at 30 June 2017	99,843	20,618	(449)	79,674	-

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts expressed in Singapore dollars)

SHARE CAPITAL

- 1(d). (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

(a) Share Capital

	Group and Company		Group and Company	
	Issued ordinary shares		Issued and fully paid up capital	
	No. of shares		\$'000	
	2018	2017	2018	2017
At 1 January and 31 March	550,088,514	275,229,757	19,738	20,169
Share Split	-	275,229,757	-	-
Share buy back – held as Treasury Shares	(925,000)	-	(1,176)	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	231,600	-	46	-
At 30 June	549,395,114	550,459,514	18,608	20,169

(b) Treasury Shares

	Group and Company		Group and Company	
	No. of shares		\$'000	
	2018	2017	2018	2017
At 1 January and 31 March	4,303,500	1,966,250	880	449
Share Split	-	1,966,250	-	-
Share buy back – held as Treasury Shares	925,000	-	1,176	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	(231,600)	-	(46)	-
At 30 June	4,996,900	3,932,500	2,010	449

For the three months ended 30 June 2018, the company purchased 925,000 of its ordinary shares (3 months ended 30 June 2017: Nil shares) by way of on-market purchase at share price ranging from S\$1.23 to \$1.34 to be held as treasury shares.

On 23 April 2018, the company transferred 231,600 of its treasury shares (3 months ended 30 June 2017: Nil shares) for fulfilment of share awards vested under the Performance Share Scheme.

(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares excluding treasury shares as at 30 June 2018 was 549,395,114 (31 December 2017: 550,088,514).

The total number of treasury shares as at 30 June 2018 was 4,996,900 (31 December 2017: 4,303,500).

(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Pls refer to item 1(d) ii above.

AUDIT

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited, or reviewed by auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

ACCOUNTING POLICIES

4. Whether the same accounting policies and methods of computation as in the Group and company's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period as compared with those used in the audited financial statements for the financial year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the specific transition requirements in Singapore Financial Reporting Standards (International) (“SFRS(I)”) with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve (“FCTR”) for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of approximately \$1,563,000 as at 1 January 2017 to Retained Earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

As a result, the cumulative FCTR has increased by approximately \$1,563,000 and Retained Earnings has decreased by the same amount as at 1 January 2017 and 31 December 2017. FCTR and Retained Earnings are included in “Equity” in the Consolidated Statement of Financial Position.

In addition to the adoption of the new framework, the Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- *SFRS(I) 15 Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- *SFRS(I) 9 Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations did not have any significant impact on the Company’s and the Group’s financial statements.

EARNINGS PER SHARE

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	GROUP					
	3 months ended 30.06.18	3 months ended 30.06.17	Change %	6 months ended 30.06.18	6 months ended 30.06.17	Change %
Earnings per share of Group:						
(a) Based on weighted average number of ordinary shares on issue (cts); and	1.66	2.17	(23.5)	2.71	3.94	(31.2)
(b) On a fully diluted basis (cts)	1.66	2.17	(23.5)	2.71	3.94	(31.2)

For comparative purposes, the earnings per ordinary shares for the three months ended 30 June 2018 and 30 June 2017 are calculated based on the profit for the period of approximately \$9.1 million and \$12.0 million respectively. The earnings per ordinary shares for the 6 months ended 30 June 2018 and 30 June 2017 are calculated based on the profit for the period of approximately \$14.9 million and \$21.7 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 30 June 2018 is 549,916,538 (3 months ended 30 June 2017: 550,459,514). The weighted average number of ordinary shares (excluding treasury shares) for the six months ended 30 June 2018 is 550,002,053 (6 months ended 30 June 2017: 550,459,514).

NET ASSET VALUE PER SHARE

7. **Net asset value (for the Issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	GROUP		COMPANY	
	30.06.18	31.12.17	30.06.18	31.12.17
Net asset value per ordinary shares (cents)	23.62	23.54	20.40	21.12

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 30 June 2018 was 549,395,114. (31 December 2017: 550,088,514).

REVIEW OF THE PERFORMANCE OF THE GROUP

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following: -**
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Overview

In line with Section 10 of the Group's 1Q2018 Results Announcement, the Group's transition to the new Franchise Segment in China extended into 2Q2018, resulting in lower Export Segment revenue as compared to 2Q2017. Group revenue for the reporting period ended 30 June 2018 declined 39.6% vis-à-vis the same period last year primarily due to the aforesaid transition which delays revenue recognition to 2H2018.

Quarter-on-quarter, the Group's gross profit margin improved to 76.2%, which is comparable to the margins typically achieved by the Group before the Export Segment in China, which has a lower gross profit margin, became a major revenue contributor to the Group. Net Profit Margin also improved to 26.1% in 2Q2018, mainly due to the following factors:

- Other Operating Income, which the Group charges its agent in China for market development activities, product training and IT services to support the agent's sales in 2Q2018, increased by 58.3% vis-à-vis the same period last year. For 1H2018, Other Operating Income increased 95.4% in line with strong market demand in China;
- In 2Q2018, Interest Income increased 87.2% from \$0.08 million to \$0.16 million due to higher income earned from higher fixed deposits placed with financial institutions;
- Distribution Costs which comprises freelance commissions and other sales related costs decreased by 6.7% in 2Q2018 as compared to 2Q2017 mainly due to lower annual convention expenses and commissions paid out in 2Q2018;
- Administrative Expenses for 2Q2018 declined by 5.0% as compared to 2Q2017 mainly due to lower professional fees, management and staff costs as well as amortization and depreciation;
- In 2Q2018, Net Other Gains of \$0.9 million was mainly due to reversal of slow moving stocks and Unrealised Foreign Exchange gains from the revaluation of the Group's financial assets denominated in US dollars of certain subsidiaries, offsetting Realised Foreign Exchange losses due to weakened Indonesia Rupiah against Singapore Dollar in 2Q2018. In aggregate for 1H2018, Net Other Gains of \$0.7 million was largely attributable to reversal of unaccounted cash written off in a certain subsidiary (as previously mentioned in 1Q2018 results announcement) and reversal of slow moving stocks, offsetting Foreign Exchange losses of certain subsidiaries; and
- The Group incurred Income Tax Expenses of \$1.7 million due to profitability on certain subsidiaries during 2Q2018.

As a result, Group's Profit Attributable to Owners of the Parent Company for 1H2018 is \$14.9 million, down 31.3% from \$21.7 million compared to the same period last year.

Revenue by Business Segments

For Quarter: 2Q2018 Vs 2Q2017

Business Segment	3 months ended 30.06.18 Revenue		3 months ended 30.06.17 Revenue		Change %
	\$'000	%	\$'000	%	
Direct Selling	28,672	81.8	28,612	51.8	0.2
Export	4,476	12.8	25,426	46.0	(82.4)
Manufacturing/Wholesale	1,043	3.0	1,245	2.2	(16.2)
Franchise	841	2.4	-	-	NA
Total	35,032	100.0	55,283	100.0	(36.6)

For Year-to-Date: 1H2018 Vs 1H2017

Business Segment	6 months ended 30.06.18 Revenue		6 months ended 30.06.17 Revenue		Change %
	\$'000	%	\$'000	%	
Direct Selling	47,007	77.8	51,837	51.8	(9.3)
Export	10,695	17.7	46,083	46.1	(76.8)
Manufacturing/Wholesale	1,847	3.1	2,107	2.1	(12.3)
Franchise	841	1.4	-	-	NA
Total	60,390	100.0	100,027	100.0	(39.6)

The Group generated \$47.0 million or 77.8% of its total revenue from Direct Selling in 1H2018. Compared to 1H2017, this represents a decline of 9.3% due to revenue decline of the Group's key market of Taiwan, offsetting improvements from Singapore, Indonesia and Hong Kong.

In line with last quarter's announcement, the Group completed its transition phase in China from the Export Segment to the Franchise Segment in 2Q2018. However, as a result of strong demand in China in 2Q2018, the Group had to export certain SKUs which were in critically low supply to its agent in China. As a result, \$4.5 million of Export Revenue was recorded.

In a press release issued by the Group on 3 July 2018, it was mentioned that the Franchise Segment will formally replace the Export Segment from 2H2018 onwards. In the last weeks of June 2018, the Franchise Segment recorded prelude revenues of \$0.8 million as the Group's China subsidiary, Best World (China) Pharmaceutical (BWCP), commenced sales of certain SKUs to several franchisees. From 3Q2018 onwards, the Franchise Segment is expected to become a significant revenue contributor to the Group, while the Export Segment will represent solely the Group's exports to Myanmar.

Management does not expect to record further China derived revenue in the Export Segment moving forward.

Prior to the Group's transition into the Franchise Segment in China, the total number of members disclosed in the quarterly results announcement comprised (1) members under the Direct Selling Segment, and (2) consumer members under the Export Segment in China. Going forward, the disclosure on the Franchise Segment will focus on the number of franchisees only as management is of the view that the number of franchisees is a more accurate indicator of the Franchise Segment's distribution capabilities in China.

As at 30 June 2018, there are 27 franchisees that our China subsidiary had entered into agreement with. These franchisees' operations cover 10 provinces and one municipality including that of Zhejiang, Sichuan, Guangdong, Henan, Heilongjiang etc.

In line with the above changes, the Group will disclose only the total members of our Direct Selling Segment (i.e. excluding China consumer members).

As at 30 June 2018, the Group had 97,892 members for its Direct Selling business

In 1H2018, the Manufacturing/Wholesale segment contributed 3.1% to the Group's total revenue.

Revenue by Geographical Locations

For Quarter: 2Q2018 Vs 2Q2017

Geographical Locations	3 months ended 30.06.18 Revenue		3 months ended 30.06.17 Revenue		Change %
	\$'000	%	\$'000	%	
Singapore	1,925	5.5	1,985	3.6	(3.0)
China	6,205	17.7	26,552	48.0	(76.6)
Taiwan	20,337	58.0	23,115	41.8	(12.0)
Indonesia	3,524	10.1	1,103	2.0	219.5
Others	3,041	8.7	2,528	4.6	20.3
Total	35,032	100.0	55,283	100.0	(36.6)

For Year-to-Date: 1H2018 Vs 1H2017

Geographical Locations	6 months ended 30.06.18 Revenue		6 months ended 30.06.17 Revenue		Change %
	\$'000	%	\$'000	%	
Singapore	3,656	6.1	3,588	3.6	1.9
China	13,014	21.5	47,969	48.0	(72.9)
Taiwan	32,428	53.7	41,800	41.8	(22.4)
Indonesia	5,817	9.6	2,222	2.2	161.8
Others	5,475	9.1	4,448	4.4	23.1
Total	60,390	100.0	100,027	100.0	(39.6)

Singapore

Despite a slight decline of Revenue from Singapore for 2Q2018 of 3% vis-à-vis the same period last year, Revenue from Singapore for 1H2018 grew marginally from \$3.6 million to \$3.7 million, mainly from the campaign in developing new distributors earlier in 1Q2018. Management will continue to nurture younger distributors to garner better positive results. For the period of 1H2018, 22.7% of Singapore's revenue was achieved through our online store/apps.

New products are stated to be launched in 2H2018. In line with our online brand awareness campaign, the Group will be launching its DR's Secret Online store in September with a key focus to attract new and younger users through key opinion leaders.

China

As mentioned previously, due to the transition towards the new Franchise business segment resulting in delayed revenue recognition, revenue from China decreased from \$26.6 million in 2Q2017 to \$6.2 million in 2Q2018.

Notwithstanding the foregoing, demand for our products continues to grow in China. The aggregate SKUs sold to our franchisees in 1H2018 is significantly higher than the SKUs sold by our agent to the DR's Secret Experience Centers in 1H2017, consistent across all of our core products.

Taiwan

Since the beginning of FY2018, the Group's management in Taiwan took steps to limit price promotion activities of core products to curb online discounting, which had resulted in a decline of revenue from Taiwan of 22.4% for 1H2018 compared with the same period last year.

In 2Q2018, the decline narrowed to 12.0% vis-à-vis the same period last year as in contrast to the 35.3% experienced in 1Q2018, mainly due to Mother's Day promotional activities held in April and a new product launch.

As of 1H2018, 33.8% of Taiwan's revenue was achieved online through our online store/apps. New products shall also be launched in 2H2018.

Indonesia

The Group's revenue from the Indonesia market improved by 161.8% in 1H2018 mainly due to successful marketing efforts to appeal to a group of younger distributors and increased demand for our skin care line. In addition, demand for our weight management line continued to improve. The Group's management will continue efforts to train and nurture these younger distributors.

We anticipate that the BWL iPhone/Android apps for Indonesia will be launched in October 2018.

Others

Revenue from Other Markets increased by 23.1% in 1H2018 as compared to the same period last year mainly due to the increase in sales from Hong Kong, Thailand, Malaysia and Vietnam, offsetting decline from the markets of Korea and Philippines.

Financial Position and Cash Flow

Non-current assets of the Group decreased from \$23.8 million as at 31 December 2017 to \$22.4 million as at 30 June 2018, mainly due to depreciation of Property, Plant and Equipment, and amortisation of Intangible Assets.

Inventories increased from \$28.2 million as at 31 December 2017 to \$34.3 million as at 30 June 2018 due to commencement of our Group subsidiary, BWCP which had started to build up inventories in preparation for sales to franchisees.

Trade and Other Receivables decreased from \$47.1 million as at 31 December 2017 to \$15.1 million as at 30 June 2018 due to payments received from China agent and lower export sales during 1H2018.

Other Assets increased from \$4.3 million as at 31 December 2017 to \$9.6 million as at 30 June 2018 mainly due to the increasing orders of inventories with greater deposits paid to suppliers.

Trade and Other Payables decreased from \$45.9 million as at 31 December 2017 to \$37.7 million as at 30 June 2018 due to lower accruals of management and staff costs, and freelance commissions offsetting the increase of trade payables to suppliers during 1H2018.

Total Other Financial Liabilities decreased from \$7.4 million as at 31 December 2017 to \$3.4 million as at 30 June 2018 due to repayment of bank borrowings during 1H2018.

Other Liabilities were maintained at \$1.0 million as at 30 June 2018 vis-à-vis 31 December 2017.

Income Tax Payable decreased from \$10.8 million as at 31 December 2017 to \$8.7 million as at 30 June 2018 due to settlements of tax payables during 1H2018.

As at 30 June 2018, the Group generated net cash flow from operating activities of \$26.8 million mainly due to payments received from our China agent. Net cash flow used in financing activities of \$19.5 million was mainly due to dividends payment and repayment of bank borrowings in 1H2018.

As at 30 June 2018, the Group maintained a healthy balance sheet and working capital position with approximately \$90.1 million in cash and cash equivalents.

COMMENTARY ON THE CURRENT PERIOD'S PROSPECTS

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results are in line with section 10 of the last quarter's results announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

The completion of 1H2018 marks a new milestone for the Group's China operations with the commencement of the Franchise Segment which replaces the Export Segment from 2H2018 onwards.

With market demand for the Group's products in China being stronger than before and with contribution from the Group's operations in Taiwan, Indonesia, Hong Kong and Singapore, barring any unforeseen circumstances, the management is still cautiously optimistic that the Group will be able to register bottom line growth for FY2018, despite having recorded lower revenue during the transition phase in 1H2018.

For the next reporting period of 3Q2018 and for the next 12 months, some factors that may affect the Group's performance are as follows:

- Management constantly explores M&A and corporate development opportunities relevant to the Group's long-term growth strategy. In 2H2018, we expect higher professional fees and other related expenses than in 1H2018;
- Higher Administrative Expenses for FY2018 compared to FY2017 due to an increase in management and staff in HQ and certain subsidiaries, depreciation expenses related to the Group's Tuas facility, its related machineries/equipment and the establishment of our Changsha branch office;
- Management maintains our cautious optimistic outlook that revenue from Taiwan will be stable when compared to FY2017, primarily driven by events, campaigns and product launches in 2H2018;
- Upon conversion to Franchise Segment in China, some or all of the following items, amongst others may be affected:
 1. Increase in Revenue, Gross Profit and Gross Margin due to higher Revenue recognized as franchise price is significantly higher than export price;
 2. Increase in Administrative Expenses due to management and staff costs increase in HQ and certain subsidiaries as well as lease expenses of our new Changsha branch office, and
 3. Decline in Other Operating Income due to limited service fees charged to the Group's agent in China from 4Q2018 onwards.
- While the Franchise Segment will replace the Export Segment from 2H2018 onwards, the agent in China has remaining inventory which is expected to be completely depleted by mid-3Q2018. As such, Revenue from Franchise Segment in 3Q2018 does not fully represent the financial performance of our China business for the entire quarter; and
- Fluctuating currencies of key markets which the Group operates in against the SGD may positively or negatively impact the Group's performance. As previously shared, management will undertake measures to mitigate potential risks due to currency fluctuations.

Other ongoing factors that may affect the Group's performance include timelines for product license registration and renewal in key markets, natural disasters, unanticipated changes in market regulations and product registration regulations of key markets we operate in and disruptions from market competition.

DIVIDENDS

11. (a) (i) Current Financial Period Reported On

The Directors are pleased to recommend an interim one tier tax-exempt dividend of 1.2 cents per share in respect of the financial period ended 30 June 2018.

(ii) Corresponding Period of the immediately Preceding Financial Year

For the corresponding period of the immediately preceding financial year, the Company paid an interim one tier tax-exempt dividend of 1.5 cents per share in respect of the financial period ended 30 June 2017.

(b) Date payable for dividend

Date payable for dividend: 25 September 2018

(c) Book closure date for dividend

Book closure date for dividend: 5 September 2018

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

14. Board Negative Assurance Confirmation for Interim Financial Results

We, Dr. Dora Hoan Beng Mui and Dr. Doreen Tan Nee Moi, being two directors of Best World International Limited (the "Company"), do hereby confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the six months ended 30 June 2018 to be false or misleading.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

Best World International Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

On behalf of the Board of Directors

Dr. Dora Hoan Beng Mui
Co-Chairman, Group CEO/ Managing Director

Dr. Doreen Tan Nee Moi
Co-Chairman, President

7 August 2018