



# **BEST WORLD INTERNATIONAL LTD**

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

## **Financial Statements And Related Announcement For the 3 months ended 31 March 2014**

# **BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2014**

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## CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2014

(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.

	3 months Ended 31.03.14 \$'000	3 months Ended 31.03.13 \$'000	Change %
Revenue	12,802	9,032	41.7
Cost of Sales	<u>(3,330)</u>	<u>(1,947)</u>	71.0
Gross Profit	9,472	7,085	33.7
<u>Other Items of Income</u>			
Interest Income	38	32	18.8
Other Operating Income	173	219	(21.0)
<u>Other Items of Expense</u>			
Distribution Costs	(4,596)	(3,384)	35.8
Administrative Expenses	(4,796)	(4,643)	3.3
Finance Costs	(18)	-	NM
Other Credits, Net	<u>246</u>	<u>1,909</u>	(87.1)
<b>Profit Before Tax from Continuing Operations</b>	519	1,218	(57.4)
Income Tax Expenses	<u>(260)</u>	<u>(227)</u>	14.5
<b>Profit from Continuing Operations, Net of Tax</b>	<u>259</u>	<u>991</u>	(73.9)
<b>Profit Net of Tax Attributable to:</b>			
- Owners of the Parent Company	121	962	(87.4)
- Non-Controlling Interests	138	29	375.9
	<u>259</u>	<u>991</u>	(73.9)
<b><u>Additional notes:</u></b>			
Gross Profit Margin	74.0%	78.4%	
Net Profit Margin	0.9%	10.7%	
Earnings Per Share (cents)	0.06	0.47	

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2014**

**Statement of Comprehensive Income for the three months ended 31 March 2014:**

	Group		Change %
	3 months Ended 31.03.14 \$'000	3 months Ended 31.03.13 \$'000	
<b>Profit for the Period, Net of Tax</b>	259	991	(73.9)
<u>Other Comprehensive (Expenses) Income</u>			
Exchange Differences on Translating Foreign Operations	(537)	262	NM
<b>Other Comprehensive (Expenses) Income for the period, Net of Tax</b>	(537)	262	NM
<b>Total Comprehensive (Expenses) Income for the Period</b>	(278)	1,253	NM
Attributable to:			
<b>Owners of the Parent Company</b>	<b>(375)</b>	<b>1,198</b>	NM
Non-Controlling Interests	97	55	76.4
<b>Total Comprehensive (Expenses) Income for the Period</b>	(278)	1,253	NM

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

	Group	
	3 months Ended	
	31.03.14 \$'000	31.03.13 \$'000
Depreciation of Property, Plant and Equipment	334	337
Depreciation of an Investment Property	5	5
Amortisation of Intangible Assets	59	40
Inventories Written Off	12	-
Unrealized Foreign Exchange Gain, Net	(278)	(14)
Realized Foreign Exchange Loss (Gain), Net	32	(71)
Loss on Disposal of Property, Plant and Equipment	-	2
Gain on Disposal of Assets Held for Sales	-	(1,826)
Interest Income	(38)	(32)
Interest Expenses	18	-

## STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014

(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	
	31.03.14	31.12.13	31.03.14	31.12.13
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	7,307	6,392	3,732	3,875
Investment Property	1,232	1,237	-	-
Intangible Assets	5,506	1,092	146	165
Investment in Subsidiaries	-	-	14,561	14,561
Deferred Tax Assets	303	261	-	-
Other Receivables	-	-	1,736	1,736
Other Financial Assets	259	259	259	259
Total Non-Current Assets	<u>14,607</u>	<u>9,241</u>	<u>20,434</u>	<u>20,596</u>
<b>CURRENT ASSETS</b>				
Inventories	6,506	5,905	4,011	4,011
Trade and Other Receivables	8,254	5,339	20,743	11,651
Other Financial Assets	-	1,015	-	1,015
Other Assets	8,073	7,111	3,025	2,224
Cash and Cash Equivalents	29,278	33,283	7,216	11,653
Total Current Assets	<u>52,111</u>	<u>52,653</u>	<u>34,995</u>	<u>30,554</u>
<b>TOTAL ASSETS</b>	<u><u>66,718</u></u>	<u><u>61,894</u></u>	<u><u>55,429</u></u>	<u><u>51,150</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital	20,169	17,192	20,169	17,192
Retained Earnings	31,309	31,188	27,454	26,875
Other Reserve	480	976	-	-
Equity, Attributable to Owners of the Parent Company	<u>51,958</u>	<u>49,356</u>	<u>47,623</u>	<u>44,067</u>
Non-Controlling Interests	(226)	(323)	-	-
Total Equity	<u>51,732</u>	<u>49,033</u>	<u>47,623</u>	<u>44,067</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred Tax Liabilities	247	248	152	152
Total Non-Current Liabilities	<u>247</u>	<u>248</u>	<u>152</u>	<u>152</u>
<b>CURRENT LIABILITIES</b>				
Income Tax Payable	899	730	421	181
Trade and Other Payables	9,379	7,422	2,851	2,368
Other Financial Liabilities	3,500	3,500	3,500	3,500
Other Liabilities	961	961	882	882
Total Current Liabilities	<u>14,739</u>	<u>12,613</u>	<u>7,654</u>	<u>6,931</u>
Total Liabilities	<u>14,986</u>	<u>12,861</u>	<u>7,806</u>	<u>7,083</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>66,718</u></u>	<u><u>61,894</u></u>	<u><u>55,429</u></u>	<u><u>51,150</u></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 31.03.14		As at 31.12.13	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
3,500	-	3,500	-

Amount Repayable after One Year

As at 31.03.14		As at 31.12.13	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	-	-	-

### **Details of any collateral**

Certain leasehold properties of a subsidiary at carrying value of \$518,000 as at 31 March 2014 (31 December 2013: \$519,000) and an investment property of a subsidiary at carrying value of \$1,232,000 as at 31 March 2014 (31 December 2013: \$1,237,000) are mortgaged to bank to secure bank facilities granted by the banks.

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 THREE MONTHS ENDED 31 MARCH 2014

(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	
	3 Months Ended 31.03.14	3 Months Ended 31.03.13
	\$'000	\$'000
<b>Cash flows from Operating Activities:</b>		
Profit before Tax	519	1,218
Interest Income	(38)	(32)
Interest Expense	18	-
Depreciation of Property, Plant and Equipment	334	337
Depreciation of an Investment Property	5	5
Amortisation of Intangible Assets	59	40
Loss on Disposal of Property, Plant and Equipment	-	2
Gain on Disposal of Assets Held for Sales	-	(1,826)
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	441	231
<b>Operating Cash Flows before Changes in Working Capital</b>	<u>1,338</u>	<u>(25)</u>
Inventories	534	574
Trade and Other Receivables	(742)	417
Other Assets	(541)	(43)
Trade and Other Payables	(393)	(877)
Other Liabilities	-	(109)
<b>Net Cash Flows from (used in) Operations before Interest and Tax</b>	<u>196</u>	<u>(63)</u>
Income Tax Paid	-	(172)
<b>Net Cash Flows from (used in) Operating Activities</b>	<u>196</u>	<u>(235)</u>
<b>Cash flows from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(97)	(471)
Disposal of Assets Held for Sales	-	2,915
Acquisition of a Subsidiary (Net of Cash Acquired)	(7,101)	-
Interest Received	38	32
<b>Net Cash Flows (used in) from Investing Activities</b>	<u>(7,160)</u>	<u>2,476</u>
<b>Cash flows from Financing Activities:</b>		
Issue of Shares	3,085	-
Share Issue Expenses	(108)	-
Interest paid	(18)	-
<b>Net Cash Flows from Financing Activities</b>	<u>2,959</u>	<u>-</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(4,005)</u>	<u>2,241</u>
<b>Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance</b>	<u>31,524</u>	<u>26,492</u>
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance</b>	<u>Note A</u> <u>27,519</u>	<u>28,733</u>

Note A :

	Group	
	3 Months Ended 31.03.14	3 Months Ended 31.03.13
	\$ '000	\$ '000
Cash and bank balances	29,278	30,482
Less: Cash pledged	(1,759)	(1,749)
<b>Cash and Cash Equivalents in the Consolidated Cash Flow Statement</b>	<u>27,519</u>	<u>28,733</u>

## STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2014

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.

Group	Attributable to Owners of the Parent Company							
	Total Equity	Total	Share Capital	Treasury Shares	Retained Earnings	Foreign Currency Translation Reserve	Non-Controlling Interests	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
<b>Balance at 1 January 2014</b>	49,033	49,356	17,641	(449)	31,188	976	(323)	
<b><u>Movements in Equity</u></b>								
Issue of Shares	3,085	3,085	3,085	-	-	-	-	
Share Issue Expenses	(108)	(108)	(108)	-	-	-	-	
Total Comprehensive Income (Expenses) for the Period	(278)	(375)	-	-	121	(496)	97	
<b>Balance at 31 March 2014</b>	<b>51,732</b>	<b>51,958</b>	<b>20,618</b>	<b>(449)</b>	<b>31,309</b>	<b>480</b>	<b>(226)</b>	
<b>Balance at 1 January 2013</b>	47,559	47,620	17,641	(449)	30,987	(559)	(61)	
<b><u>Movements in Equity</u></b>								
Total Comprehensive Income for the Period	1,253	1,198	-	-	962	236	55	
<b>Balance at 31 March 2013</b>	<b>48,812</b>	<b>48,818</b>	<b>17,641</b>	<b>(449)</b>	<b>31,949</b>	<b>(323)</b>	<b>(6)</b>	
<b>Company</b>								
					Attributable to Owners of the Parent Company			
					Total Equity	Share Capital	Treasury Shares	Retained Earnings
					\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2014</b>					44,067	17,641	(449)	26,875
<b><u>Movements in Equity</u></b>								
Issue of Shares					3,085	3,085	-	-
Share Issue Expenses					(108)	(108)	-	-
Total Comprehensive Income for the Period					579	-	-	579
<b>Balance as at 31 March 2014</b>					<b>47,623</b>	<b>20,618</b>	<b>(449)</b>	<b>27,454</b>
<b>Balance at 1 January 2013</b>					48,488	17,641	(449)	31,296
<b><u>Movements in Equity</u></b>								
Total Comprehensive Income for the Period					884	-	-	884
<b>Balance as at 31 March 2013</b>					<b>49,372</b>	<b>17,641</b>	<b>(449)</b>	<b>32,180</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2014

(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	
	2014	2013	2014	2013
At 1 January	204,683,147	204,680,997	17,192	17,192
Issue of Shares	15,500,717	-	3,085	-
Share Issue Expenses	-	-	(108)	-
At 31 March	<u>220,183,864</u>	<u>204,680,997</u>	<u>20,169</u>	<u>17,192</u>

#### (b) Treasury Shares

	Group and Company		Group and Company	
	No. of shares		\$'000	
	2014	2013	2014	2013
At 1 January and 31 March	<u>1,573,000</u>	<u>1,573,000</u>	<u>449</u>	<u>449</u>

For the three months ended 31 March 2014 and 31 March 2013, the company did not purchase its ordinary shares to be held as treasury shares.

No options were granted and no new shares were issued pursuant to the Employee Share Option 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 31 March 2014 was 220,183,864 (31 December 2013: 204,683,147).

The total number of treasury shares as at 31 March 2014 and 31 December 2013 was 1,573,000.

- (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.**

Not applicable.

## **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.**

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 2013.

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 adoption of new and revised FRS does not have significant impact on the Group.

## 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 31.03.14	3 months ended 31.03.13	Change %
Earnings (Loss) per share of Group:			
(a) Based on weighted average number of ordinary shares on issue (cents); and	0.06	0.47	(87.7)
(b) On a fully diluted basis (cents)	0.06	0.47	(87.7)

For comparative purposes, the earnings per ordinary shares for the 3 months ended 31 March 2014 and 31 March 2013 are calculated based on the profit for the period of approximately \$0.1 million and \$1.0 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the 3 months ended 31 March 2014 is 210,022,283 (3 months ended 31 March 2013: 204,680,997).

## 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	
	31.03.14	31.12.13	31.03.14	31.12.13
Net asset value per ordinary shares (cents)	23.60	24.11	21.63	21.53

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 31 March 2014 was 220,183,864 (31 December 2013: 204,683,147).

## 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

The Group recorded a revenue of \$12.8 million for 1Q2014, which corresponds to a 41.7% growth compared to the same period last year. This increase was due to significant improvement from China in both the Export and Manufacturing/Wholesale segments, as well as strong sales of the Group's core business in Taiwan and Philippines. While the first quarter is historically the Group's weakest quarter due to the Chinese New Year and the incentive trips for distributors, 1Q2014 is the Group's best performing first quarter since 2009.

As a result of the introduction of the Manufacturing/Wholesale segment, as well as larger gross profit margin impact from export sales, the Group's Gross profit margin has been re-adjusted to 74.0% in 1Q2014 as compared to 78.4% for 1Q2013.

Other Operating Income received for 1Q2014, declined 21.0% vis-à-vis the same period last year due to lower miscellaneous income.

Commissions, marketing and other sales related costs which make up the Group's Distribution Costs, increased from \$3.4 million in 1Q2013 to \$4.6 million in 1Q2014, in line with the higher sales experienced for this reporting quarter. In addition, higher Distribution Costs was incurred in this quarter as a result of expenses relating to the International Convention held in March this year.

Administrative Expenses, which include mainly staff costs, balance professional fees relating to the acquisition of Best World (Zhejiang) Pharmaceutical Co., Ltd. ("BWZ") and rental expenses, increased marginally to \$4.8 million in 1Q2014 as compared to \$4.6 million in 1Q 2013.

The decline of Net Other Credits from \$1.9 million in 1Q2013 to \$0.2 million in 1Q2014 was mainly due to a one off realised gain of \$1.8 million from the sale of our Tong Lee property in 1Q2013. Eliminating this one off event, Net Other Credits has improved by \$0.1 million.

The Group incurred Income Tax Expenses of \$0.3 million for the 1Q2014, due to certain profitable companies within the Group.

As a result, the Group registered a Profit Attributable to Owners of the Parent Company of \$0.1 million for Q12014 as compared with a net profit of \$1.0 million in the corresponding quarter which included the sale of our Tong Lee property.

## Revenue by Business Segments

For Quarter: 1Q2014 Vs 1Q2013

Business Segment	3 months ended 31.03.14 Revenue		3 months ended 31.03.13 Revenue		Change
	\$'000	%	\$'000	%	%
Direct selling	10,059	78.6	8,810	97.5	14.2
Export	1,669	13.0	222	2.5	651.8
Manufacturing/ Wholesale	1,074	8.4	-	-	NM
<b>Total</b>	<b>12,802</b>	<b>100.0</b>	<b>9,032</b>	<b>100.0</b>	<b>41.7</b>

For 1Q2014, the Group generated \$10.1 million or 78.6% of its total revenue from its core business of Direct Selling, compared to \$8.8 million in 1Q2013. This represented an increase of 14.2% vis-à-vis the same period last year primarily due to significant contributions from Philippines.

As at 31 March 2014, the number of Lifestyle Centres increased to 61, up from 56 at 31 December 2013. Total membership rose 4.4% to 311,375 members, when compared to 31 December 2013.

Export revenue increased by 651.8% from \$0.2 million in 1Q2013 to \$1.7 million in 1Q2014. This significant increase was mainly attributable to the growth of exports to China and Myanmar. The Group continued its momentum garnered from the Export segment since 2H2013 as a result of increased orders for newly launched products.

The Manufacturing/Wholesale segment accounts for contribution from the Group's newly acquired entity BWZ which is mainly comprised of wholesale revenue generated by the sale of the Group's retail brand Aurigen (全金品牌) in the PRC. To date, the wholesale network comprises of 86 Contracted Agents ("CA") distributing the Aurigen line of products through drugstores in 28 provinces of the PRC.

As the acquisition of BWZ was completed in late February of FY2014, Manufacturing/Wholesale segment in 1Q2014 recorded revenue generated only in March of FY2014, approximating to \$1.1 million.

## Revenue by Geographical Locations

For Quarter: 1Q2014 Vs 1Q2013

Geographical Locations	3 months ended 31.03.14 Revenue		3 months ended 31.03.13 Revenue		Change %
	\$'000	%	\$'000	%	
Singapore	2,077	16.2	2,109	23.3	(1.5)
China	2,195	17.1	120	1.3	1,729.2
Indonesia	881	6.9	1,098	12.2	(19.8)
Taiwan	2,418	18.9	2,498	27.7	(3.2)
Philippines	3,196	25.0	509	5.6	527.9
Others	2,035	15.9	2,698	29.9	(24.6)
<b>Total</b>	<b>12,802</b>	<b>100.0</b>	<b>9,032</b>	<b>100.0</b>	<b>41.7</b>

### Singapore

Revenue from Singapore declined marginally by 1.5% in 1Q2014 corresponding to the same period last year.

Management shall continue to stimulate demand by implementing marketing activities to further encourage network building and launching of new products in the coming quarters.

### China

China consists of our existing export sales to our China agent and the sales contributed by the newly acquired BWZ. As a result of the significant increase of revenue from \$0.1 million in 1Q2013 to \$2.2 million in 1Q2014, China has become one of the Group's key markets.

### Indonesia

Sales from Indonesia decreased by 19.8% to \$0.9 million for 1Q2014 due to the continued negative exchange rate movement between IDR and SGD vis-à-vis the same period in FY2013. In local currency terms, the revenue decline is 5.2%.

This continuous disparity highlights the impact IDR fluctuations against the SGD have on our operations. Management shall continue to put in place mitigating measures to minimise the negative impact of a depreciating IDR.

On a more positive note, despite the seasonal nature of our Direct Selling business, revenue from Indonesia in 1Q2014 grew 4.3% when compared to 4Q2013.

## **Taiwan**

Revenue from Taiwan remained stable at \$2.4 million in 1Q2014 compared to \$2.5 million in 1Q2013. This consistent performance was achieved through a series of effective marketing and promotion strategies which increased product demand and new members.

As the Taipei RC was only operational in 3Q2013, management still has a lot of room to work on to attract the more affluent customers and distributors from Taipei.

## **Philippines**

In 1Q2014, revenue from Philippines grew 527.9% q-o-q to \$3.2 million, largely attributable to the positive response to a new compensation plan launched in October of FY2013. Management will continue to work with top leaders on sustaining the current growth and ride on the current momentum to introduce more new products in the coming quarters.

## **Others**

Sales in Other Markets consists of Thailand, Myanmar, Malaysia, Korea, Hong Kong and Vietnam dipped in 1Q2014 by 24.6%, as a result of poor performances from Korea outweighing the improvement in Myanmar. Korea recorded a decline due to the unexpected regulatory changes since 2Q2013.

Thailand has also experienced a decline in 1Q2014, largely attributable to the worsening political situation which has severely impacted consumer demand for the Group's products.

Management will continue to work towards a different sales approach and will consider all options should any turnaround in results in these markets prove to be difficult in the coming periods.

## **Financial Position and Cash Flow**

Non-current assets of the Group increased from \$9.2 million as at 31 December 2013 to \$14.6 million as at 31 March 2014, mainly due to an increase in Property Plant and Equipment and Intangible Assets as a result of the consolidation of the newly acquired BWZ. The increase in intangible assets of \$4.4 million mainly relates to provisional goodwill of \$2.8 million recorded for the acquisition of BWZ completed in February 2014. The final allocation of the purchase price to the identifiable assets acquired and liabilities and contingent liabilities assumed in the acquisition of BWZ in February 2014 is currently being determined and has not been completed.

Inventory was increased to \$6.5 million as at 31 March 2014 as compared with \$5.9 million as at 31 December 2013 due to the consolidation of the newly acquired BWZ.

Trade and other receivables increased to \$8.3 million as at 31 March 2014 as compared to \$5.3 million as at 31 December 2013, which was in-line with the higher sales experienced in 1Q2014 as well as the consolidation of the newly acquired BWZ.

Other Assets which includes deposits and prepayments, increased by \$1.0 million as a result of increase in tax prepayment, offsetting the decrease in mandatory security deposits made by a subsidiary.

Other Current Financial Assets which previously included a bond investment as at 31 December 2013 had matured in March 2014.

Trade and other payables increased from \$7.4 million as at 31 December 2013 to \$9.4 million as at 31 March 2014 due to the consolidation of the newly acquired BWZ.

Other Liabilities were maintained at \$1.0 million as at 31 March 2014 vis-à-vis 31 December 2013.

Cash and cash equivalents in the consolidated statement of cash flows decreased from \$31.5 million as at 31 December 2013 to \$27.5 million as at 31 March 2014 largely as a result of cash used in the acquisition of BWZ and offsetting the proceeds from the issue of shares to Mr Shi Jinyu for the acquisition of BWZ.

As at 31 March 2014, the Group maintained a strong balance sheet and working capital position, with approximately \$29.3 million of 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 the section 10 of the last quarter's result 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.**

Except for the significant improved results from China (Export and Manufacturing/Wholesale) and Philippines as well as strong sales performance in Taiwan, the Group has been experiencing weaker demand for our products in the mature markets. Despite these challenges, Management remains cautiously optimistic of our business and will continue to implement marketing campaigns and launch new products to engage and grow the business in FY2014.

Barring any unforeseen circumstances, Management is confident in the performance in the growth regions, which includes Taiwan, Philippines and China in the coming quarters.

Factors that may affect the Group's performance in our next reporting period are as follows:

- The Group continues to actively identify inorganic growth opportunities in order to tap into the value chain of businesses that are synergistic to ours;
- Rising operating costs and increasing cost of goods continue to be a key challenge in FY2014. Plans are in motion to introduce a wider range of competitive products in the coming quarters;
- The Group expects higher depreciation expenses due to the increase in number of RCs and the refurbishment of existing RCs that occurred in FY2013 to keep the Group's image fresh and relevant;



- Weakening currencies of markets which the Group operates in, against the SGD may negatively affect the Group's performance moving forward. Management will consider all options when dealing with such risks;
- The revenue model and cost structure of the Group's Manufacturing/Wholesale business in Hangzhou will be more pronounced in the coming quarters when they are recorded for all months within the quarter. Management continues to work according to schedule for the Group's China direct selling license application in FY2014.

Other factors that continue to affect the Group's performance include timeline required for product registration in various markets, natural disasters, local direct selling regulations, product regulations and market competition.

Moving forward, Management shall be vigilant and continue to put in place mitigating measures to minimize any potential impact which any of the above factors may have on the Group's business.

Lastly, Management will conduct performance evaluations of subsidiaries which have been performing below expectations, to determine viable turnaround plans to improve overall results.

## **DIVIDENDS**

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

None

### **(ii) Corresponding Period of the immediately Preceding Financial Year**

None

### **(b) Date payable for dividend and date of allotment and issue for bonus issue**

Not applicable

### **(c) Books closure dates for dividend and bonus issue**

Not applicable

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

No dividend has been recommended or declared for the period ended 31 March 2014.

### **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. Update on Use of Proceeds from Share Placement**

With reference to the announced Circular to Shareholders made by the Company on 20 November 2013 on the proposed placement of 15,500,717 new ordinary shares to Mr. Shi Jinyu at the issue price of \$0.199 for each ordinary share pursuant to the placement agreement, the Company wishes to update that the net proceeds of \$3.0 million from the Share Placement has been fully utilized for general working capital purposes (partial repayment of existing short term bank loan of \$2.0 million, general and administrative expenses of \$0.4 million and settlement of trade debts of \$0.6 Million).

The utilization of share placement proceeds is in accordance with the intended use of the placement proceeds.

#### **15. 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 three months ended 31 March 2014 to be false or misleading.

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 May 2014