BEST WORLD INTERNATIONAL LIMITED
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Best World 1H2018: Completes transition to Franchise Model in China; Set for next era of growth

- **Group registered a revenue of S$60.4 million for 1H2018, due to lower Export segment revenue and delay in revenue recognition to 2H2018**
- **Group gross profit and net profit margins improved to 73.3% and 24.7% respectively with the Group's completion of its transitioning; new Franchise segment to be a significant revenue contributor going forward**
- **Management reiterates higher profit growth for FY2018; proposes interim dividend of 1.2 cents, representing a payout ratio of 44%**

Singapore, 7 August 2018 – Mainboard-listed Best World International Limited ("Best World" or the "Group"), a Singapore headquartered company specialising in the development, production and distribution of premium skincare, personal care, nutritional and wellness products to its member customers, announced today its financial results for the six months ended 30 June 2018 ("1H2018").

Financial Highlights

$'000	2Q2018	2Q2017	% Change	1H2018	1H2017	% Change
Revenue	35,032	55,283	(36.6)	60,390	100,027	(39.6)
Gross Profit	26,701	39,157	(31.8)	44,278	70,889	(37.5)
Gross Profit Margin	76.2%	70.8%	5.4pp	73.3%	70.9%	2.4pp
Other Operating Income	4,416	2,789	58.3	8,319	4,258	95.4
Operating Expenses**	(21,382)	(22,754)	(6.0)	(35,608)	(42,912)	(17.0)
Profit Before Tax	10,802	18,358	(41.2)	17,939	30,416	(41.0)
Net Profit Attributable to Owners of the Parent Company	9,128	11,965	(23.7)	14,899	21,688	(31.3)
Net Profit Margin	26.1%	21.6%	4.5pp	24.7%	21.7%	3.0pp
Basic Earnings per share## (Cents)	1.66	2.17	(23.5)	2.71	3.94	(31.2)

*p.p denotes percentage points; NM denotes Not Meaningful; ** Includes distribution costs and administrative expenses; ## The weighted average number of ordinary shares (excluding treasury shares) for 2Q2018 is 549,395,114 (2Q2017: 550,459,514) and for 1H2018 is 549,395,114 (1H2017: 550,459,514). For the purpose of comparison, the earnings per ordinary shares for prior corresponding period are adjusted retrospectively pursuant to the share split of every one existing ordinary share into two ordinary shares on 25 May 2017.*

For the period under review, the Group recorded a revenue of S$60.4 million. This is in line with Section 10 of the Group's 1Q2018 Results Announcement, where the Group's transition to the new Franchise Segment in China extended into 2Q2018, resulting in lower Export segment revenue and delay in revenue recognition to 2H2018.

Specifically, the Export segment recorded a revenue of S$4.5 million in 2Q2018 despite the Group's intention to phase out this segment; a result of strong demand in China during that period, where the Group had to export certain SKUs which were in critically low supply to its agent in China. Corresponding, with the Franchise Segment slated to formally replace the Export Segment from 2H2018 onwards, the Franchise Segment recorded prelude revenues of S$0.8 million in the last few weeks of June 2018; as the Group's China subsidiary, Best World (China) Pharmaceutical (BWCP), commenced sales of certain SKUs to several franchisees. Going forward, 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.

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. This is set to improve further as the Group completed its transition phase in China from the Export Segment to the Franchise Segment in 2Q2018.

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 mainly due to higher sales registered by the Export Agent. For 1H2018, the increment was 95.4%, in line with strong market demand in China.

Operating Expenses, which comprises distribution costs and administrative expenses, decreased by 6.0% in 2Q2018 as compared to 2Q2017 mainly due to lower annual convention expenses and commissions paid out in 2Q2018; lower professional fees, management and staff costs as well as amortization and depreciation incurred.

As a result of the following, Net Profit Margin improved to 26.1% in 2Q2018 while the Group's Profit Attributable to Owners of the Parent Company was S$14.9 million for 1H2018, down 31.3% from S$21.7 million compared to the same period last year.

The Group maintained a strong balance sheet and working capital position, with approximately S$90.1 million of cash and cash equivalents as of 30 June 2018. Earnings per share for 2Q2018 stood at 1.66 cents.

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Outlook

In line with previous guidance, the management maintains its expectations of China being the Group's key growth driver in the next reporting period and for the next 12 months. As at 30 June 2018, there are 27 franchisees that our China subsidiary had entered into agreement with, with operations covering 10 provinces and one municipality including that of Zhejiang, Sichuan, Guangdong, Henan, Heilongjiang etc. This, coupled with the Group's completion of its transition phase in China from the Export Segment to the Franchise Segment in 2Q2018, shall propel the Group towards stronger growth going forward.

Together with contribution from the Group's operations in Taiwan, Indonesia, Hong Kong and Singapore, and 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.

Executive Director and Group Chief Operating Officer, Mr Huang Ban Chin, commented, *"1H2018 marks an important milestone for us as we completed the transition of the Group's business model in China from Export segment to Franchise Segment. Coupled this with expansion of our direct selling license from Hangzhou and beyond, we expect the China market to be the Group's key growth driver going forward. On a full financial year basis, the Group maintains our guidance on profit growth for FY2018 as compared to FY2017."*

Interim Dividend

For 1H2018, the Board of Directors (the "Board") has recommended an interim one tier tax-exempt dividend of 1.2 cents per share, representing a dividend payout of approximately 44% of the Group's 1H2018 net profit. This is in line with the Group's recent revision of its dividend policy to distribute annual dividends, of not less than 40% of its consolidated net profit, excluding non-recurring, one-off and exceptional items as stated in the audited financial statements of the year for FY2017 to FY2019.

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About Best World

Founded in 1990, Best World International is a Singapore headquartered company which specialises in the development, manufacture and distribution of premium skincare, personal care, nutritional and wellness products, to its member customers in the 12 markets the Group operates in. Best World has an established network of more than 490,000 independent distributors and member customers.

After listing on the Singapore Exchange in July 2004, Best World has grown in strides to become a key regional player with presence in Singapore, Thailand, Taiwan, Indonesia, Malaysia, Vietnam, Hong Kong, China, Korea, Philippines, Myanmar, and Dubai. The Company also manufactures and distributes the Aurigen line of supplements in China through drugstores in all provinces of PRC.

For more information, visit Best World's corporate website at www.bestworld.com.sg

Issued for and on behalf of Best World International Limited

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