

# Best WORLD

ANNUAL REPORT  
年报 2018

At a **GLANCE**

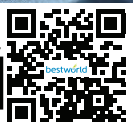
Corporate  
**SOCIAL  
RESPONSIBILITY**

**INNOVATION +  
DIGITALISATION**

Company Reg. No.



199006 030Z



- CHLOE CHEN  
[#secretcircle](#)

I STAY  
*true*  
TO MY PATH

COVER:  
(FROM LEFT) LEE PEI PEI, WANG HUI TING,  
 TSAI YUAN HUA





# Best WORLD

ANNUAL REPORT  
 年报 2018

- 06 *Our Geographical Map*
- 08 *At a Glance*
- 10 *Chairmen's Message*
- 12 *Financial + Business Overview*
- 16 *China, our Next Engine of Growth*
- 18 *Innovation + Digitalisation*
- 20 *Looking Forward*
- 22 *Corporate Social Responsibility*
- 24 *Our Appreciation*
- 26 *Group Structure*
- 27 *Board Of Directors*
- 31 *Key Management*
- 36 *Corporate Information*
- 37 *Financial Calendar*
- 38 *Corporate Governance*

- Directors' Statement* 66
- Independent Auditor's Report* 70
- Consolidated Statement Of Comprehensive Income* 73
- Statements Of Financial Position* 75
- Statements Of Changes In Equity* 77
- Consolidated Statement Of Cash Flows* 80
- Notes To The Financial Statements* 82
- Major Properties Of The Group* 161
- Statistics Of Shareholdings* 162
- Notice Of Annual General Meeting* 165
- Additional Information on Directors Seeking Re-Election* 168



# Our GEOGRAPHICAL

国际版图 Map



London

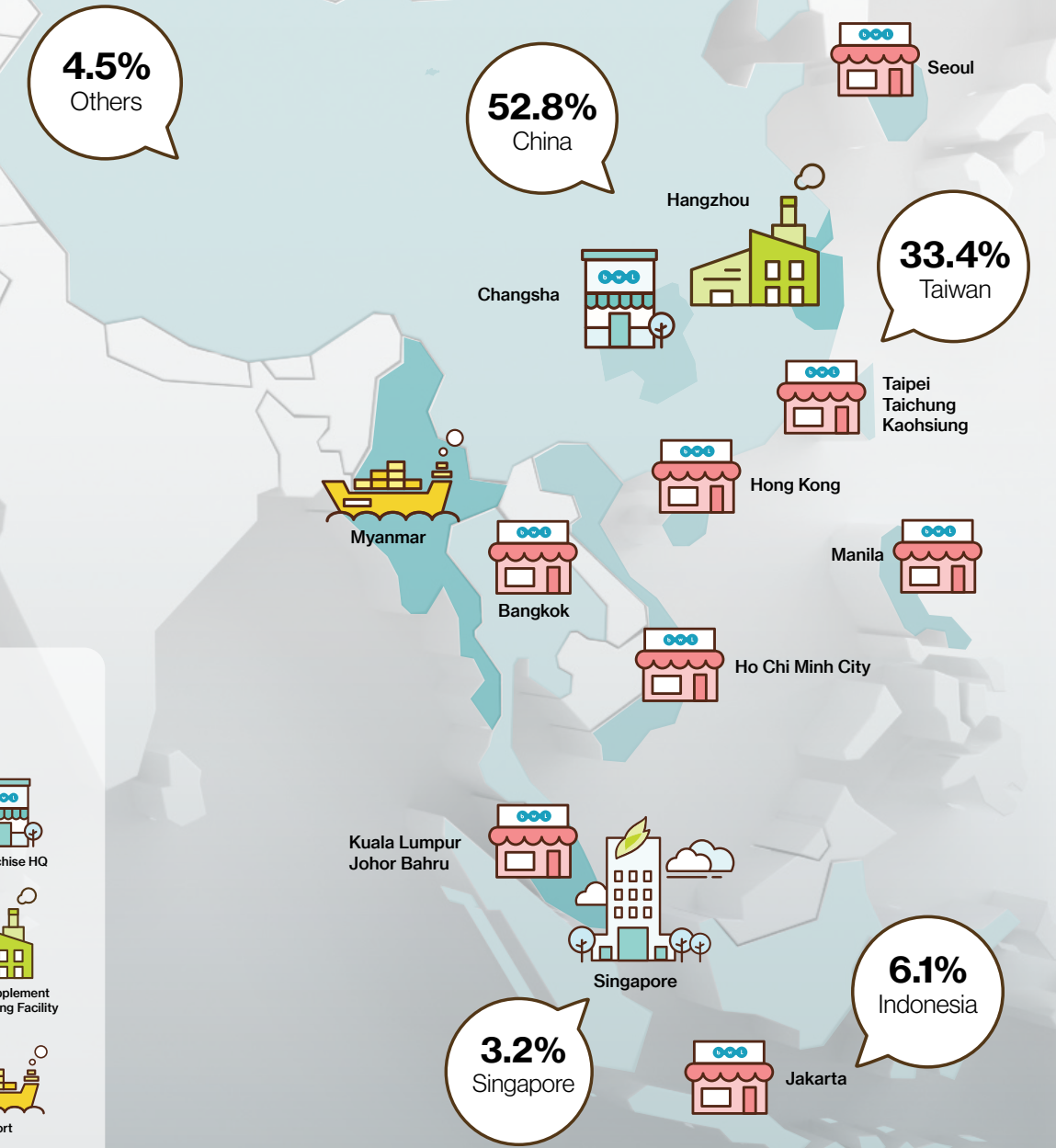
“ I had acne-prone sensitive skin and my face would be marked with post-acne scars and enlarged pores. After using DR's Secret, the acne reduced greatly, I grew more confident and my outlook in life became much more positive, which helped me to deal better with stress at work too! ”



- Wei Yu-Han, Taiwan

**LEGEND**

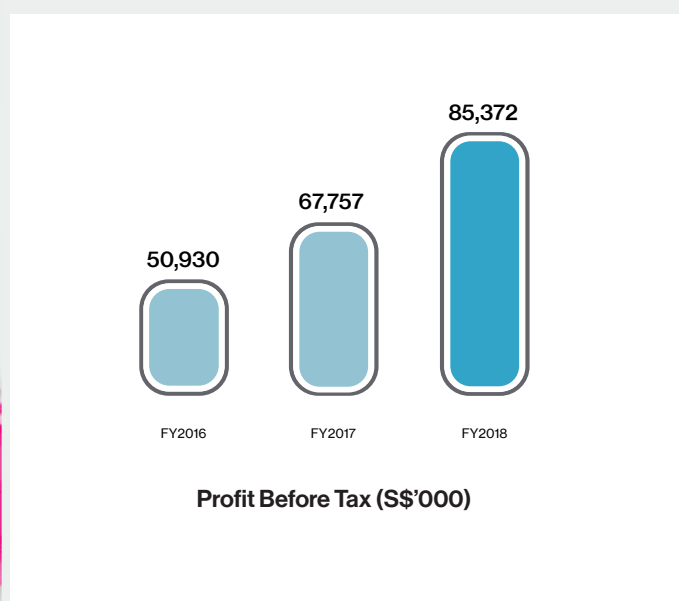
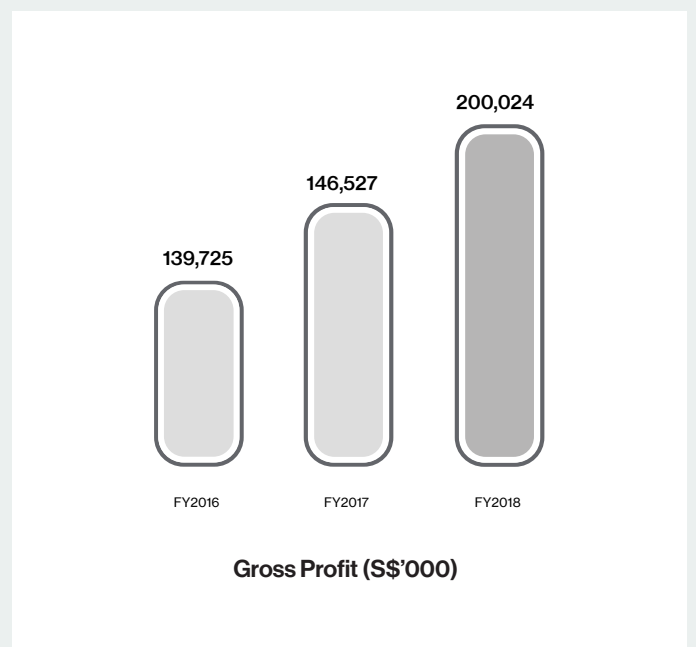
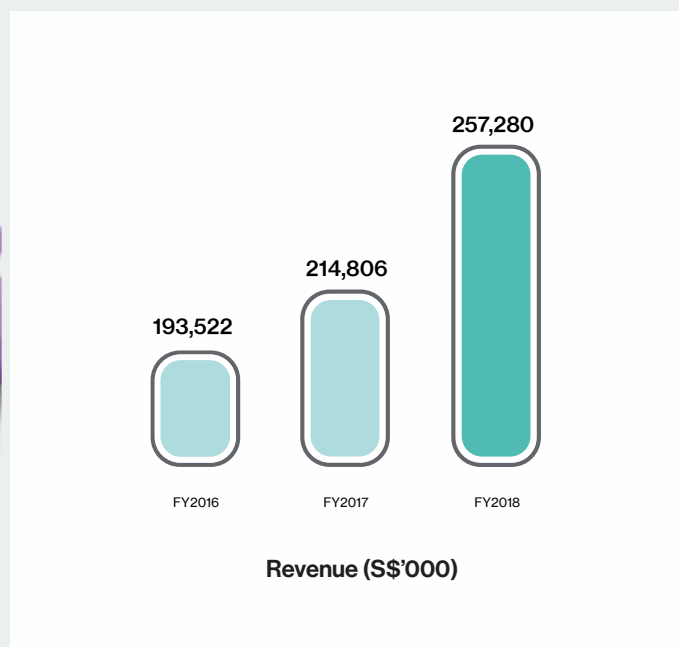
 Corporate HQ	 Franchise HQ
 Regional Centre/ Subsidiaries	 Health Supplement Manufacturing Facility
 Services and Product Retail	 Export





At a **GLANCE**

2018年摘要



12 markets

15 regional centres

27 lifestyle centres

28 franchisees

Our **PRESENCE**

[As of 31 December 2018]

# Chairmen's MESSAGE

主席的话



Chairmen's  
MESSAGE  
主席的话

# D

ear shareholders, 2018 has been a year of positive developments for Best World International Limited (“Best World” or the “Group”). We attained record revenue and net profit for the full fiscal year. Our brand building and market development efforts over the years in mainland China, one of the world’s fastest growing consumer markets, continued to gain traction and reap rewards for the Group. At the end of the year, our range of products were distributed in China through 28 franchisees spanning 11 provinces and 1 municipality. Other than that, our other 10 markets in various parts of Asia also put in an encouraging performance for the year. It is our pleasure to present our annual report for the financial year ended 31 December 2018 (“FY2018”) as we now delve deeper into the progress made during the year.

亲爱的股东们，对于全美世界有限公司（全美世界或集团）来说，2018年是蓬勃发展的一年。这一年，我们的收入和净利润均创新高。中国大陆作为全球增长最快的消费市场之一，多年来，我们在这里努力建设品牌、发展市场，持续为集团带来动力和回报。截至2018年年底，我们的产品品牌通过中国11个省和1个直辖市的28家特许经营店进行销售。除此之外，我们在亚洲各地的其他10个市场也有振奋人心的表现。我们很高兴就2018年12月31日结束的财年（2018财年），展示财年报告。



# F

or FY2018, we delivered higher revenue growth of 19.8% year-on-year (“y-o-y”) to hit S\$257.3 million, primarily due to contributions from our China market and improvements in the performance from our markets in Taiwan, Indonesia and Singapore. Our success in China can be attributed to three main factors - a trusted brand image, a growing distribution channel that enhances our market reach and consistent digital marketing that amplifies our brand visibility.

DR’s Secret, our skin care brand that makes up more than 80% of our sales, offers the unique proposition of being able to care for all skin types and assist users in their efforts to attain a flawless complexion without the need to use base powder and foundation. This brand promise, as bold as it may seem, is what sets us apart from many of the other premium skin care companies in the market and allows us to rise quickly as a serious contender in the premium skin care segment in China.

Coupled with an experienced network of franchisees which have played an integral part in DR’s Secret’s growing market acceptance over the years, the strategic deployment of social media and a mobile app as brand building tools and comprehensive training programs that our franchisees have to go through enabled us to continue to bolster our brand and solidify our positioning within the China market in FY2018.

Meanwhile, performance within our Taiwan market has stabilised with 4.4% growth registered y-o-y. This comes pursuant to the various market and training activities held throughout the year as well as changes in strategies implemented since FY2017. The new strategies adopted were enacted in response to slowing growth witnessed in Taiwan and seeks to engender sustainable growth for us in the longer term.

Through the deployment of a two-pronged strategy targeting both consumers and distributors concurrently, the aim is to improve average sales per member through digitalisation and better customer service whilst extending our presence to cover the entire Taiwan market.

In Indonesia, our focus on growing our consumer member base and nurturing new distributors in preparation for the next wave of leaders yielded positive results, with 200.9% growth in revenue y-o-y to S\$15.8 million.

# FINANCIAL + BUSINESS

Overview  
财务与业务概览

Moving on to our Singapore market, we continued our efforts to implement online and offline marketing strategies. On top of encouraging online sharing by our satisfied customers in our social media app, our strategy includes featuring DR’s Secret in a local beauty related program, influencer marketing and Search Engine Optimization & Marketing, to garner greater awareness of the brand, stimulate demand and achieve lead generation.

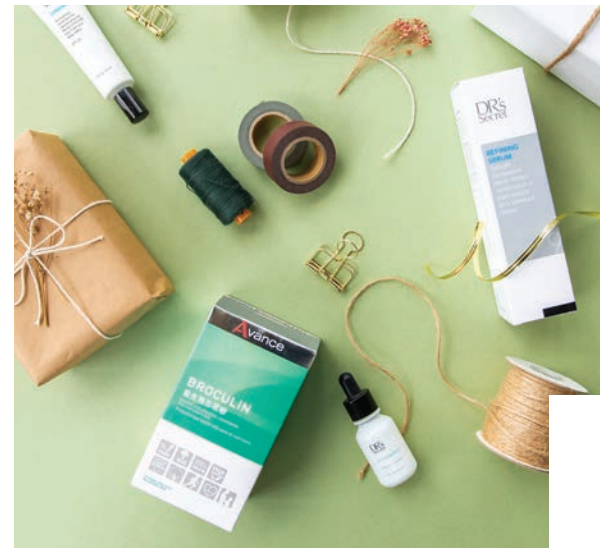
With sales having picked up 9.5% y-o-y for our home market, we strive to persevere on with our outreach efforts so as to further entrench our positioning amongst our competition. Notably, we will be intensifying our efforts in the domain of social media marketing.

As a result of better top line figures and greater efficiency achieved, we registered a 15.9% growth in net profit to S\$63.9 million for FY2018. Gross profit margins improved by 9.5 percentage points to 77.7%.

2018财年, 我们的营收同比增长19.8% (“年度同比”), 达到2.573亿新元, 主要得益于中国市场的显著增长, 以及新加坡、台湾和印尼市场业绩的进展。我们在中国取得的成功可总结为三个主要因素: 建立了一个值得信赖的品牌形象; 强大的分销渠道扩大了市场覆盖面; 以及延展品牌知名度的数码行销。

皙之密作为我们的护肤品牌, 其销售额占集团总销售额逾80%, 其独特配方能呵护每一种肌肤类型, 最终让使用者拥有健康无瑕的肌肤, 而无需上妆。这“不妆”的品牌诉求, 看上去非常大胆, 但正是它让我们与市场许多其他高端护肤品公司区别开, 使我们迅速崛起, 成为中国高端护肤品领域的有力竞争者。

to be continued on page 15 →



## SIGNIFICANT GROWTH

“ For FY2018, we delivered higher revenue growth of 19.8% year-on-year (“y-o-y”) to hit S\$257.3 million, primarily due to contributions from our China market and improvements in the performance from our markets in Taiwan, Indonesia and Singapore. Our success in China can be attributed to three main factors - a trusted brand image, a growing distribution channel that enhances our market reach and consistent digital marketing that amplifies our brand visibility.

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← continued from page 12

加上经验丰富的特许经营商网络，多年来使皙之密的市场接受度不断提高。并且将社交媒体和共享型应用程序作为品牌传播工具，同时对特许经营商开设相关培训。这使我们2018财年在中国的品牌定位得到巩固。

与此同时，我们在台湾市场的表现稳定，年营收同比增长4.4%。这是因为自2017财年以来，在台湾开展了更多宣传活动，并在战略上进行了微调。针对台湾经济增长放缓，制定了新策略，为的是能给我们带来更长期的可持续增长。

透过同时针对消费者和经销商的“双管齐下”策略，我们的目标是利用数码行销和贴心的服务来提升会员的平均销售额，同时将业务扩展至整个台湾市场。

在印尼，我们注重扩大会员数量，注重栽培年轻创业经销商，这也产生了积极的成果。公司收入同比增长200.9%，达到1,580万新元。

回顾新加坡市场，我们继续采取线上与线下相结合的营销方式。首先是线上在社交媒体应用中分享用户使用心得，还包括联合本地相关美容活动、邀请网络红人和搜索引擎优化营销等等，为的是提升皙之密的品牌知名度，刺激转化潜在用户。

新加坡国内市场销售额同比增长9.5%，我们将继续努力拓展业务，进一步巩固竞争地位。必须注意的是，我们将在社交媒体营销方面更加努力。

总体而言，因为出色的业绩与更高效率，2018财年我们实现净利润增长15.9%，达到6,390万新元，毛利率上升9.5%，达到77.7%。

“ I used to struggle with dull skin, enlarged pores and blackheads and foundation was my weapon to cover up. Since using DR's Secret, my pores became less visible and my dull skin now looks more radiant. It feels good that my skin looks equally fresh from morning to night! ”

- Lucy Chang, Singapore



## ONLINE BRAND BUILDING

“ We continued our efforts to implement online and offline marketing strategies. On top of encouraging online sharing by our satisfied customers in our social media app, our strategy includes featuring DR's Secret in a local beauty related program, influencer marketing and Search Engine Optimization & Marketing, to garner greater awareness of the brand, stimulate demand and achieve lead generation.

With sales having picked up 9.5% y-o-y for our home market, we strive to persevere on with our outreach efforts so as to further entrench our positioning amongst our competition.

我们继续采取线上与线下相结合的营销方式。首先是线上在社交媒体应用中分享用户使用心得，还包括联合本地相关美容活动、邀请网络红人和搜索引擎优化营销等等，为的是提升品牌的知名度，刺激转化潜在用户。

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# CHINA, OUR NEXT ENGINE OF GROWTH

中国将成为我们下一个增长引擎

Despite minimal Export revenue in 1H2018 and the Franchise segment contributing revenue only in 2H2018, with Franchise revenue being recognised at a higher price point compared to Export price, we attained a 22.9% y-o-y revenue growth in China.

**P**otential within China's premium skin care market is immense. In tandem with the rapid development of the Chinese economy as well as the rising disposable income of consumers, there has been a shift in the spending habits of consumers from being price-focused to being driven by quality and brand awareness. Given these opportunities, we are strategically focused on gaining a much stronger foothold in China over the next three to five years and to secure avenues of higher growth for the Group. We will continue to capitalise on digital trends, with the rising prevalence of consumers taking to social media and mobile apps to share their various beauty and lifestyle habits and experiences.

In 2H2018, we commenced the sale of our skin care line in China under the Franchise segment, which replaces the Export segment previously in place. The change was enacted to allow us to leverage on the growth momentum of the distribution network already achieved, and moving forward, to give us better control over the rollout of our expansion strategies for the market. Additionally, given the population and geographical size of the China market, it also serves to complement our intended strategy of using mainly third-party operated outlets to grow our physical presence throughout the country.

Despite minimal Export revenue in 1H2018 and the Franchise segment contributing revenue only in 2H2018, with Franchise revenue being recognised at a higher price point compared to Export price, we attained a 22.9% y-o-y revenue growth in China. From FY2019 onwards, we hope that our top line in China will continue its upward trajectory, especially when we recognise all four quarters of contributions from the Franchise segment and leave the Export segment behind.

With China set to be our growth driver for at least the next three to five years, we are excited for the new phase of growth which we will be entering into and are confident of our execution abilities to navigate this market of immense potential.



中国高端护肤品市场潜力巨大。随着中国经济的快速发展和居民可支配收入的增加,消费习惯也发生了转变:从注重价格转向注重质量和品牌。鉴于当前的机遇,我们未来3到5年的战略重点是在中国获得更强大的立足基础,确保集团拥有更好的增长途径。越来越多的消费者愿意在社交媒体上分享美容

资讯和生活,正有利于走向数码趋势的步伐。

在2018年下半年,我们在中国以特许经营的模式销售护肤系列产品,取代了之前的出口业务。这能利用已经实现的增长动力和分销网络,并向前发展,从而更好地控制市场扩张以及推出相关战略。此外,考虑到中国的人口规模和地理范围,这一模式也适时配合我们的战略计划:利用主要的特许经营网点,扩展在中国各地的实体店。

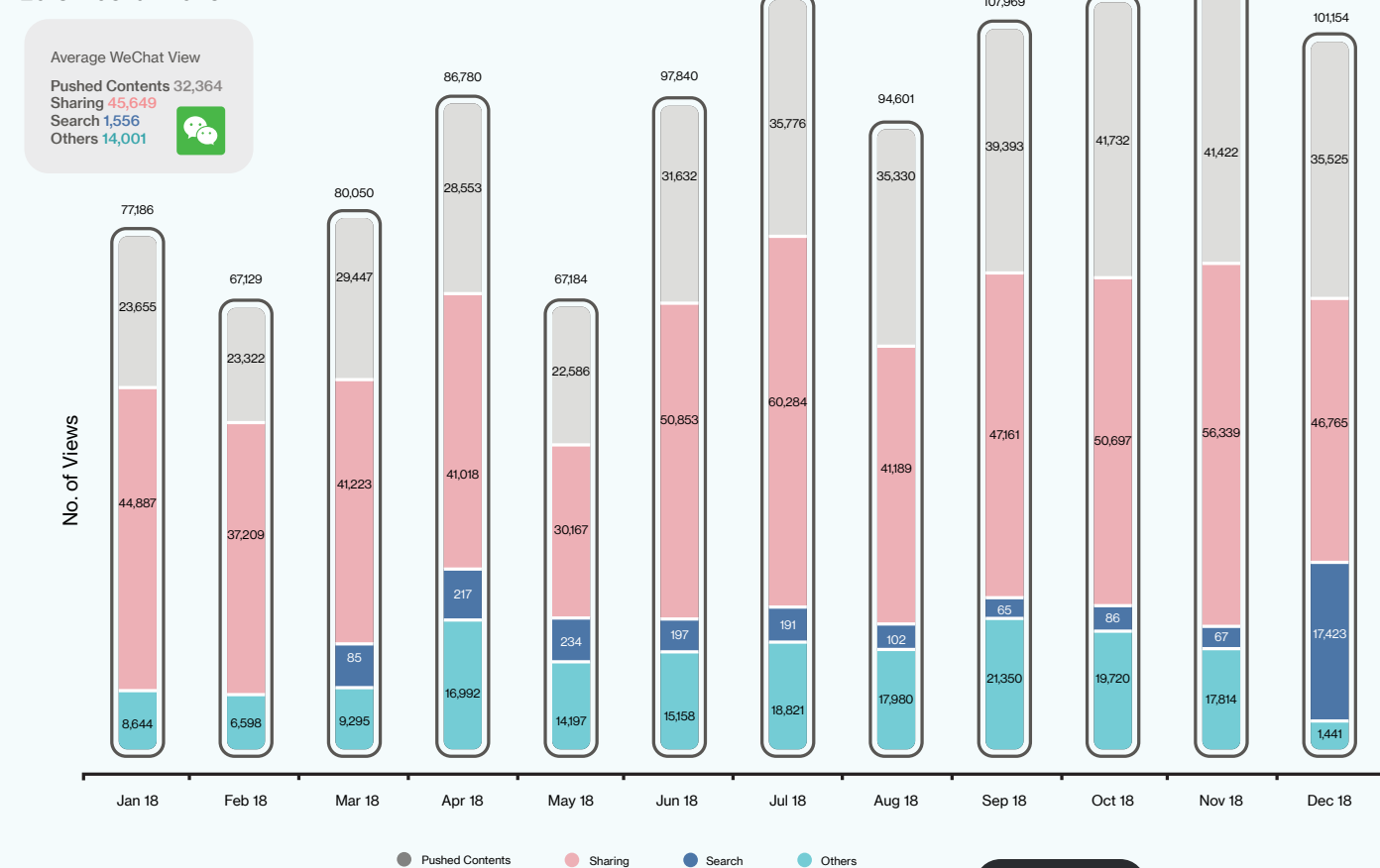
尽管2018年上半年的出口收入非常少,特许经营也仅在2018年下半年贡献收入,但特许经营的确认价高于出口价,我们在中国同比收入增长22.9%。从2019财年起,我们希望收入将继续保持上升趋势,因为2019年将展现来自特许经营四个季度的业绩将完全取代了之前的出口业务。

至少在未来3到5年,中国将成为我们增长最快的市场。对于即将进入的增长新阶段,我们感到非常兴奋,同时相信我们有能力驾驭这个潜力巨大的市场。

# INNOVATION + DIGITALISATION

持续创新、走向数码

2018 WeChat Views



The spirit of innovation is what defines Best World and our competitive positioning in the market. This is instilled in every facet of our businesses, from product formulation processes to our marketing strategies, distribution channels, down to every employee. For it is only via constantly reinventing ourselves, are we able to continuously be at the forefront of rapidly evolving industry trends.

The health and beauty sectors are constantly evolving and innovating. In recent years, innovation stems not just from product innovation, but also from a digital marketing perspective where companies compete in the digital space to attract and retain customers.

The traditional notions about the sale of skin care or wellness-related products solely through face-to-face interaction between promoter and customer are obsolete. Many brands need to adapt by combining both offline and online strategies to further expand their offerings to customers and better improve the customer experience.

On our part, we ventured into the use of digital marketing tools for our products about 2 years back, with positive results yielded to date. Our followers on Facebook grew by 882% since we began our journey in February 2017 while those on WeChat grew by 614% since we launched our first WeChat content in March 2017. On Facebook, we have an average reach and engagements of about 89,000, while on WeChat we have an average reach of about 100,000.

As a result of our extended market reach through social media and mobile apps, there was a need to allow our customers to have the added choice of being able to shop via their mobile device. We therefore launched our BWL Mobile shopping app in 2017 for Taiwan and in early 2018 for Singapore, both on the Android and iOS platforms.

To date, we are also active on Xiao Hong Shu (RED), a platform which has now developed more into a User-Generated Content (“UGC”) platform for a variety of product categories, especially in the area of fashion and beauty for China users. By empowering influencers and satisfied customers to share their experience with our products on the platform, this creates a knock-on effect that eases the discovery process for potential customers for our brand and eventually translating them to actual users of our skin care products.

Customers aside, we are equally proactive in reaching out to our distributors and integrating our digitalisation strategy in their respective operations. This is so as to equip them with technological and service capabilities critical to better engagement with customers and boost overall efficiency levels. We believe that the formation of online communities and the creation of a sharing ecosystem will help pique consumers’ interest in our brand offerings and elevate our brand positioning in the market.

In addition to continuous innovation in the various facets of our business, we are also proactive in our efforts to digitalise our marketing platforms and daily operations. As we seek to capitalise and build upon our current successes, we strive to replicate such accomplishments throughout our other markets.

创新精神一直是全完美世界秉持的竞争价值，我们的创新不仅体现在产品配方、行销策略、营销渠道，培训模式也灌输“持续改进”的价值观在每个员工的工作上。因为我们相信唯有持续保持创新，企业才会持续走在时代的前端。

保健和美容行业不断发展和创新。近年来，创新不仅在于产品的创新，也充分体现在数码营销方面，未来的趋势企业将在数码领域展开竞争，以吸引和留住顾客。

仅通过与顾客面对面来销售护肤或保健产品的传统观念已经不足够，许多品牌尝试将线下与线上策略相结合，并进一步扩展可向客户提供产品范围，同时提供更好地客户体验。

我们大约在两年前就开始用数码化工具进行产品宣传，并取得了积极的效应。2017年2月开始使用脸书，到目前为止，增长率为882%；而自2017年3月推出首个微信内容以来，微信的关注度已提升了614%。脸书的平均送达与参与人数为8.9万，微信的平均送达人数约为10万。

通过社交媒体和共享应用程序扩大市场范围，我们的顾客还可以通过移动设备进行购物。我们的BWL手机应用，于2017年在台湾、2018年年初在新加坡推出，适用于安卓与iOS平台。

目前，我们还在社交媒体和电商结合平台小红书(RED)上活跃，该平台目前发展为用户原创内容(UGC)平台，涵盖多种类别产品以及消费者的生活方式。通过让有影响力的网络红人和满意的顾客分享产品体验，产生连锁反应，简化发现品牌潜在用户的过程，并将其转化为实际用户。

除了终端客户，我们也积极地与经销商合作，将数码化策略融入到他们自身业务中。使他们具备相关技术和服务能力，对于提高客户参与和提高整体效率都至关重要。我们相信，网络社区的形和共享生态系统的创建，将有助于激发消费者对我们品牌产品的兴趣，提升品牌在市场上的位置。

除了在与业务相关的各个领域里进行持续创新，我们还努力将营销平台和日常运营数码化。在利用和巩固原有成功的基础上，我们会尽力将成功经验扩展到其他市场经营中。

“ Since using DR’s Secret, my skin has got its radiance back. I didn’t even notice it until my friends started to comment that my skin has become better. Now, I can go foundation-free confidently. ”

- *Mayah Shen, Taiwan*



*Looking*  
**FORWARD**  
展望未来

**G**

iven the projected increase in demand for our skin care products especially from our key markets of China, Taiwan and South East Asia, there is a need for us to achieve better control over raw material quality and in-process quality, as well as to be able to reduce order lead time for our products. The Group’s acquisition of an industrial property in Singapore back in 2016, serves to fulfill this objective with the construction of our new skin care manufacturing facilities, slated to TOP around 2H2021, as a result of construction delays caused by the Covid-19 circuit breaker.



*Construction of our new skin care manufacturing facilities, slated to TOP around 2H2021, as a result of construction delays caused by the Covid-19 circuit breaker.*

This fully automated production facility shall significantly sharpen our competitive edge and support our efforts for further growth. We budgeted capital expenditure on this facility to be approximately S\$80 million over the next 2 years. Upon the eventual commission of our manufacturing facility, we also plan to apply for Halal certification and be one of the first few premium skin care brands to be Halal certified for sale in the Indonesia market.

Other initiatives which we will be pushing forth in the upcoming fiscal year and beyond are potential mergers and acquisitions that will allow us to penetrate new geographical markets, expand across the value chain as well as about 3 to 4 new product launches each year to enhance our brand appeal to customers.

鉴于预计中国、台湾和东南亚等主要市场对我们的护肤产品需求会增加，意味着需要更好地控制原材料和加强生产能力，同时需要缩短订单交货时间。为了用新的护肤品生产设备来实现这一目标，我们在2016年于新加坡收购了制造工厂，而由于新冠病毒阻断措施所导致的施工延误，故预计于2021年下半年颁发临时入伙证。



这个全自动化的生产设备将大大提高我们的竞争优势，并支持我们进一步发展。我们预计未来两年的资本支出约为8,000万新元。在我们的制造工厂年最终投入使用后，还计划申请清真认证，成为在印度尼西亚市场上销售清真认证的首批高级护肤品牌之一。

在即将到来的新财年以及未来，我们将推行：潜在合并与收购，使我们能渗透新的市场或扩大利润链；平均每季度推出3至4款新产品，提升品牌的客户吸引力。



Sponsored By: VEOLIA  
 Supported By: National Environment Agency  
 Redhill Gardens RC  
 Enquiry hotline: 6863 3140  
 6865 1140

Corporate

# SOCIAL RESPONSIBILITY

企业社会责任

*Best World's CSR initiative, the World Learner Student Exchange Scholarship (WLSES) is in its 9th year running. Inaugurated in FY2010, WLSES has since awarded over 240 exchange scholarship to over 49 beneficiary schools.*

**B**est World's CSR initiative, the World Learner Student Exchange Scholarship (WLSES) is in its 9th year running. Inaugurated in FY2010, WLSES has since awarded over 240 exchange scholarships to over 49 beneficiary schools. This year, besides Sichuan and Hunan, we have awarded scholarships to underprivileged students from the "Kid's Bookhouse" in Taiwan.

This group of 28 students participated in an immersion programme with Nanyang Primary School and Pei Chun Public School in Singapore. Together with local students, they visited the AWWA Senior Community Home and Special School, sharing an afternoon of performances and handicraft activities with the children and elderly. In FY2018, we expanded our charity activities to include a day of giving out food and supplies to the elderly and low-income families living in the Bukit Merah estate.

As our first "Best World Hope School" situated in the rural village of Zhong Lian County in Hunan is near completion and will open to receive students in the coming months, we have identified another site in Xin Zhao County in Hunan, to build our second "Best World Hope School". This region has been identified as one of the contiguous poor areas in China's national anti-poverty programs. We hope that, by providing quality education, we can create social change in the families living in the area and revitalize the economic situation there.

In 2018, we also funded the making of a short film for the Youth-House in Taiwan, to enhance awareness of verbal abuse and discrimination amongst teenagers. In Hong Kong, we participated in the Volunteer Programme for Couple Events and Caring Excursion for children in Ng Sheung Lan Memorial Nursery School.

We believe that one way to uphold good corporate governance and nurture positive values is to constantly be involved with meaningful and charitable projects. As we continue to strive for inspiring growth, we will also devote our resources to create a positive social impact that will improve the lives of the communities around us.

← *WLSES has evolved from a compassionate initiative to help students in the aftermath of Sichuan Earthquake to a passionate drive to spread love and community amongst the elderly and low-income family in Singapore.*



我们的世界童窗学生交流奖学金计划，已进行到第九个年头。从2010财年开始，世界童窗已向49所受益院校提供了240多项交流奖学金。今年，除了四川和湖南，我们还为台湾“儿童书屋”的贫困学生提供了奖学金。

这28名学生参加了南洋小学和公立培群学校的沉浸式教学体验，与当地学生一起参观AWWA乐龄社区之家及特殊学校，与那里的孩子和老人一起表演、进行手工活动。在2018财年，我们扩展了慈善活动范围，包括每天向红山的老人和低收入家庭发放食物和物资。



向红山社区的老人和低收入家庭发放食物和物资

位于湖南中连乡的第一所“全美世界希望小学”即将竣工，并在未来几个月开放招生。我们已在湖南新邵县确定

了另一个地点，建设第二所“全美世界希望小学”。该地区被定为中国扶贫攻坚的集中连片特困地区之一。我们希望为提高教育质量出力，让生活在该地区的家庭改善生活和经济状况。

2018年，我们也资助台湾青年之家制作短片，以提高青少年对言语虐待及歧视的认识。在香港，我们参与了伍尚能幼儿园举办的亲子活动义工计划及关爱儿童活动。

我们一直坚信，蕴酿优良的企业文化和正面价值观的一个途径是参与有意义的公益和慈善行动。在继续努力实现鼓舞人心的收入增长的同时，我们也将把资源用于创造社会正能量。

# Our APPRECIATION

鸣谢

For FY2018, we are pleased to propose a final one-tier tax-exempt dividend of 4.2 cents per ordinary share and a special final one-tier tax-exempt dividend of 0.8 cents per ordinary share. Including an interim one-tier tax-exempt dividend of 1.2 cents per share and a special one-tier tax-exempt dividend of 1.2 cents per share already paid earlier in 2H2018. The total dividends for FY2018 amounts to S\$40.7 million.

In closing, we would like to express our utmost gratitude to all shareholders for your trust and support, our deepest appreciation to the Board, the management team, our staff as well as our distributors for their dedication and commitment towards our business. To our customers, business associates, vendors, partners and friends, we would also like to thank you for your continued support and faith in us.

As we continue our journey ahead, let us look forward to another year of sustainable performance and steady growth.

在2018财年,我们高兴地宣布年终免税分红为每股4.2分,以及特别年免税分红为每股0.8分。包括每股1.2分的年中免税分红和已早在2018年下半年派出的每股1.2分的特别年中免税分红,2018财年的分红总额达到4,070万新元。

最后,我们衷心感谢所有的股东所给予的信任与支持,我们也对董事会、管理团队、员工以及经销商对公司的贡献与付出深表谢意!也要感谢客户、商业伙伴、供应商合作伙伴以及各位朋友们,一直以来对我们的支持和信任。连续这征程之际的我们给大家最好的回馈就是,让我们共同期待在新的一年里实现可持续发展和稳步增长。

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

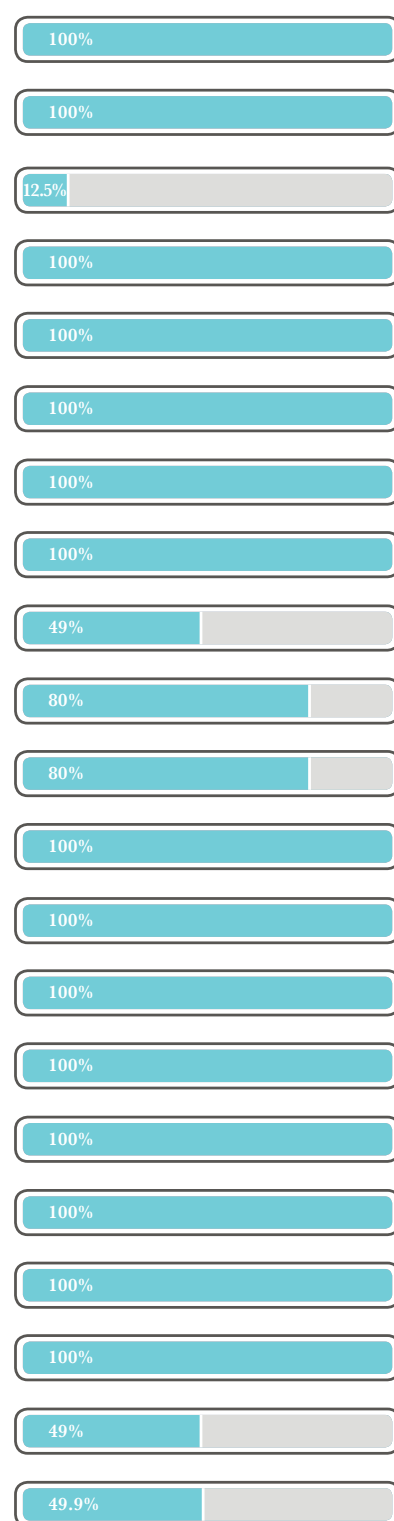
**Doreen Tan**  
Founder,  
Co-Chairman/  
President

# Group STRUCTURE

## SUBSIDIARIES AND ASSOCIATE HELD BY BEST WORLD INTERNATIONAL LTD

<b>SINGAPORE</b> Avance Living Pte. Ltd.	100%
<b>SINGAPORE</b> Celcott Investments Pte. Ltd.	100%
<b>SINGAPORE Via Celcott Investments Pte. Ltd.</b> Celligenics Pte. Ltd. <sup>1</sup>	12.5%
<b>SINGAPORE</b> Best World Lifestyle Pte. Ltd.	100%
<b>SINGAPORE</b> Best World Taiwan Holdings Pte. Ltd.	100%
<b>SINGAPORE</b> MDUK Investment Pte. Ltd. <sup>2</sup>	100%
<b>SINGAPORE</b> BONSA Systems Pte. Ltd. <sup>3</sup>	100%
<b>MALAYSIA</b> Best World Lifestyle Sdn. Bhd.	100%
<b>THAILAND</b> BWL (Thailand) Company Limited	49%
<b>INDONESIA</b> PT Best World Indonesia <sup>4</sup>	80%
<b>INDONESIA</b> PT BWL Indonesia <sup>4</sup>	80%
<b>PHILIPPINES</b> BWL Health & Sciences, Inc	100%
<b>VIETNAM</b> Best World Vietnam Company Limited	100%
<b>HONG KONG SAR (GREATER CHINA)</b> Best World Lifestyle (HK) Company Limited	100%
<b>KOREA</b> BWL Korea Co., Ltd	100%
<b>TAIWAN (GREATER CHINA)</b> Best World Lifestyle (Taiwan) Co., Ltd	100%
<b>CHINA</b> Best World Lifestyle (Shanghai) Co., Ltd.	100%
<b>CHINA</b> Best World (China) Pharmaceutical Co., Ltd.	100%
<b>CHINA Via Best World (China) Pharmaceutical Co., Ltd.</b> Best World Lifestyle (China) Co., Ltd <sup>5</sup>	100%
<b>UNITED ARAB EMIRATES</b> BWL General Trading L.L.C	49%
<b>UNITED KINGDOM Via MDUK Investment Pte. Ltd.</b> Pedal Pulses Limited <sup>6</sup>	49.9%

## EFFECTIVE SHAREHOLDING



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 Investment Pte. Ltd. in June 2020.
3. In June 2020, the Company incorporated BONSA Systems Pte. Ltd., a wholly-owned subsidiary of the Company, in Singapore.
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 hold 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 Investment Pte. Ltd.

# Board of DIRECTORS



## Dr Dora Hoan Beng Mui, PBM

Co-Chairman, Group CEO/Managing Director

Date of first appointment as a director: 11 December 1990

Date of last re-election as a director: Nil

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

Length of service as a director (as at 31 December 2018): 28 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  
- PhD in Business Administration, Western Pacific University, USA

Present Directorships (as at 31 December 2018)  
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 2016 to 31 December 2018)  
Nil



## Dr 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: 26 April 2017

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

Length of service as a director (as at 31 December 2018): 28 years

Board committee(s) served on:  
Nil

Academic & Professional Qualification(s):  
- Applied Nutrition, American Academy of Nutrition  
- Doctorate Degree in Naturopathy, Canyon College, USA

Present Directorships (as at 31 December 2018)  
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 2016 to 31 December 2018)  
Nil

# Board of DIRECTORS



## Mr Huang Ban Chin

Executive Director and Chief Operating Officer

Date of first appointment as a director: 13 September 1994

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

Length of service as a director (as at 31 December 2018):  
24 years 3 months

Board committee(s) served on:

Nil

Academic & Professional Qualification(s):

Bachelor of Science, National University of Singapore

Present Directorships (as at 31 December 2018)

Best World International Limited

Other principal commitments

Nil

Past Directorships held over the preceding three years in other listed companies (from 1 January 2016 to 31 December 2018)

Nil



## Mr Lee Sen Choon

Chairman of Audit Committee and Lead Independent Director

Date of first appointment as a director: 24 May 2004

Date of last re-election as a director: 26 April 2017

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

Length of service as a director (as at 31 December 2018):  
14 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
- Practising Member of Institute of Singapore Chartered Accountants

Present Directorships (as at 31 December 2018)

- 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
- Treasurer and Chairman of Finance Committee, Hwa Chong Institution Board of Governors
- Chairman of School Advisory Committee of Xingnan Primary School

Past Directorships held over the preceding three years in other listed companies (from 1 January 2016 to 31 December 2018)

Nil



## Mr 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

Length of service as a director (as at 31 December 2018): 1 year

Board committee(s) served on:

- Remuneration Committee
- Nominating Committee
- Audit Committee

Academic & Professional Qualification(s):

LLB (Hons), National University of Singapore

Present Directorships (as at 31 December 2018)

- Best World International Limited
- Ascendas Funds Management (S) Limited
- Global Investments Limited
- Yoma Strategic Holdings Ltd.
- Hong Fok Corporation Limited
- AEM Holdings Ltd
- Bowsprit Capital Corporation 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

Past Directorships held over the preceding three years in other listed companies (from 1 January 2016 to 31 December 2018)

- Biosensors International Group, Ltd.
- Nobel Design Holdings Ltd



## Mr Chester Fong Po Wai

Chairman of Nominating Committee

Date of first appointment as a director: 15 February 2019

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

Length of service as a director (as at 31 December 2018): Nil

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 (as at 31 December 2018)

- 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 2016 to 31 December 2018)

Nil

Past principal commitments

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

## Board of DIRECTORS



### Ms 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 2018): Nil

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 (as at 31 December 2018)  
Best World International Limited

Other principal commitments  
Managing The Dark Gallery Pte Ltd and Thirtythree Pte Ltd

Past Directorships held over the preceding three years in other listed companies (from 1 January 2016 to 31 December 2018)  
Nil



### Mr 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 2018): Nil

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 (as at 31 December 2018)  
Best World International Limited

Other principal commitments  
Managing So App Pte Ltd and Lure Haven LLP

Past Directorships held over the preceding three years in other listed companies (from 1 January 2016 to 31 December 2018)  
Nil

## Key MANAGEMENT



### Sugiharto Husin

Senior Group Manager, Information System



### 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 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.



# Key MANAGEMENT



## **Dr 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) & BWL (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, BWL (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 17 years. Mr Yeh holds a Bachelor's Degree in Economics from Tamkang University in Taiwan.

# Key MANAGEMENT



## 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 brand standards for the company's portfolio of brands, ranging from skincare, healthcare to wellness products. This includes driving strategic initiatives in product branding and content development for social media. In addition, Mr Ang also heads the company's corporate social responsibility initiative, the World Learner Student Exchange Scholarship.

Prior to Best World, Mr Ang spent over 10 years in brand consulting. His rich experience and expertise 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.



## Phyllis Tan Hui Keng

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. Her latest portfolio includes overseeing the Group's inventory planning and supply chain management.

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



## 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

# FINANCIAL CALENDAR

## 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)
Chan Soo Sen	Independent Non-Executive Director (Resigned on 15 February 2019)
<b>AUDIT COMMITTEE</b>	
Lee Sen Choon	Chairman
Chan Soo Sen	(Resigned on 15 February 2019)
Adrian Chan Pengee	
Chester Fong Po Wai	(Appointed on 15 February 2019)

## REMUNERATION COMMITTEE

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  
United Overseas Bank Ltd

## 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)

## 26 February 2019

Announcement of full year results for the financial year ended 31  
December 2018

## 27 February 2019

Analyst Brief

## 8 May 2019

Announcement of first quarter results ended 31 March 2019

## 29 May 2019

Sustainability Report 2018

## 13 August 2019

Announcement of first half year results ended 30 June 2019

## 21 August 2019

Interim dividend book closure date

## 28 August 2019

Payment of interim dividend

## 8 November 2019

Announcement of third quarter results ended 30 September 2019

## 29 May 2020

Sustainability Report 2019

## 22 June 2020

Annual General Meeting

## 1 July 2020

Dividend book closure date of final dividends

## 17 July 2020

Payment of final dividends for financial year ended 31 December 2018

# CORPORATE GOVERNANCE

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

The Board confirms that for the financial year ended 31 December 2018 (“FY2018”), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

## THE BOARD’S CONDUCT OF AFFAIRS

### Principle 1

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

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

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

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

In January 2019, 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.

Chan Soo Sen stepped down from the Board and the Board Committees on 15 February 2019. Adrian Chan Pengee was appointed as the Chairman of the Remuneration Committee and stepped down as Chairman of the Nominating Committee while Chester Fong Po Wai was appointed as an Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee at the same time.

The Board’s principal functions are:

- Setting strategic and financial objectives of the Company and monitoring the performance of Management;
- Considering sustainability issues including environmental and social factors in the formulation of the Group’s strategies;
- Approving annual budgets, funding requirements, expansion plans, capital investment, major acquisitions and divestment proposals;
- Approving nominations of board directors, committee members and key personnel;
- 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;
- Determining the Group’s values and standards including ethical standards; and
- Approving transactions involving interested parties.

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

The Board continues to approve matters which, under the Singapore Companies Act, Chapter 50 and SGX-ST Listing Manual require Board approval. Specifically, the Board has the responsibility to approve the following:

- Joint ventures, mergers and acquisitions
- Appointment of directors and key management staff of the Company;
- Acquisition and disposal of non-routine assets, investments and treasury products exceeding S\$500,000; and
- Declaration of interim dividends by the Company

All directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and at all times consider the best interests of the Group.

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

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

The frequency of the Board and Board Committees’ meetings and the attendance of each director at these meetings for the financial year ended 31 December 2018 is set out in the table below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
<b>Total number of meetings held</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>
Meetings attended:				
Dora Hoan Beng Mui	5	-	1	-
Doreen Tan Nee Moi	5	-	-	-
Huang Ban Chin	5	-	-	-
Lee Sen Choon	5	4	1	1
Adrian Chan Pengee	5	4	1	1
Chan Soo Sen	5	4	1	1
Chester Fong Po Wai, Li Lihui and Pek Weiliang <sup>1</sup>	NA	NA	NA	NA

<sup>1</sup> Chester, Lihui and Weiliang were appointed in 2019 and did not participate in the meetings held in 2018.

A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as a director. New directors will also be briefed during the orientation program on the overview of the business operations, the latest results announced, the company's corporate governance practices, regulatory regime, their duties as directors and the relevant committee's terms of reference. The director is also introduced to key management personnel and given the opportunity to visit the Group's operational facilities.

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

In FY2018, training attended by executive directors is as follows:

Training program	Participant
Negotiating and drafting technology transfer, licensing and IP agreements	Huang Ban Chin

## BOARD COMPOSITION AND GUIDANCE

### Principle 2

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

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

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

The independence of each director is reviewed annually by the NC and its views made to the Board. Particular scrutiny was applied in assessing the continued independence of Mr Lee Sen Choon; having served as a director beyond nine years from the date of his first appointment, with attention to ensure that his allegiance remains clearly aligned with shareholders' interest. Mr Lee Sen Choon duly recused himself from the discussion and decision in respect of his own independence.

The following were some of the factors considered in reviewing the independence of the director who has served beyond nine years:

- 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;
- whether the length of service has had any adverse impact on the director's objectivity and judgement and whether during the tenure there has 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
- whether the director continues to exhibit a firm commitment to his role and continues to actively contribute with the knowledge and experience of the Group's business built up over the years.

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.

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.

Therefore, the Board is satisfied as to the performance and continued independence of judgment of each of these directors.

The NC reviews the size of the Board on an annual basis. Based on the latest review, there was general agreement that the present Board size is appropriate and facilitates effective decision making, taking into account the nature and current scope of the Company's operations and the requirements of the business.

The Board and NC appreciate the benefits of having a diverse Board. The diversity in our Board's composition, an appropriate mix of gender, age, expertise and experience in areas such as accounting and finance, business and management experience, industry knowledge, strategic planning experience, customer-based experience and knowledge allows Board members to have broader perspectives, better identify possible risks, raise challenging questions and contribute to problem-solving, leading to quality decision making in order to achieve the Company's strategic objectives. Details of the Board members' qualifications and experience are presented in this Annual Report under the section titled "Board of Directors".

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### Principle 3

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

Dr Dora Hoan Beng Mui is both the Co-Chairman and the Group CEO of the Group.

As one of the founders and a substantial shareholder of the Company, she has been personally involved in the day-to-day operations of the Company since its incorporation, providing the Group with vision and strong leadership and playing an instrumental role in developing the businesses of the Group.

Her performance and remuneration are reviewed periodically by the NC and the RC respectively, which consists mainly of independent directors. Major decisions in the Group are reviewed by the Board, which has a strong representation of independent non-executive directors. In addition, a Lead Independent Director - Mr Lee Sen Choon has been appointed to provide leadership in situations should the Chairman be conflicted and coordinate the role and responsibilities of the Chairman.

The Chairman's duties and responsibilities include:

- leading the Board to effectively cover all aspects of its role;
- reviewing the agenda and the board papers prepared for Board meetings to ensure significant items; particularly strategic issues are looked into and sufficient time is allocated for their discussion;
- setting an open and honest culture and encouraging debate;
- ensuring the directors receive board papers that are complete, adequate and timely before the meeting;
- ensuring the proper conduct of meetings and accurate documentation of the proceedings with the help of the corporate secretary;

- vi. ensuring effective communication with shareholders;
- vii. encourage constructive relations within the Board and between the Board and Management and facilitating effective contribution from the independent directors.
- viii. promoting high standards of corporate governance.

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

The Board believes that the above safeguards in place are adequate to prevent a situation of an individual having unfettered powers of decision making.

As mentioned in Principle 2, the independent directors, led by the lead independent director, meet at least once a year without the presence of Management.

#### BOARD MEMBERSHIP

##### Principle 4

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

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

Chairman	:	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)

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

The duties of the NC are as follows:

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

The NC reviews annually the independence declarations made by the Company's independent non-executive directors based on the criterion of independence under the guidelines provided in the Code. For the year under review, the NC has ascertained the independence status of the three independent non-executive directors of the Company, namely Mr Lee Sen Choon, Mr Chester Fong Po Wai and Mr Adrian Chan Pengee by virtue of the fact that each of them does not have any existing business and/or professional relationship whatsoever with Best World group of companies and its officers which could possibly influence their objectivity in discharging their duty as an independent director of the Company.

The Board, having considered their character, their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, is of the view that there is no material conflict between their tenure and their ability to discharge their role as independent non-executive directors.

The NC adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The Board has determined that directors should not concurrently hold more than six listed company board representations.

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

The NC was satisfied that in FY2018, directors with other listed company board representations and / or other principal commitments were able to carry out and had been adequately carrying out, their duties as directors of the Company. Although Mr Adrian Chan Pengee holds more than six listed company board representations, he 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 him to the affairs of the Company and the board representations presently held by him do not impede the performance of his duties to the Company.

In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skills sets will be considered before the NC makes its recommendations to the Board.

In line with the Company's expansion into China, we have appointed a new independent non-executive director, Chester Fong Po Wai. Chester is a veteran in the consumer products industry and is well exposed to the China market, having served many years in Colgate-Palmolive as their Chairman and CEO of Greater China and subsequently CFO of the Greater Asia Division. During this period, he also accumulated rich merger & acquisition, partnership management and strategic restructuring experience. He currently serves as a Senior Advisor to McKinsey & Company in Asia-Pacific supporting Strategy and Corporate Finance with focus on transactions and CFO service lines.

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

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

In accordance with Article 92 of the Constitution of the Company, any newly appointed director appointed by the Board must retire and submit himself / herself for re-election at the next AGM following his / her appointment. Thereafter, he / she is subject to the one-third rotation if re-elected. Chester Fong Po Wai will be retiring under Article 92 of the Constitution of the Company at the forthcoming AGM.

Pursuant to Article 93 of the Constitution of the Company, Doreen Tan Nee Moi and Lee Sen Choon shall retire at the forthcoming AGM. In this regard, the NC, having considered the attendance and participation of these directors at the Board and Board Committee Meetings, has recommended their re-election. The retiring directors, being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation.

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

#### BOARD PERFORMANCE

##### Principle 5

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

The Board has, through the NC, implemented an annual evaluation process via the use of evaluation forms to assess the effectiveness of the Board as a whole, 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.

The evaluation of Board's performance as a whole deals with matters on Board composition, information to the Board, Board procedures, Board accountability, the Board's preparedness to deal with problems and crisis, the functioning of the Board Committees, CEO / Top Management and standards of conduct. The 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.

The annual evaluation exercise provides an additional 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's effectiveness as a whole as well as the efficiency and effectiveness of the Board Committees in assisting the Board.

The results of the overall performance of the Board pointed towards consistently good ranking in most areas. Each director contributed positively to the effective functioning of the Board and Board Committees. All the Committee's Chairmen are professional and act independently. In addition, the NC is also satisfied that sufficient time and attention have been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.

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

#### ACCESS TO INFORMATION

##### Principle 6

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

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

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

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

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

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

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

#### REMUNERATION MATTERS

##### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

##### Principle 7

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

The RC comprises the following three independent non-executive directors as at the date of this report:

Chairman	:	Adrian Chan Pengee
Member	:	Lee Sen Choon
Member	:	Chester Fong Po Wai

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

The duties of the RC are as follows:

- a) reviewing and recommending to the Board, a remuneration policy framework and guidelines for remuneration of the Board and the CEO and key management personnel;
- b) determining specific remuneration packages for each of the directors and key management personnel covering all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefit-in-kind;
- c) seeking expert advice inside and / or outside the Company on remuneration of all directors, if necessary, and ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- d) reviewing the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, aim to be fair and avoid rewarding poor performance;
- e) recommending targets and measures for assessing the performance of each of the executive directors and key management personnel, for endorsement by the Board of Directors;
- f) where long-term incentives schemes have been implemented by the Company, reviewing whether executive directors and key management personnel should be eligible for benefits under the long-term incentives schemes;
- g) periodically considering and reviewing remuneration packages in order to maintain their attractiveness, so as to retain and motivate the directors and key management personnel; and
- h) considering the implementation of schemes to encourage non-executive directors to hold shares in the Company so as to better align the interests of such non-executive directors with the interests of shareholders

## LEVEL AND MIX OF REMUNERATION

### Principle 8

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

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

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

The independent non-executive directors are paid 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, for their effort and time spent and for their responsibilities and contribution to the Board.

The fee structure is as follows:

Base fee for appointments in the Board and its committees	S\$ 47,000
Additional fee for chairing each Board Committee	S\$ 13,000
Additional fee for appointment as Lead Independent Director	S\$ 2,000

The RC had recommended to the Board an amount of \$182,000 as Directors' fees to be paid for FY2018, which will be tabled for shareholders' approval at the forthcoming AGM.

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.

Since FY2013, the Company has commenced the use of 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.

## DISCLOSURE ON REMUNERATION

### Principle 9

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

For competitive reasons and difference in salary benchmarks across the countries we operate in, the Company shall disclose the remuneration of individual executive directors and the top five key management personnel on a named basis in bands of \$250,000.

The breakdown of remuneration for each director and the top five key employees for FY2018 are as follows:

	Remuneration Bands / Remuneration	Salary <sup>1</sup> (%)	Bonus (%)	Benefits-in-kind (%)	Fees (%)	Total (%)
<b>Executive Directors</b>						
Dr Dora Hoan Beng Mui	S\$4,750,000 to S\$5,000,000	18	81	1	-	100
Dr Doreen Tan Nee Moi	S\$4,750,000 to S\$5,000,000	18	81	1	-	100
Mr Huang Ban Chin	S\$2,500,000 to S\$2,750,000	23	76	1	-	100
<b>Independent Directors</b>						
Lee Sen Choon	S\$62,000	-	-	-	100	100
Adrian Chan Pengee	S\$60,000	-	-	-	100	100
Chan Soo Sen <sup>2</sup>	S\$60,000	-	-	-	100	100
<b>Top Five Key Management Personnel</b>						
Simon Yeh	S\$500,000 to S\$750,000	29	71	-	-	100
Koh Hui	S\$250,000 to S\$500,000	48	51	1	-	100
Jansen Tang	S\$250,000 to S\$500,000	46	53	1	-	100
Gan Kok Wee	S\$250,000 to S\$500,000	52	48	-	-	100
Jerry Lu	S\$250,000 to S\$500,000	50	50	-	-	100

<sup>1</sup> Comprises salary and all CPF contributions

<sup>2</sup> Chan Soo Sen 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 FY2018 was \$2,252,476.

Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$50,000 during the year are disclosed as follows:

Immediate Family Member of Director	Relationship with Director	Designation	Remuneration Bands
Hoan Beng Hua	Brother of Dr Dora Hoan Beng Mui	Senior Production Supervisor	S\$150,000 – S\$200,000

As mentioned in the policy for remuneration above, bonus targets are used to drive performance and amounts declared are based on individual performance and company performance for FY2018.

### Long Term Incentive Scheme

The Company has an employee share award scheme known as the BWI Performance Share Scheme (the "Scheme"), administered by the Remuneration Committee. 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.



## ACCOUNTABILITY

### Principle 10

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

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

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

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

Negative assurance statements supported by the Co-Chairman, Group CEO / Managing Director and Co-Chairman, President were issued to accompany the Company's quarterly financial results announcements, giving shareholders confirmation that to the best of their knowledge, nothing had come to their attention which would render the Company's quarterly results false or misleading.

The Company has also procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Principle 11

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

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

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

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

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

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

The top 5 risks the company faces are identified below:

- 1) **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 results 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. The continued operation of our manufacturing facility in BWZ is currently dependent on our facility being GMP compliant. Should there be any changes in requirements to the standards, the company might have to incur additional costs to fulfil the authority's requirements. We monitor changes closely to ensure that we remain compliant.
- 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.

The Company has in place a whistle-blowing policy to empower employees with avenues to report suspected fraud, corruption, dishonest practices and other acts of misconduct. The Company will follow up on all reports and treat all information received confidentially to protect the identity (if available) and the interest of all whistle blowers. For incidents of severe nature, the AC will be informed and an independent team reporting directly to the AC will be established accordingly. For incidents with less severity, the ERM committee comprising of the heads of various departments will oversee the matter raised.

In 2018, an issue regarding unfair treatment by a supervisor in one of our subsidiaries was raised to HQ via the whistle blowing channel. The matter was investigated and confirmed after conducting a due inquiry. The supervisor was asked to resign from the company to protect our employees from such undesirable behavior.

As at the date of this report, based on work done by the Independent Accountant on the Independent Review, certain issues are being reviewed 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.

Apart from these areas which will be addressed in the Independent Accountant's report to be issued, 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 2018. 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.

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

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

#### AUDIT COMMITTEE

##### Principle 12

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

As at the date of this report, the AC comprises three independent and non-executive directors:-

Chairman	:	Lee Sen Choon
Member	:	Adrian Chan Pengee
Member	:	Chester Fong Po Wai

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

The duties of the AC are as follows:

##### External Audit

- a) review with the external auditors and Management on the following:-
  - i. the audit plan
  - ii. their evaluation of the system of internal accounting controls and the effectiveness of the Company's audit function
  - iii. significant financial reporting issues and judgments so as to ensure integrity of the financial statements of the company and any announcements relating to the company's financial performance
  - iv. their audit report
  - v. their management letter and Management's response
- b) ensure co-ordination where more than one audit firm is involved
- c) review the quarterly, half-year and annual financial statements and earnings releases before submission to the Board for approval
- d) meet with the external auditors and internal auditors at least once a year in the absence of Management to discuss issues arising from the audit, including the assistance given by the Management to the auditors
- e) report to the Board its findings from time to time on matters arising and requiring the attention of the AC
- f) undertake such other reviews and projects as may be requested by the Board
- g) undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time
- h) consider and recommend to the Board, the appointment / re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors
- i) oversee the Group Whistle Blowing Policy
- j) review the independence of the external auditors annually and the aggregate amount of fees paid to the external auditors for that financial year and a breakdown of the fees paid in total for audit and non-audit services
- k) ensure that the External Auditor has direct and unrestricted access to the Chairman of the Board and the AC

##### Internal Audit

- a) review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance and information technology controls
- b) review internal audit programme and the scope and results of the internal audit and its effectiveness
- c) review the appointment, removal, evaluation and compensation of the internal audit function
- d) review and monitor Management's responsiveness to the internal audit findings and recommendation
- e) ensure that the Head of Internal 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
- f) receive report from Management and internal audit on IPT

##### Internal Control

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

##### Risk Management

- a) advise the Board on the Group's overall risk tolerance and strategy
- b) oversee and advise the Board on the current risk exposures and future risk strategy of the Group
- c) in relation to risk assessment, (i) keep under review the Group's overall risk assessment processes that inform the Board's decision making; (ii) review regularly and approve the parameters used in these measures and the methodology adopted; and (iii) set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance
- d) review the Group's capability to identify and manage new risk types
- e) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, focusing 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
- h) review and monitor the Management's responsiveness to the findings

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

The AC met with the external auditors without the presence of any executive director and Management personnel at least once in FY2018.

The AC reviewed the non-audit services provided by the external auditors of the Company for FY2018. As at 31 December 2018, total fees paid/payable amounted to \$395,679 out of which \$161,000 is for audit services and \$234,679 is for non-audit services, of which \$226,679 pertain to special audit fees that are not expected to be recurring. 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.

The AC had recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

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 and 715.

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.

Summary of AC's activities in 2018

- (i) reviewed the financial statements of the Company before the announcement of the Company's quarterly and full-year results;
- (ii) together with the Co-Chairman, Group CEO / Managing Director, Chief Operating Officer, 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 a different auditor 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; and
- (ix) reviewed interested party transactions.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

#### INTERNAL AUDIT

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

The 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.

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

#### SHAREHOLDER RIGHTS

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

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

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

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. The Company's Constitution also allow any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings.

Best World allows relevant intermediaries such as the Central Provident Fund Board or corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such bodies can attend and participate in general meetings as proxies.

#### COMMUNICATION WITH SHAREHOLDERS

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

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

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

- a) Disclosures to SGXNET and press releases on major developments of the Group;
- b) The Group's website at [www.bestworld.com.sg](http://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.

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

Through its dividend policy, Management has also committed to distribute at least 40% of the company's annual profit to shareholders in the form of dividends and / or bonus securities each year.

#### CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

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

For greater transparency and fairness in the voting process, voting at shareholders’ meetings is conducted by poll. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. Results are announced in detail, showing the number of votes cast for and against each resolution and the respective percentages. In addition, the voting results at the general meetings including the name of the independent scrutineer will be announced via SGXNET immediately after each general meeting.

The Company has not adopted electronic polling for its voting process due to low attendance rates of shareholders at AGM.

#### DEALING IN SECURITIES

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

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

#### INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy, governing procedures for the identification, approval and monitoring of transactions with interested persons. All interested person transactions (“IPT”) are subject to review by the AC every quarter to ensure that 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:

- disclose his or her interest to the Board, prior to any vote on the transaction;
- in addition to compliance with a) above, absent himself or herself from discussions, deliberations, or votes concerning the transaction; and
- 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.

In any instance where the Board approves an IPT, the minutes of the meetings where such transaction is approved shall note:

- the terms of the transaction;
- the date it was approved and those who voted on it;
- the comparability data obtained and relied upon and how such data was obtained; and
- the basis for the Board’s decision to approve the transaction

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

For the financial year ended 31 December 2018, interested person transactions exceeding \$100,000 in aggregate for the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) are as follows.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		\$’000	\$’000
Huan Beng Choon	Brother of Dr. Dora Hoan Beng Mui		
• Sales		4	NA
• Freelance Commission Paid		130	NA

#### MATERIAL CONTRACTS

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 FY2018, 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 SGX-ST LISTING RULES

Best World is committed and passionate about contributing back to our 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.

Best World published its FY2018 Sustainability Report (the “Report”), which is aligned to SGX-ST’s Listing Rules – Sustainability Reporting Guide in May 2019. This Report is publicly accessible through Best World’s website as well as on SGXNet.

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	No. Deviations shall be stated alongside each guideline of the Disclosure Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	It allows partial transparency as well as other objectives to be met, such as minimizing the risk of staff poaching, dissatisfaction amongst staff and cost effectiveness for shareholders.

### Board Responsibility

Guideline 1.5	What are the types of transactions which require approval from the Board?	<p>The Company has formulated guidelines setting forth matters reserved for the Board's decision. The Management of the Company (the "Management") was also given clear directions on matters, including financial authorization and approval limits for operational matters and capital expenditure. The Board approves transactions exceeding certain threshold limits and while delegating authority for transactions below these limits to Management so as to facilitate operational efficiency. The Board continues to approve matters which, under the Singapore Companies Act, Chapter 50 and SGX-ST Listing Manual require Board approval. Specifically, the Board has the responsibility to approve the following:</p> <ul style="list-style-type: none"> <li>• Joint ventures, mergers and acquisitions</li> <li>• Appointment of directors and key management staff of Best World International Limited</li> <li>• Acquisition and disposal of non-routine assets, investments and treasury products exceeding S\$500,000</li> <li>• Declaration of interim dividends by Best World International Limited</li> </ul>
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### Members of the Board

Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The Board usually seeks a director that can add value by contributing skills, experiences, insights or networks that is not yet available to the Board.
	(b) Please state whether the current composition of the Board provides diversity on each of the following - skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The current Board consists of 5 male directors and 3 female directors, equipped with a mix of skills in accounting and finance, legal and experienced in strategic planning, business management, with familiarity to the industry, knowledge of the company and customer-based experiences.

- (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?

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

The diversity in our Board's composition, an appropriate mix of gender, expertise and experience in areas such as accounting and finance, business and management experience, industry knowledge, strategic planning experience, customer-based experience and knowledge. Together, the Board members possess a wide and relevant field of core competencies to lead the Company.

Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) reelecting incumbent directors.	In the selection process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. Thereafter, the NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skills sets will be considered before the NC makes its recommendations to the Board.
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In line with the Company's expansion into China, we have appointed a new independent non-executive director, Chester Fong Po Wai. Chester is a veteran in the consumer products industry and is well exposed to the China market, having served many years in Colgate-Palmolive as their Chairman and CEO of Greater China and subsequently CFO of the Greater Asia Division. During this period, he also accumulated rich merger & acquisition, partnership management and strategic restructuring experience. He currently serves as a Senior Advisor to McKinsey & Company in Asia-Pacific supporting Strategy and Corporate Finance with focus on transactions and CFO service lines.

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

The NC considers the results of the assessment on the effectiveness of the individual director, his attendance and participation at the Board and Board Committee Meetings, before recommending whether to reelect retiring directors.

Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Yes.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	<p>i) Director orientation, corporate governance, director duties, share dealing restrictions etc.</p> <p>ii) Existing directors are encouraged to attend seminars at least annually and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to provide its directors with updates on changes to relevant laws, regulations and accounting standards. Our independent directors are also engaged full time in their respective profession, keeping them updated in their fields of knowledge.</p>

Training program	Participants
Negotiating and drafting technology transfer, licensing and IP agreements	Huang Ban Chin

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

### Board Evaluation

Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	<p>The Board has, through the NC, implemented an annual evaluation process via the use of evaluation forms to assess the effectiveness of the Board as a whole, 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.</p> <p>The evaluation of Board's performance as a whole deals with matters on Board composition, information to the Board, Board procedures, Board accountability, the Board's preparedness to deal with problems and crisis, the functioning of the Board Committees, CEO / Top Management and standards of conduct. The 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.</p> <p>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.</p> <p>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 as well as the efficiency and effectiveness of the Board Committees in assisting the Board.</p> <p>No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual directors.</p>
	(b) Has the Board met its performance objectives?	<p>Yes. The results of the overall performance of the Board pointed towards consistently good ranking in most areas. Each director has contributed positively to the effective functioning of the Board and Board Committees. All the Committee's Chairmen are professional and act independently. In addition, the NC is also satisfied that sufficient time and attention has been given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.</p>

### Independence of Directors

Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	No.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	NA
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	<p>Mr Lee Sen Choon has served as a director beyond nine years from the date of his first appointment.</p> <p>The following were some of the factors considered in reviewing the independence of the director who has served beyond nine years:</p> <p>(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;</p> <p>(b) whether the length of service has had any adverse impact on the director's objectivity and judgement and whether during the tenure there has 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</p> <p>(c) whether the director continues to exhibit a firm commitment to his role and continues to actively contribute with the knowledge and experience of the Group's business built up over the years.</p> <p>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 character and judgment over the years in discharging his duties and responsibilities as independent director and he does not have any existing business and/or professional relationship whatsoever with Best World group of companies and its officers which could possibly influence his objectivity in discharging his duty as an independent director of the Company.</p>

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. The independent directors continue to be committed to carry out their 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.

### Disclosure on Remuneration

Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, Benefits-in-kind, stock options granted, share-based incentives and awards, and other long term incentives? If not, what are the reasons for not disclosing so?	<p>Yes, the CEO and executive directors' remuneration are disclosed in bands of S\$250,000, breakdown in percentage terms.</p> <p>The independent directors' remuneration are disclosed in dollar terms.</p>
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Yes. The aggregate of the total remuneration paid to the top five key management personnel for FY2018 is S\$2,252,476.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Mr Hoan Beng Hua, brother of Dr Dora Hoan Beng Mui (Co-Chairman, Group CEO / Managing Director) is employed by Best World International Limited as a Senior Production Supervisor. His salary range is between S\$150,000 to S\$200,000.

Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p>	<p>Executive directors have service agreements with the company that are renewed every three years. In addition to the basic salary component and benefits-in-kind, the executive directors' remuneration is linked to performance via a tiered incentive bonus based on profit before tax. The Remuneration Committee reviews the audited group financial results against the targets achieved before approving the distribution of the annual incentive bonus.</p> <p>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.</p>
	<p>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</p>	<p>Short term rewards are bonuses based on individual key performance indicators and company performance as a whole such as profit before tax for the year.</p> <p><b>Long Term Incentive Scheme</b> The Company has an employee share award scheme known as the BWI Performance Share Scheme (the "Scheme"), administered by the Remuneration Committee. 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.</p> <p>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.</p> <p>The Scheme was at the end of its 10-year duration and was discontinued on 30 April 2019.</p>
	<p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>As mentioned in the policy for remuneration above, the bonus amounts declared are based on individual performance and company performance as a whole for FY2018.</p>

**Risk Management and Internal Controls**

Guideline 6.1	<p>What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</p>	<p>Board papers are furnished to the Board five days prior to any board meeting. This allows directors sufficient time to review and consider the matters to be discussed. The board papers include minutes of the previous meeting, reports relating to investment proposals, financial results announcements, financial analysis reports, risk reporting summary and reports from internal auditors, external auditors and Board Committees etc.</p> <p>However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. Employees, who can provide additional insight into matters to be discussed, are also invited to be present during the relevant discussions. From time to time, the Board requests for additional information to be reported in the board papers in response to new regulations or to assist them in decision making.</p>
Guideline 13.1	<p>Does the Company have an internal audit function? If not, please explain why.</p>	<p>The internal audit function of the Company is outsourced to an external consulting firm – BDO LLP.</p>
Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p>	<p>The Board has instituted risk tolerance levels to guide Management in the course of operations and achieving its strategic objectives. These tolerance levels were drafted based on the top risks identified by the Enterprise Risk Management ("ERM") committee. Board approval is required for initiatives involving greater risk exposures that exceed the predetermined levels. The ERM committee, comprising the Executive Director and Chief Operating Officer – Mr Huang Ban Chin, department heads and chaired by the Lead Independent Director – Mr Lee Sen Choon assists the Board on risk management. The key components of the Company's risk management framework include:</p> <p>Risk assessment – Risks that the Company is exposed to are identified, assessed and updated in the risk register. The risks are rated and ranked according to the likelihood and its impact. Top risks are highlighted for extra emphasis.</p> <p>Risks monitoring – Risks are monitored through internal audits, internal reviews, questionnaires circulated to subsidiary management and the control self-assessment ("CSA") programme.</p> <p>Risk response &amp; risk reporting – The ERM committee holds regular meetings to discuss risk issues, new initiatives and reports material findings uncovered from risk monitoring. These meetings are thoroughly minuted and form part of the Board papers presented to the Board. Key risks exposures and statuses are also compiled in a risk reporting summary and submitted for Board review.</p> <p>The CSA programme established since 2011 provides a framework to obtain feedback on the state of internal controls.</p>



The programme requires subsidiaries to review and report biannually on the effectiveness of controls and the control environment to HQ and significant findings are reported to the Board. Periodically, internal audit and independent reviews would be conducted to validate the self-assessments.

The Company has in place a whistle-blowing policy to empower employees with avenues to report suspected fraud, corruption, dishonest practices and other acts of misconduct. The Company will follow up on all reports and treat all information received confidentially to protect the identity (if available) and the interest of all whistle-blowers. For incidents of severe nature, the AC will be informed and an independent team reporting directly to the AC will be established accordingly. For incidents with less severity, the ERM committee comprising of the heads of various departments will oversee the matter raised.

(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

Yes.

Guideline 12.6

(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.

As at 31 December 2018, total fees amounted to S\$395,679 out of which S\$161,000 is for audit services and S\$234,679 is for non-audit services.

(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.

S\$226,679 of the non-audit services pertain to special audit fees that are not expected to be recurring. 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.

#### Communication with Shareholders

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

# 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 2018.

## 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 2018 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  
Doreen Tan Nee Moi  
Huang Ban Chin  
Lee Sen Choon  
Adrian Chan Pengee  
Chester Fong Po Wai (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)

## 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:

Name of director	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
<b>Ordinary shares of the Company</b>				
Dora Hoan Beng Mui	31,130,000	32,230,000	193,037,500	193,037,500
Doreen Tan Nee Moi	31,130,000	31,230,000	193,037,500	193,037,500
Huang Ban Chin	23,300,000 <sup>(1)</sup>	23,300,000 <sup>(2)</sup>	–	–
Lee Sen Choon	207,500	207,500	–	–

<sup>(1)</sup> Includes 12,500,000 ordinary shares and 7,500,000 ordinary shares held in the name of Hong Leong Finance Nominees Pte Ltd and United Overseas Bank Nominees Pte Ltd respectively

<sup>(2)</sup> 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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

**Audit Committee (cont'd)**

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 and external 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.

**Audit Committee (cont'd)**

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  
7 June 2020

# INDEPENDENT AUDITOR'S REPORT

## **Independent auditor's report For the financial year ended 31 December 2018**

### **Independent auditor's report to the members of Best World International Limited**

#### **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 balance sheets of the Group and Company as at 31 December 2018, 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. Because of 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 Company has appointed an external professional firm to conduct an independent review on certain matters as disclosed in Note 2.1 to the financial statements. On 22 March 2020, the Company made an announcement on the interim findings from the review. The review is ongoing as at the date of this report. We have carried out audit procedures on the interim findings of the review, but have not been able to complete our audit procedures to obtain satisfactory audit evidence or explanations in respect of the following matters:

##### **(a) Potential unrecorded transactions**

As disclosed in Note 2.1(b) to the financial statements, the Group has recorded sales revenue based on tax invoices issued to its franchisees in China and the invoiced amount of the goods averages approximately 80% of the sales value of the goods to these franchisees under the franchise model during the financial year ended 31 December 2018. It was noted that the balance amounts (approximately 20% of the sales value) were paid by these franchisees, into bank accounts not belonging to the Group. According to management, 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, and sales in the financial statements are therefore recorded net of trade rebates. Management also represented that a key personnel of the Group's subsidiary in China had been involved in the management of these bank accounts in his personal capacity and not on behalf of the Group. Due to limited documentary evidence available to us, we were unable to verify management's representation.

It was noted that the outflows from these bank accounts included payments of commissions to members (sales representatives), payments made to staff and transfers made to Vicstar Lifestyle Pte Ltd (the marketing agent mentioned in para (b) below). We were unable to establish the basis and nature of the payments, including whether any of these payments had been made on behalf of the Group, and therefore unable to determine the Group's rights and obligations under these arrangements.

##### **Basis for Disclaimer of Opinion (cont'd)**

##### **(a) Potential unrecorded transactions (cont'd)**

Accordingly, we are unable to determine whether the above arrangements have any financial statements implications to the Group, including whether they should be recorded in the financial statements of the Group to faithfully present the results of its operations. The impact to the financial statement of the Group as at 31 December 2018 cannot be reliably estimated. We are also unable to determine whether the above arrangements are in compliance with laws and regulations.

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

We noted that the Group was substantially involved in the daily operations and exercised certain degree of management oversight and control over the financial affair of its import agents and marketing agent although the Group does not hold any equity interest in these entities. Group management had represented that none of these entities are related to the Group.

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. We have not been able to obtain relevant information to determine the business rationale for these arrangements or the true nature of the relationship between them due to lack of evidence available to us. Accordingly, we are unable to consider all relevant facts and circumstances to complete our assessment as to whether the entities are related to the Group or if any of their financial results should be included in the consolidated financial statements of the Group for the year ended 31 December 2018 and prior years or could give rise to non-compliance with any laws and regulations. The potential impact to the financial statements of the Group cannot be reliably ascertained due to lack of information.

##### **(c) Goods sold but undelivered as at 31 December 2018**

As disclosed in Note 2.1(a) to the financial statements, the Group's accounting policies require revenue to be recognised when goods are delivered to the customer's designated location where control of the goods is transferred to the customer. It was noted that certain goods pertaining to sales made during the financial year was undelivered to customers as at 31 December 2018. Management has determined the financial statements impact to revenue from this cut-off error to be approximately \$11,028,000 and has accordingly adjusted the revenue and other related accounts for the financial year ended 31 December 2018. Due to insufficient information available to us, we were unable to reliably determine if the amounts quantified and adjusted by management is complete. As a result, we were unable to determine the completeness of the adjustments made to revenue, cost of sales and other related accounts for the year ended 31 December 2018.

##### **(d) Ongoing reviews**

The independent review and the legal review disclosed in Note 2.1 are still ongoing as at the date of this report and the outcome of these reviews may uncover other information or non-compliance with laws and regulations which could result in further adjustments to the current or prior years' financial statements. As at the date of this report, we are unable to determine the nature and extent of audit procedures which may need to be performed in this regard and whether such audit procedures would uncover further information which may also impact the 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 Company. In addition, as the review by external professional firm is ongoing and more information may be available as the review progresses that may have an impact on the financial statements, we are not able to determine if further adjustments are necessary.

*Independent*  
**AUDITOR'S REPORT**

**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  
 7 June 2020

**CONSOLIDATED  
 STATEMENT OF COMPREHENSIVE INCOME**

**For the financial year ended 31 December 2018**

	Note	2018 S\$'000	2017 S\$'000
<b>Revenue</b>	4	257,280	214,806
Cost of sales		(57,256)	(68,279)
<b>Gross profit</b>		200,024	146,527
Interest income		840	428
Other income	5	18,755	6,162
Distribution costs	7	(77,926)	(42,351)
Administrative expenses	7	(49,998)	(38,615)
Other expenses	6	(6,232)	(4,238)
Finance costs	8	(91)	(156)
<b>Profit before income tax</b>	9	85,372	67,757
Income tax expense	10	(21,439)	(12,611)
<b>Net profit for the year</b>		63,933	55,146
Profit net of tax attributable to:			
Owners of the Company		64,253	55,673
Non-controlling interests		(320)	(527)
		63,933	55,146
<b>Earnings per share:</b>			
Basic (cents)	11	11.69	10.12
Diluted (cents)	11	11.69	10.12

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

Consolidated statement of  
**COMPREHENSIVE INCOME**

For the financial year ended 31 December 2018

	2018 S\$'000	2017 S\$'000
<b>Net profit for the year</b>	63,933	55,146
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(275)	309
Other comprehensive income for the financial year, net of tax	(275)	309
<b>Total comprehensive income for the year</b>	63,658	55,455
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	63,914	55,828
Non-controlling interests	(256)	(373)
	63,658	55,455

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

Statements of  
**FINANCIAL POSITION**

As at 31 December 2018

	Notes	Group			Company		
		31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	12	7,470	7,560	8,122	3,062	3,072	
Investment property	13	1,146	1,164	1,182	–	–	
Other intangible asset	14	8,206	8,257	8,643	–	–	
Intangible assets	15	1,263	5,186	6,216	5	7	
Investment in subsidiaries	16	–	–	–	30,234	3,664	
Deferred tax assets	10	441	830	582	–	–	
Other receivables, non-current	17	–	–	–	–	21,937	
Other financial assets	18	1,097	805	2,034	1,097	805	
		19,623	23,802	26,779	34,398	29,485	
<b>Current assets</b>							
Inventories	19	32,968	28,194	42,953	15,175	19,384	
Trade and other receivables	20	5,218	47,104	25,279	32,734	49,708	
Other assets	21	14,400	4,322	10,240	12,424	3,369	
Other financial assets	18	9,596	10,126	–	9,596	10,126	
Cash and bank balances	22	197,124	82,228	54,933	64,851	40,153	
		259,306	171,974	133,405	134,780	122,740	
<b>Total assets</b>		278,929	195,776	160,184	169,178	152,225	
<b>Equity and liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	23	76,697	45,213	43,306	23,515	23,703	
Contract liabilities	4	16,661	713	582	–	–	
Other financial liabilities	24	2,049	5,361	2,638	–	2,674	
Other liabilities	25	961	961	961	882	882	
Income tax payable		18,848	10,799	16,485	11,521	8,656	
		115,216	63,047	63,972	35,918	35,915	
<b>Net current assets</b>		144,090	108,927	69,433	98,862	86,825	
<b>Non-current liabilities</b>							
Deferred tax liabilities	10	1,568	3,902	2,826	138	138	
Other financial liabilities	24	–	2,037	4,723	–	–	
		1,568	5,939	7,549	138	138	
<b>Total liabilities</b>		116,784	68,986	71,521	36,056	36,053	
<b>Net assets</b>		162,145	126,790	88,663	133,122	116,172	

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

Statements of  
**FINANCIAL POSITION**

	Note	Group			Company		
		31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Equity attributable to owners of the Company</b>							
Share capital	26(a)	20,618	20,618	20,618	20,618	20,618	20,618
Treasury shares	26(b)	(2,010)	(880)	(449)	(2,010)	(880)	(449)
Retained earnings		140,676	109,565	70,418	114,192	96,434	73,905
Other reserves	27	5,827	197	–	322	–	–
		165,111	129,500	90,587	133,122	116,172	94,074
<b>Non-controlling interests</b>		(2,966)	(2,710)	(1,924)	–	–	–
<b>Total equity</b>		162,145	126,790	88,663	133,122	116,172	94,074
<b>Total equity and liabilities</b>		278,929	195,776	160,184	169,178	152,225	127,236

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 2018

Group	Attributable to owners of the Company										
	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
<b>Opening balance at 1 January 2018 (FRS framework)</b>		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)	–	–	–	–	–
<b>Opening balance at 1 January 2018 (SFRS(I) framework)</b>		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
<i>Contributions by and distributions to owners</i>		–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	26(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	27	–	–	(5,647)	5,647	–	5,647	–	–	–	–
Dividends paid	36	–	–	(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)
<b>Closing balance at 31 December 2018</b>		20,618	(2,010)	140,676	5,827	(184)	5,647	364	165,111	(2,966)	162,145

Group (cont'd)	Attributable to owners of the Company						Equity attributable to owners of the Company, total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves, total S\$'000	Foreign currency translation reserve S\$'000	Other reserve S\$'000			
<b>Opening balance at 1 January 2017 (FRS framework)</b>	20,618	(449)	68,855	1,563	1,563	—	90,587	(1,924)	88,663
Cumulative effects of adopting SFRS(I)	—	—	1,563	(1,563)	—	—	—	—	—
<b>Opening balance at 1 January 2017 (SFRS(I) framework)</b>	20,618	(449)	70,418	—	—	—	90,587	(1,924)	88,663
Total comprehensive income for the year	—	—	55,673	155	155	—	55,828	(373)	55,455
<i>Contributions by and distributions to owners</i>									
Share split related expenses	—	—	(18)	—	—	—	(18)	—	(18)
Purchase of treasury shares	—	(431)	—	—	—	—	(431)	—	(431)
Dividends paid	—	—	(16,508)	—	—	—	(16,508)	—	(16,508)
Total contributions and distributions to owners	—	(431)	(16,526)	—	—	—	(16,957)	—	(16,957)
<i>Changes in ownership interest in a subsidiary</i>									
Acquisition of non-controlling interest without a change in control	—	—	—	42	—	42	42	(413)	(371)
Total changes in ownership interest in a subsidiary	—	—	—	42	—	42	42	(413)	(371)
Total transactions with owners in their capacity as owners	—	(431)	(16,526)	42	—	42	(16,915)	(413)	(17,328)
<b>Closing balance at 31 December 2017</b>	20,618	(880)	109,565	197	155	42	129,500	(2,710)	126,790

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 2018

Company	Note	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserve S\$'000	Total equity S\$'000
<b>Opening balance at 1 January 2018</b>		20,618	(880)	96,434	—	116,172
Total comprehensive income for the year		—	—	45,253	—	45,253
<i>Contributions by and distributions to owners</i>						
Purchase of treasury shares	26(b)	—	(1,176)	—	—	(1,176)
Transfer of treasury shares pursuant to Performance Share Scheme		—	46	—	322	368
Dividends paid	36	—	—	(27,495)	—	(27,495)
Total contributions and distributions to owners		—	(1,130)	(27,495)	322	(28,303)
<b>Closing balance at 31 December 2018</b>		20,618	(2,010)	114,192	322	133,122
<b>Opening balance at 1 January 2017</b>		20,618	(449)	73,905	—	94,074
Total comprehensive income for the year		—	—	39,055	—	39,055
<i>Contributions by and distributions to owners</i>						
Share split related expenses		—	—	(18)	—	(18)
Purchase of treasury shares	26(b)	—	(431)	—	—	(431)
Dividends paid	36	—	—	(16,508)	—	(16,508)
Total contributions and distributions to owners		—	(431)	(16,526)	—	(16,957)
<b>Closing balance at 31 December 2017</b>		20,618	(880)	96,434	—	116,172

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 2018

	Note	Group	
		2018 S\$'000	2017 S\$'000
<b>Operating activities</b>			
Profit before income tax		85,372	67,757
Adjustments for:			
Interest income		(840)	(428)
Interest expenses	8	91	156
Depreciation of property, plant and equipment	9	1,769	3,174
Depreciation of investment property	9	18	18
Amortisation of other intangible asset	9	51	386
Amortisation of intangible assets	9	693	972
Loss/(gain) on disposal of plant and equipment	5,6	52	(73)
Impairment loss on plant and equipment	6	776	–
Impairment loss on intangible assets	6	3,216	65
Issue of shares by transferring of treasury shares		368	–
Fair value loss/(gain) on other financial assets	5,6	15	(53)
Unrealised exchange (gains)/losses		(980)	4,611
<b>Operating cash flows before changes in working capital</b>		90,601	76,585
<b>Changes in working capital</b>			
(Increase)/decrease in inventories		(4,774)	14,759
Decrease/(increase) in trade and other receivables		41,908	(22,737)
(Increase)/decrease in other assets		(10,079)	5,087
Increase in trade and other payables and contract liabilities		47,650	91
<b>Cash flows generated from operations</b>		165,306	73,785
Income tax paid		(14,995)	(16,574)
<b>Net cash flows generated from operating activities</b>		150,311	57,211
<b>Investing activities</b>			
Purchase of property, plant and equipment	12	(2,580)	(2,673)
Proceeds from disposal of property, plant and equipment		–	124
Purchase of intangible assets	15	(11)	(34)
Purchase of other financial assets		(296)	(9,487)
Proceeds from disposal of other financial assets		789	274
Interest received		840	428
<b>Net cash flows used in investing activities</b>		(1,258)	(11,368)

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

For the financial year ended 31 December 2018

	Note	2018 S\$'000	2017 S\$'000
<b>Financing activities</b>			
Acquisition of non-controlling interest		–	(371)
Dividends paid on ordinary shares	36	(27,495)	(16,508)
Purchase of treasury shares	26(b)	(1,176)	(431)
Share split related expenses		–	(18)
Proceeds from bank borrowings		–	2,732
Repayment of bank borrowings		(5,325)	(2,627)
Payment of finance lease liabilities		(2)	(9)
Interest paid		(91)	(156)
Increase in cash restricted in use		(127)	(3,033)
<b>Net cash flows used in financing activities</b>		(34,216)	(20,421)
<b>Net increase in cash and cash equivalents</b>		114,837	25,422
Effects of exchange rate changes on cash and cash equivalents		(68)	(1,160)
Cash and cash equivalents at beginning of the year		72,983	48,721
<b>Cash and cash equivalents at end of the year</b>	22A	187,752	72,983

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 2018

### 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 the wholesale of cosmetics, toiletries and health supplements which including import, export, online sales and assembly activities. 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 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 (the “external professional firm”, also referred to as “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 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; and
- 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.

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.

In respect of the work done for veracity of sales under the Export Model during the period from January 2015 to June 2018, the Independent Accountant did not note any significant exceptions other than 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 at 31 December 2018.*

The Independent Accountant noted undelivered goods at the third-party logistics service provider with an estimated value of approximately CNY118,000,000 as at 31 December 2018.

### 2. Summary of significant accounting policies (cont’d)

#### 2.1 Independent Review of the Group (cont’d)

(a) *Potential sales cut-off issue for goods sold which were paid for, but remained undelivered by the third-party logistics service provider as at 31 December 2018. (cont’d)*

The undelivered goods at the third-party logistics service provider noted by the Independent Accountant are goods that had already been paid for by the franchisees, but were physically held by the third-party logistics service provider pending delivery. The third-party logistics service provider provided both warehousing and logistics services for the Group. The agreement with the third-party logistics service provider provides that the Group does not bear inventory risk; the third-party logistics service provider will bear the replacement costs if goods belonging to the customers are damaged or undelivered.

The Group’s delivery arrangements allow for (i) the goods sold to be delivered to the franchisees or directly to the franchisees’ customers, (ii) goods purchased to be delivered at a later date, or (iii) for the consolidation of multiple orders into a single delivery, at the request of the franchisees. Invoices generated by the Group for each order may be split into multiple warehouse delivery orders and courier slips for deliveries. Such records have not been properly maintained by the third-party logistics service provider. The Group does not maintain an integrated electronic inventory system with the third-party logistics service provider. The Independent Accountant was thus unable to reconcile the records of the Group with the voluminous improperly maintained records of the third-party logistics service provider.

Based on the records of the third-party warehouse and confirmations from the outsourced courier companies, these goods were subsequently delivered in 2019. The Group has re-assessed the value of goods sold and recognised as Group revenue for the financial year ended 31 December 2018 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 has quantified the sales relating to goods undelivered as at 31 December 2018 to be approximately CNY55,000,000 (SGD11,028,000). The Group has made the relevant adjustments to revenue, cost of sales, distribution costs, trade receivables and trade and other payables as at 31 December 2018 and the financial year then ended.

(b) *Potential understatement of sales and expenses*

The Independent Accountant noted the following:

Franchisees pay BW Changsha approximately 80% of the sales value of products based on the invoices issued to franchisees, which are then duly recorded as revenue received by BW Changsha. While members pay 100% of the sales value of products, proceeds of approximately 20% of the sales value of products are deposited by members into bank accounts which are not in the name of BW Changsha.

When the Group’s franchise model commenced in June 2018, BW Changsha sold products to the franchisees at the franchise price, set at 80% of the recommended retail prices of the products. The franchisees would on-sell the products to the sales representatives at the recommended retail prices of the respective products, giving the franchisees a margin of approximately 20%, which represented trade rebates enjoyed by the franchisees. The franchisees would then arrange to pay commissions directly to the sales representatives via the other bank accounts, which also amounted to approximately 20% of the recommended retail prices of the products.

These other bank accounts were managed by the general manager of a former import agent (who joined BW Changsha as a key executive in June 2018) in his personal capacity and not on behalf of the Group. He had set up and had been operating the bank accounts on behalf of the former import agent before joining BW Changsha, and required a transitional period to cease these arrangements after joining BW Changsha.

Accordingly, such monies in the other bank accounts do not belong to BW Changsha or the Group. In addition, the commissions paid from these other bank accounts are not the responsibility of BW Changsha, as BW Changsha or the Group do not have any legal obligations to pay such commissions. As such, these transactions were not recorded in the books of BW Changsha, as the Group had no legal or beneficial interest in such monies nor any legal rights thereto.

Notes to the  
**FINANCIAL STATEMENTS**

**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)*

The Independent Accountant was unable to independently verify the arrangement against any third-party supporting documents as this arrangement was a private arrangement made orally between the previous export agent and the franchisees. The Independent Accountant has however opined in the interim update that the net financial impact of the trade rebates and the commission expenses may not be significant.

The Independent Accountant also recommended that the Board : (i) to obtain the advice of an independent and suitably qualified Chinese law expert to comment on the legality of the structure of the franchise model under local China regulations; (ii) to seek a formal legal opinion on the legal and regulatory implications of the potential understatement and the arrangement in relation to the proceeds in the other bank accounts not in the name of BW Changsha. As at the date of this audit report, the PRC Counsel is finalising its legal opinion on the Company's franchise model in China.

The Independent Accountant has also not completed the work required with regard to (i) the Group's business relationship with the import agents in China and their sales transactions with its distributors and customers, and (ii) the cash movement during the export model and franchise model periods.

**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)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.3 for information on how the Group adopted 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.

**2.3 First-time adoption of SFRS(I)**

These financial statements for the year ended 31 December 2018 are the first the Group and Company have prepared in accordance with SFRS(I). Accordingly, the Group and Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption to deem cumulative currency translation differences for all foreign operations to be zero at the date of transition on 1 January 2017. As a result, an amount of S\$1,563,000 was adjusted against the opening retained earnings as at 1 January 2017.

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

**2.3 First-time adoption of SFRS(I) (cont'd)**

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The comparative information has been prepared in accordance with the requirements of FRS 39.

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure its currently held-for-trading quoted investments at FVPL and held-to-maturity quoted investments at amortised cost in other financial assets. There is no significant impact arising from the reclassification of equity securities.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. There is no significant impact on the impairment of financial assets arising from the adoption of SFRS(I) 9.

Notes to the  
**FINANCIAL STATEMENTS**

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

**2.3 First-time adoption of SFRS(I) (cont'd)**

The Group and Company has assessed which business model to apply for the financial assets held by the Group and Company at 31 December 2017 and 1 January 2017 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects are as follows:

<b>Group and Company</b>			
	<b>FRS 39 carrying amount S\$'000</b>	<b>Reclassifications S\$'000</b>	<b>SFRS(I) 9 carrying amount S\$'000</b>
<b>31 December 2017</b>			
<b>Non-current assets</b>			
Other financial assets			
- Held to maturity	805	(805)	-
- Financial instruments at amortised cost	-	805	805
	805	-	805
<b>Current assets</b>			
Other financial assets			
- Held to maturity	801	(801)	-
- Held for trading	9,325	(9,325)	-
- Financial instruments at amortised cost	-	801	801
- Financial instruments at FVPL	-	9,325	9,325
	10,126	-	10,126
<b>1 January 2017</b>			
<b>Non-current assets</b>			
Other financial assets			
- Held to maturity	2,034	(2,034)	-
- Financial instruments at amortised cost	-	2,034	2,034
	2,034	-	2,034

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

**2.3 First-time adoption of SFRS(I) (cont'd)**

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 15 have been applied retrospectively. The Group has restated comparative information in the year of initial application.

The Group is in the business of distribution of nutritional supplement products, personal care products and healthcare equipment. The key impact of adopting SFRS(I) 15 is detailed as follows:

Variable consideration

For the sale of nutritional supplement products, personal care products and healthcare equipment, the Group pays commission 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. Before the adoption of SFRS(I) 15, the Group recognises such considerations as distribution expenses to the customers to distribute and sell the Group's products.

Under SFRS(I) 15, it requires an entity to account for considerations payable to a customer as a reduction of the 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. In addition, if the entity cannot reasonably estimate the fair value of the good or service received from the customer, it shall account for all the consideration payable to the customer or any excess of the fair value of the good or service as a reduction of the transaction price. Upon adoption of SFRS(I) 15, the Group recognised consideration paid/payable to customers of S\$6,069,000 for the financial year ended 31 December 2017 as net of revenue.

The following is the reconciliation of the impact arising from first time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the statement of financial position of the Group.

<b>Group</b>				
	<b>As at 1 January 2017 (FRS) S\$'000</b>	<b>SFRS(I) 1 adjustments S\$'000</b>	<b>SFRS(I) 9 adjustments S\$'000</b>	<b>As at 1 January 2017 (SFRS(I)) S\$'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8,122	-	-	8,122
Investment property	1,182	-	-	1,182
Other intangible asset	8,643	-	-	8,643
Intangible assets	6,216	-	-	6,216
Deferred tax assets	582	-	-	582
Other financial assets	2,034	-	-*	2,034
	<b>26,779</b>	<b>-</b>	<b>-</b>	<b>26,779</b>

Notes to the  
**FINANCIAL STATEMENTS**

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

2.3 First-time adoption of SFRS(I) (cont'd)

Group				
	As at 1 January 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	SFRS(I) 9 adjustments S\$'000	As at 1 January 2017 (SFRS(I)) S\$'000
<b>Current assets</b>				
Inventories	42,953	–	–	42,953
Trade and other receivables	25,279	–	–	25,279
Other assets	10,240	–	–	10,240
Cash and bank balances	54,933	–	–	54,933
	133,405	–	–	133,405
<b>Total assets</b>	<b>160,184</b>	<b>–</b>	<b>–</b>	<b>160,184</b>
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	43,888	(582)	–	43,306
Contract liabilities	–	582	–	582
Other financial liabilities	2,638	–	–	2,638
Other liabilities	961	–	–	961
Income tax payable	16,485	–	–	16,485
	<b>63,972</b>	<b>–</b>	<b>–</b>	<b>63,972</b>
<b>Net current assets</b>	<b>69,433</b>	<b>–</b>	<b>–</b>	<b>69,433</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,826	–	–	2,826
Other financial liabilities	4,723	–	–	4,723
	<b>7,549</b>	<b>–</b>	<b>–</b>	<b>7,549</b>
<b>Total liabilities</b>	<b>71,521</b>	<b>–</b>	<b>–</b>	<b>71,521</b>
<b>Net assets</b>	<b>88,663</b>	<b>–</b>	<b>–</b>	<b>88,663</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	20,169	–	–	20,169
Retained earnings	68,855	1,563	–	70,418
Other reserves	1,563	(1,563)	–	–
	<b>90,587</b>	<b>–</b>	<b>–</b>	<b>90,587</b>
<b>Non-controlling interest</b>	<b>(1,924)</b>	<b>–</b>	<b>–</b>	<b>(1,924)</b>
<b>Total equity</b>	<b>88,663</b>	<b>–</b>	<b>–</b>	<b>88,663</b>
<b>Total equity and liabilities</b>	<b>160,184</b>	<b>–</b>	<b>–</b>	<b>160,184</b>

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

2.3 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the statement of financial position of the Group.

Group				
	As at 31 December 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	SFRS(I) 9 adjustments S\$'000	As at 1 January 2018 (SFRS(I)) S\$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7,560	–	–	7,560
Investment property	1,164	–	–	1,164
Other intangible asset	8,257	–	–	8,257
Intangible assets	5,186	–	–	5,186
Deferred tax assets	830	–	–	830
Other financial assets	805	–	–*	805
	<b>23,802</b>	<b>–</b>	<b>–</b>	<b>23,802</b>
<b>Current assets</b>				
Inventories	28,194	–	–	28,194
Trade and other receivables	47,104	–	–	47,104
Other assets	4,322	–	–	4,322
Other financial assets	10,126	–	–*	10,126
Cash and bank balances	82,228	–	–	82,228
	<b>171,974</b>	<b>–</b>	<b>–</b>	<b>171,974</b>
<b>Total assets</b>	<b>195,776</b>	<b>–</b>	<b>–</b>	<b>195,776</b>
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	45,926	(713)	–	45,213
Contract liabilities	–	713	–	713
Other financial liabilities	5,361	–	–	5,361
Other liabilities	961	–	–	961
Income tax payable	10,799	–	–	10,799
	<b>63,047</b>	<b>–</b>	<b>–</b>	<b>63,047</b>
<b>Net current assets</b>	<b>108,927</b>	<b>–</b>	<b>–</b>	<b>108,927</b>

\* The Group had retrospectively reclassified held to maturity investments and held for trading investments to financial instruments at amortised cost and financial instruments at FVPL respectively. As the reclassification is within other financial assets, there is no impact to the statement of financial position of the Group as at 31 December 2017 and 1 January 2018.

Notes to the  
**FINANCIAL STATEMENTS**

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

2.3 First-time adoption of SFRS(I) (cont'd)

Group				
	As at 31 December 2017 (FRS) S\$'000	SFRS(I) 1 adjustments S\$'000	SFRS(I) 9 adjustments S\$'000	As at 1 January 2018 (SFRS(I)) S\$'000
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,902	–	–	3,902
Other financial liabilities	2,037	–	–	2,037
	<b>5,939</b>	–	–	<b>5,939</b>
<b>Total liabilities</b>	<b>68,986</b>	–	–	<b>68,986</b>
<b>Net assets</b>	<b>126,790</b>	–	–	<b>126,790</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	19,738	–	–	19,738
Retained earnings	108,002	1,563	–	109,565
Other reserves	1,760	(1,563)	–	197
	<b>129,500</b>	–	–	<b>129,500</b>
<b>Non-controlling interest</b>	<b>(2,710)</b>	–	–	<b>(2,710)</b>
<b>Total equity</b>	<b>126,790</b>	–	–	<b>126,790</b>
<b>Total equity and liabilities</b>	<b>195,776</b>	–	–	<b>195,776</b>

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

2.3 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I), including application of new standards on 1 January 2017 to the statement of financial position of the Company.

Company			
	As at 1 January 2017 (FRS) S\$'000	SFRS(I) 9 adjustments S\$'000	As at 1 January 2017 (SFRS(I)) S\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,788	–	2,788
Intangible assets	14	–	14
Investment in subsidiaries	3,293	–	3,293
Other receivables, non-current	16,295	–	16,295
Other financial assets	2,034	–*	2,034
	<b>24,424</b>	–	<b>24,424</b>
<b>Current assets</b>			
Inventories	24,569	–	24,569
Trade and other receivables	46,992	–	46,992
Other assets	7,941	–	7,941
Cash and bank balances	23,310	–	23,310
	<b>102,812</b>	–	<b>102,812</b>
<b>Total assets</b>	<b>127,236</b>	–	<b>127,236</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20,225	–	20,225
Other liabilities	882	–	882
Income tax payable	11,626	–	11,626
	<b>32,733</b>	–	<b>32,733</b>
<b>Net current assets</b>	<b>70,079</b>	–	<b>70,079</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	429	–	429
	<b>429</b>	–	<b>429</b>
<b>Total liabilities</b>	<b>33,162</b>	–	<b>33,162</b>
<b>Net assets</b>	<b>94,074</b>	–	<b>94,074</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	20,169	–	20,169
Retained earnings	73,905	–	73,905
	<b>94,074</b>	–	<b>94,074</b>
<b>Total equity</b>	<b>94,074</b>	–	<b>94,074</b>
<b>Total equity and liabilities</b>	<b>127,236</b>	–	<b>127,236</b>

\* The Company had retrospectively reclassified held to maturity investments and held for trading investments to financial instruments at amortised cost and financial instruments at FVPL respectively. As the reclassification is within other financial assets, there is no impact to the statement of financial position of the Company as at 1 January 2017.

Notes to the  
**FINANCIAL STATEMENTS**

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

2.3 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I), including application of new standards on 31 December 2017 and 1 January 2018 to the statement of financial position of the Company. The adoption of SFRS(I) does not have any impact to the statement of financial position of the Company as at 1 January 2017.

	Company		
	As at 31 December 2017 (FRS) S\$'000	SFRS(I) 9 adjustments S\$'000	As at 1 January 2018 (SFRS(I)) S\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,072	–	3,072
Intangible assets	7	–	7
Investment in subsidiaries	3,664	–	3,664
Other receivables, non-current	21,937	–	21,937
Other financial assets	805	–*	805
	<b>29,485</b>	<b>–</b>	<b>29,485</b>
<b>Current assets</b>			
Inventories	19,384	–	19,384
Trade and other receivables	49,708	–	49,708
Other assets	3,369	–	3,369
Other financial assets	10,126	–	10,126
Cash and bank balances	40,153	–	40,153
	<b>122,740</b>	<b>–</b>	<b>122,740</b>
<b>Total assets</b>	<b>152,225</b>	<b>–</b>	<b>152,225</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23,703	–	23,703
Other financial liabilities	2,674	–	2,674
Other liabilities	882	–	882
Income tax payable	8,656	–	8,656
	<b>35,915</b>	<b>–</b>	<b>35,915</b>
<b>Net current assets</b>	<b>86,825</b>	<b>–</b>	<b>86,825</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	138	–	138
<b>Total liabilities</b>	<b>36,053</b>	<b>–</b>	<b>36,053</b>
<b>Net assets</b>	<b>116,172</b>	<b>–</b>	<b>116,172</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	19,738	–	19,738
Retained earnings	96,434	–	96,434
<b>Total equity</b>	<b>116,172</b>	<b>–</b>	<b>116,172</b>
<b>Total equity and liabilities</b>	<b>152,225</b>	<b>–</b>	<b>152,225</b>

\* The Company had retrospectively reclassified held to maturity investments and held for trading investments to financial instruments at amortised cost and financial instruments at FVPL respectively. As the reclassification is within other financial assets, there is no impact to the statement of financial position of the Company as at 1 January 2017.

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

2.3 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first time adoption of SFRS(I) including application of the new accounting standards to the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017.

	2017 (FRS) S\$'000	SFRS(I) 15 adjustments S\$'000	2017 (SFRS(I)) S\$'000
<b>Revenue</b>	220,875	(6,069)	214,806
Cost of sales	(68,279)	–	(68,279)
<b>Gross profit</b>	152,596	(6,069)	146,527
Interest income	428	–	428
Other income	6,162	–	6,162
Distribution costs	(48,420)	6,069	(42,351)
Administrative expenses	(38,615)	–	(38,615)
Other expenses	(4,238)	–	(4,238)
Finance costs	(156)	–	(156)
<b>Profit before income tax</b>	67,757	–	67,757
Income tax expense	(12,611)	–	(12,611)
<b>Net profit for the year</b>	55,146	–	55,146
Other comprehensive income for the financial year, net of tax	309	–	309
<b>Total comprehensive income for the year</b>	55,455	–	55,455
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	55,828	–	55,828
Non-controlling interests	(373)	–	(373)
	55,455	–	55,455
<b>Earnings per share:</b>			
Basic (cents)	10.12	–	10.12
Diluted (cents)	10.12	–	10.12

**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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT/IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interest in Associates and Joint Ventures	1 January 2019
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) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16, 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. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) Its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

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

**2.4 Standards issued but not yet effective (cont'd)**

SFRS(I) 16 Leases (cont'd)

The Group has performed a preliminary impact assessment based on currently available information and expects the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) and gearing ratio. The assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

**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.

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 acquiree 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.



*Notes to the*  
**FINANCIAL STATEMENTS**

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

**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.

(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 are from 1.3% to 70.6%
Plant and equipment	-	8% to 33%

Assets under construction 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. Summary of significant accounting policies (cont'd)**

**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.

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

**2.12 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.

**2.13 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 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.

**Subsequent measurement**

Investment in debt instruments

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 (FVPL)**  
Assets that do not meet the criteria for amortised cost or FVOCI 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.

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

**2.13 Financial instruments (cont'd)**

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

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

**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.

**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.

**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.

**2.14 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.

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

### 2.14 Impairment of financial assets (cont'd)

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.

### 2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, 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.

### 2.16 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.

### 2.17 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.

### 2.18 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.

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

### 2.18 Financial guarantees (cont'd)

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 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

### 2.19 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.

### 2.20 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.

### 2.21 Leases

#### (a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (b) As lessor

Leases in which the Group does not transfer 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.

### 2.22 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.

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

**2.22 Revenue (cont'd)**

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 2018) 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.

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.

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

**2.22 Revenue (cont'd)**

Consideration payable to a customer (cont'd)

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

Rendering of services

Service income is recognised over time on a straight-line basis when the services are rendered, which simultaneously receives and consumes the benefits of the Group’s performance as the Group performs. All intercompany transactions have been eliminated in arriving at the Group’s revenue.

Royalty fee income

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

**2.23 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.

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.

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

### 2.23 Taxes (cont'd)

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

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.

### 2.24 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.

### 2.25 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.

### 2.26 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.

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

### 2.26 Contingencies (cont'd)

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.

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

#### 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.

#### (a) Estimation of net realisable value for inventories

A review is made periodically in identifying end-of-life or slow-moving inventories and make estimates of write down required. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting period and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories is disclosed in the Note 19 on inventories.

#### (b) Impairment of goodwill and licenses of Best World (China) Pharmaceutical Co. Ltd

Goodwill allocated to Best World (China) Pharmaceutical Co. Ltd. ("BWC") was S\$686,000 and the gross carrying amount of the licences of Best World (China) was S\$3,280,000. The Group has identified cash-generating units ("CGU") of the Group based on its operating segments. The Group has allocated goodwill and licenses of Best World (China) to the manufacturing/wholesale segment. The recoverable amount of manufacturing/wholesale segment has been determined based on value-in-use calculations using the CGU's expected future cash flows. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 15A and Note 15B to the financial statements.

#### (c) 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. 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 \$18,848,000 (31 December 2017: \$10,799,000, 1 January 2017: 16,485,000), \$1,568,000 (31 December 2017: \$3,902,000, 1 January 2017: \$2,826,000) and \$441,000 (31 December 2017: \$830,000, 1 January 2017: \$582,000) respectively.

Notes to the  
**FINANCIAL STATEMENTS**

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

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

(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 but 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 CNY55,000,000 (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**

Disaggregation of revenue

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
2018 Revenue	85,994	8,124	135,787	15,760	11,615	257,280
2017 Revenue	82,346	7,419	110,462	5,238	9,341	214,806

Major operating segments	Direct selling S\$'000	Export S\$'000	Franchise S\$'000	Manufacturing/ wholesale S\$'000	Group S\$'000
2018 Revenue	120,896	10,932	121,361	4,091	257,280
2017 Revenue	103,821	106,450	–	4,535	214,806

	Group	
	2018 S\$'000	2017 S\$'000
<b>Timing of transfer of goods or services</b>		
At a point in time	257,280	214,806

**4. Revenue (cont'd)**

Contract liabilities

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

	Group		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Contract liabilities	16,661	713	582

Revenue recognised that was included in the contract liabilities balance at the beginning of the year is \$731,000 (2017: \$582,000).

**5. Other income**

	Group		
	Note	2018 S\$'000	2017 S\$'000
Service fee income		4,550	3,634
Royalty fee income		11,053	1,151
Rental income		114	114
Write-back of accruals		1,278	–
Write-back of inventories written down, net		338	–
Write-back of payables		148	199
Write-back of allowance on trade receivables	20	816	412
Fair value gain on other financial assets		–	53
Gain on disposal of plant and equipment		–	73
Miscellaneous income		458	526
		18,755	6,162

**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.

Notes to the  
**FINANCIAL STATEMENTS**

**6. Other expenses**

	Note	Group	
		2018 S\$'000	2017 S\$'000
Allowance for impairment on other receivables	20	183	42
Fair value loss on other financial assets		15	–
Foreign exchange losses, net		1,990	3,725
Impairment loss on plant and equipment	12	776	–
Impairment loss on intangible assets	15	3,216	65
Inventories written-down		–	406
Loss on disposal of plant and equipment		52	–
		6,232	4,238

**7. Distribution costs and administrative expenses**

	Group	
	2018 S\$'000	2017 S\$'000
Included in distribution costs		
- convention expenses	20,471	2,691
- commission expenses	38,173	34,242
- franchise sales related expenses	10,088	–
- training expenses	2,358	876
Included in administrative expenses		
- employee benefit expenses	29,097	24,277
- rental of premises	4,175	4,179

**Convention expenses**

Convention expenses relate to event expenses, accommodation, 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.

**Franchise sales related expenses**

Franchise sales related expenses relates to consultancy fees paid to perform certain services such as market research, marketing strategies, training and other services as required by the Group.

**8. Finance costs**

	Group	
	2018 S\$'000	2017 S\$'000
Interest expense		
- bank borrowings	91	155
- finance leases	–	1
	91	156

**9. Profit before income tax**

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

	Note	Group	
		2018 S\$'000	2017 S\$'000
Audit fees paid/payable to:			
- Auditor of the Company		161	161
- Other auditors		213	221
Non-audit fees paid/payable to auditor of the Company:			
- Non-recurring			
- Special audit fees		–	373
- Interim review fees		227	–
- Others		8	25
		235	398
Non-audit fees paid/payable to other auditors		9	19
Directors fees		182	152
Employee benefits expenses (including directors):	7	29,097	24,277
- Salaries, bonuses and allowances		27,344	23,020
- Employer's contribution to defined contribution plan		1,753	1,257
Amortisation of intangible assets	15	693	972
Amortisation of other intangible asset	14	51	386
Depreciation of property, plant and equipment	12	1,769	3,174
Depreciation of investment property	13	18	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 2018 and 2017 are:

	Note	Group	
		2018 S\$'000	2017 S\$'000
<b>Consolidated statement of profit or loss:</b>			
Current income tax:			
- Current income taxation		23,531	12,848
- Over provision in respect of previous years		(147)	(1,065)
		23,384	11,783
Deferred income tax:			
- Origination and reversal of temporary differences	10(c)	(1,945)	828
Income tax expense recognised in profit or loss		21,439	12,611

(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 2018 and 2017 is as follows:

	Group	
	2018 S\$'000	2017 S\$'000
Profit before income tax	85,372	67,757
Tax calculated at Singapore tax rate of 17%	14,513	11,519
Adjustments:		
Income not subject to tax	(247)	(874)
Expenses not deductible for tax purposes	2,121	1,043
Tax exemptions	(52)	(26)
Deferred tax assets not recognised	1,433	1,325
Over provision for tax in respect of previous years	(147)	(1,065)
Effect of utilisation of tax losses not previously recognised	(80)	-
Withholding tax relating to undistributed earnings of subsidiaries	1,650	(371)
Effect of different tax rates in other countries	2,546	1,621
Effect of tax concessions and tax rebates	(288)	(619)
Others	(10)	58
Income tax expense recognised in profit or loss	21,439	12,611

**10. Income tax expense (cont'd)**

(c) Deferred tax assets/(liabilities)

	Group				Company			
	Consolidated statement of financial position		Consolidated statement of profit or loss		Consolidated statement of financial position		Statement of financial position	
	31 December 2018 S\$'000	31 December 2017 S\$'000	2018 S\$'000	2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	31 January 2017 S\$'000	1 January 2017 S\$'000
<b>Deferred tax liabilities</b>								
Excess of net book value of plant and equipment over tax values	(270)	(141)	129	(292)	(270)	(138)	(429)	(429)
Unrealised profits on inventories arising from intra-group sale	5,296*	2,132*	(3,164)	1,868	-	-	-	-
Undistributed earnings of a subsidiary	(6,726)*	(5,076)*	1,650	(371)	-	-	-	-
Fair value adjustments on acquisition of subsidiary	-	(817)	(817)	(129)	-	-	-	-
Unsubmitted interest income	(62)	-	62	-	(62)	-	-	-
Provisions	191*	-	(191)	-	191*	-	-	-
Others	3	-	(3)	-	3	-	-	-
	(1,568)	(3,902)	396	(248)	(138)	(138)	(429)	(429)
<b>Deferred tax assets</b>								
Provisions	434	830	396	(248)	-	-	-	-
Excess of net book value of plant and equipment over tax values	(9)*	-	9	-	-	-	-	-
Others	16	-	(16)	-	-	-	-	-
	441	830	(1,945)	828	-	-	-	-

\* 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



Notes to the  
**FINANCIAL STATEMENTS**

**10. Income tax expense (cont'd)**

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S\$11,268,000 (31 December 2017: S\$12,280,000, 1 January 2017: S\$7,773,000) 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\$10,810,000 (31 December 2017: S\$10,096,000, 1 January 2017: S\$5,353,000) which will expire between 3 to 10 years (31 December 2017: 3 to 10 years, 1 January 2017: 3 to 10 years).

Details of the unutilised tax losses are as follows:

	<b>Group</b>		
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Can be utilised up to:			
2017	–	–	68
2018	–	2,053	2,053
2019	1,863	1,863	1,863
2020	1,094	1,094	1,094
2021	275	275	275
2022	4,811	4,811	–
2023	2,767	–	–
	10,810	10,096	5,353

Tax consequences of proposed dividends

There are no income tax consequences (31 December 2017: S\$Nil, 1 January 2017: 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 36).

**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:

	<b>Group</b>	
	<b>2018 S\$'000</b>	<b>2017 S\$'000</b>
Profit for the financial year attributable to owners of the Company	64,253	55,673

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation*	549,696	550,322

\* 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.

Notes to the  
**FINANCIAL STATEMENTS**

**12. Property, plant and equipment**

<b>Group</b>	<b>Freehold land S\$'000</b>	<b>Leasehold buildings S\$'000</b>	<b>Construction in progress S\$'000</b>	<b>Plant and equipment S\$'000</b>	<b>Total S\$'000</b>
<b>Cost</b>					
At 1 January 2017	50	2,249	–	14,962	17,261
Additions	–	–	–	2,673	2,673
Disposals	–	–	–	(699)	(699)
Exchange differences	1	15	–	(144)	(128)
At 31 December 2017 and 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	51	659	1,575	16,941	19,226
<b>Accumulated depreciation</b>					
At 1 January 2017	–	146	–	8,993	9,139
Depreciation for the financial year	–	1,594	–	1,580	3,174
Disposals	–	–	–	(648)	(648)
Exchange differences	–	2	–	(120)	(118)
At 31 December 2017 and 1 January 2018	–	1,742	–	9,805	11,547
Depreciation for the financial 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	–	152	–	11,604	11,756
<b>Net carrying amount</b>					
At 31 December 2018	51	507	1,575	5,337	7,470
At 31 December 2017	51	522	–	6,987	7,560
At 1 January 2017	50	2,103	–	5,969	8,122

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

<b>Company</b>	<b>Plant and equipment S\$'000</b>
<b>Cost</b>	
At 1 January 2017	7,011
Additions	1,081
Disposals	(427)
At 31 December 2017 and 1 January 2018	7,665
Additions	795
Disposals	(41)
At 31 December 2018	8,419
<b>Accumulated depreciation</b>	
At 1 January 2017	4,223
Depreciation for the financial year	797
Disposals	(427)
At 31 December 2017 and 1 January 2018	4,593
Depreciation for the financial year	803
Disposals	(39)
At 31 December 2018	5,357
<b>Net carrying amount</b>	
At 31 December 2018	3,062
At 31 December 2017	3,072
At 1 January 2017	2,788

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

Certain leasehold buildings of subsidiaries at carrying value of S\$408,000 (31 December 2017: S\$418,000, 1 January 2017: S\$1,997,000) are mortgaged to banks to secure banking facilities granted by the banks (Note 24).

As at 31 December 2018, none of the Group's plant and equipment were under finance lease arrangements. The Group's plant and equipment under finance lease arrangements as at 31 December 2017 and 1 January 2017 had carrying values of S\$20,000 and S\$26,000 respectively. The obligations under finance leases are secured by the lessor's charge over the leased assets (Note 24).

**13. Investment property**

	<b>Group S\$'000</b>
<b>Statement of financial position</b>	
<b>Cost</b>	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,400
<b>Accumulated depreciation</b>	
At 1 January 2017	218
Depreciation for the financial year	18
At 31 December 2017 and 1 January 2018	236
Depreciation for the financial year	18
At 31 December 2018	254
<b>Net carrying amount</b>	
At 31 December 2018	1,146
At 31 December 2017	1,164
At 1 January 2017	1,182

	<b>Group</b>	
	<b>2018 S\$'000</b>	<b>2017 S\$'000</b>
<b>Statement of profit or loss</b>		
Rental income from investment property	114	114
Direct operating expenses arising from investment property that generated rental income	(11)	(12)

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 2018 was as follows:

<b>Description and location</b>	<b>Existing use</b>	<b>Tenure</b>	<b>Unexpired lease term</b>
One unit of leasehold property at Block 726 Ang Mo Kio Avenue 6 Singapore 560726	Shop	Leasehold	61 years

**13. Investment property (cont'd)**

Valuation of investment property

The fair value of the investment property was measured as at 31 December 2018 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 2018. 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 32.

Property pledged as security

The investment property is pledged as security for certain banking facility (Note 24).

**14. Other intangible asset**

	<b>Group S\$'000</b>
<b>Cost</b>	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	8,737
<b>Accumulated amortisation</b>	
At 1 January 2017	94
Amortisation for the financial year	386
At 31 December 2017 and 1 January 2018	480
Amortisation for the financial year	51
At 31 December 2018	531
<b>Net carrying amount</b>	
At 31 December 2018	8,206
At 31 December 2017	8,257
At 1 January 2017	8,643

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 (Note 12) 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.

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

Other intangible asset at carrying value of S\$8,206,000 (31 December 2017: S\$8,257,000, 1 January 2017: S\$8,643,000) is mortgaged to banks to secure banking facilities granted by the banks (Note 24).

Notes to the  
**FINANCIAL STATEMENTS**

**15. Intangible assets**

Group	Goodwill S\$'000	Licenses S\$'000	Trademarks S\$'000	Customer relationship S\$'000	Total S\$'000
<b>Cost</b>					
At 1 January 2017	1,016	8,759	841	740	11,356
Additions	–	34	–	–	34
Exchange differences	–	(84)	(1)	–	(85)
At 31 December 2017 and 1 January 2018	1,016	8,709	840	740	11,305
Additions	–	11	–	–	11
Exchange differences	–	(150)	–	–	(150)
At 31 December 2018	1,016	8,570	840	740	11,166
<b>Accumulated amortisation and impairment</b>					
At 1 January 2017	–	3,918	778	444	5,140
Amortisation	–	817	7	148	972
Impairment for the financial year (Note 6)	–	65	–	–	65
Exchange differences	–	(57)	(1)	–	(58)
At 31 December 2017 and 1 January 2018	–	4,743	784	592	6,119
Amortisation	–	543	2	148	693
Impairment for the financial year (Note 6)	324	2,892	–	–	3,216
Exchange differences	–	(125)	–	–	(125)
At 31 December 2018	324	8,053	786	740	9,903
<b>Net carrying amount</b>					
At 31 December 2018	692	517	54	–	1,263
At 31 December 2017	1,016	3,966	56	148	5,186
At 1 January 2017	1,016	4,841	63	296	6,216

Company	Trademarks S\$'000
<b>Cost</b>	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	610
<b>Accumulated amortisation</b>	
At 1 January 2017	596
Amortisation	7
At 31 December 2017 and 1 January 2018	603
Amortisation	2
At 31 December 2018	605
<b>Net carrying amount</b>	
At 31 December 2018	5
At 31 December 2017	7
At 1 January 2017	14

**15. Intangible assets (cont'd)**

(A) Goodwill

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

	Group		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Best World (China) Pharmaceutical Co., Ltd. (“BWC”) - Manufacturing/wholesale	686	686	686
Best World Lifestyle Sdn. Bhd. (“BWLSB”)	–	324	324
BWL (Thailand) Company Limited (“BWL”)	6	6	6
	692	1,016	1,016

Goodwill related to BWLSB and BWL are not significant.

Impairment testing of goodwill

The recoverable amount of the BWC - manufacturing/wholesale 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:

	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Pre-tax discount rate	16.5%	16.50%	16.40%
Terminal growth rate	3%	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.

Notes to the  
**FINANCIAL STATEMENTS**

**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 cause the carrying amount to exceed its recoverable amount.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write down the carrying amount of goodwill, amounting to S\$324,000 that is attributable to BWLSB, where impairment for goodwill is determined by assessing the recoverable amount based on fair value less cost to sell. The impairment loss of S\$324,000 has been recognised in profit or loss under "Other expenses".

(B) Licenses

Included in licenses of S\$517,000 as at 31 December 2018 (31 December 2017: S\$3,966,000, 1 January 2017: S\$4,841,000) was 36 production permits and production formulae with net book value of S\$388,000 as at 31 December 2018 (31 December 2017: S\$3,367,000, 1 January 2017: S\$4,096,000) 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 (31 December 2017: S\$65,000, 1 January 2017: S\$307,000).

**16. Investment in subsidiaries**

	Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Unquoted equity shares, at cost	12,616	12,616	11,046
Loan to subsidiaries <sup>(a)</sup>	26,570	–	–
Impairment losses	(8,952)	(8,952)	(7,753)
	30,234	3,664	3,293

(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		
		31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company							
Best World Lifestyle Pte. Ltd. <sup>(a)</sup> (Singapore)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	1,251	1,251	1,251	100	100	100
Avance Living Pte. Ltd. <sup>(a)</sup> (Singapore)	Distribution of nutritional supplements, personal care products and healthcare equipment	4	4	4	100	100	100
Best World Lifestyle Sdn. Bhd. <sup>(f)</sup> (Malaysia)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	2,234	2,234	1,863	100	100	77.5
PT Best World Indonesia <sup>(d)</sup> (Indonesia)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	4,978	4,978	4,978	80	80	80
BWL (Thailand) Company Limited <sup>(b) (i)</sup> (Thailand)	Import and distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	48	48	48	49	49	49
Best World Lifestyle (HK) Company Limited <sup>(b)</sup> (Hong Kong)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	118	118	118	100	100	100

Notes to the  
**FINANCIAL STATEMENTS**

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		
		31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 %	31 December 2017 %	1 January 2017 %
<b>Held by the Company (cont'd)</b>							
Best World Lifestyle (Taiwan) Co., Ltd <sup>(d)</sup> (Taiwan)	Distribution of health food, network services, sanitary products, skin care and cosmetic products	94	94	94	100	100	100
BWL Korea Co., Ltd <sup>(h)</sup> (Korea)	Distribution of skin care, health food and equipment	2,438	2,438	1,239	100	100	100
PT BWL Indonesia <sup>(d) (i)</sup> (Indonesia)	Distribution of cosmetics, skin care, nutritional supplements, personal care products and healthcare equipment	–	–	–	80	80	80
BWL Health & Sciences, Inc. <sup>(c)</sup> (Philippines)	Selling and distribution, on wholesale basis of skin care, nutritional supplements and personal care products and health care supplement	765	765	765	100	100	100
Best World Vietnam Company Limited <sup>(e)</sup> (Vietnam)	Trading and distribution of skin care and health-related products	649	649	649	100	100	100
BWL General Trading LLC <sup>(h) (i)</sup> (Dubai, The United Arab Emirates (“UAE”))	General trading including importing, trading and re-exporting of trade goods and products	37	37	37	49	49	49
Celcott Investments Pte. Ltd. <sup>(k)</sup> (Singapore)	Investment holding	*	*	*	100	100	100
Best World Taiwan Holdings Pte. Ltd. <sup>(k)</sup> (Singapore)	Investment holding	*	*	–	100	100	100
		12,616	12,616	11,046			

16. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of subsidiaries and country of incorporation	Principal activities	Effective percentage of equity held by Group		
		31 December 2018 %	31 December 2017 %	1 January 2017 %
<b>Held through Best World Lifestyle Pte. Ltd.</b>				
Best World (China) Pharmaceutical Co., Ltd. <sup>(g)</sup> (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	100
<b>Held through Best World (China) Pharmaceutical Co., Ltd.</b>				
Best World Lifestyle (Shanghai) Co., Ltd <sup>(g)</sup> (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	100

\* Denotes amount less than S\$1,000.

<sup>(a)</sup> Audited by Ernst & Young LLP.

<sup>(b)</sup> Audited by member firms of RSM International.

<sup>(c)</sup> Audited by Reyes Tacandong & Co.

<sup>(d)</sup> Audited by member firms of Ernst & Young Global in the respective countries.

<sup>(e)</sup> Audited by DTL Auditing Company Ltd.

<sup>(f)</sup> Audited by Crowe Horwath Malaysia, a member of Crowe Horwath International.

<sup>(g)</sup> Audited by Hunan Zhongqiao Sanxiang Certified Public Accountants

<sup>(h)</sup> Not audited as the financial result is not significant to the Group.

<sup>(i)</sup> 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.

<sup>(j)</sup> 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. The Group has 80% effective control over the entity.

<sup>(k)</sup> Not subject to any statutory requirements under the relevant rules and regulations in their countries of incorporation.

Notes to the  
**FINANCIAL STATEMENTS**

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

**Composition of the Group (cont'd)**

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 2018 and 2017 and 1 January 2017.

**Impairment loss recognised**

During the previous financial year ended 31 December 2017, an impairment loss of S\$1,199,000 was recognised to fully write down the carrying value of the investment in BWL Korea Co., Ltd to its recoverable amount because the subsidiary had been persistently making losses. No such impairment loss was recognised in the current financial year ended 31 December 2018.

**Movement in impairment losses was as follows:**

	<b>Company</b>		
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
At 1 January	8,952	7,753	6,988
Impairment loss charged to profit or loss	–	1,199	765
Balance at 31 December	8,952	8,952	7,753

**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:

	<b>Company</b>		
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Total net deficit position of subsidiaries	15,339	15,757	12,882

**17. Other receivables, non-current**

These relates to loan receivables from subsidiaries which are unsecured and non-interest bearing and are quasi-equity in nature. They are not expected to be settled in the foreseeable future.

**18. Other financial assets**

	<b>Group and Company</b>					
	<b>Carrying value</b>			<b>Fair value</b>		
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
<b>Non-current:</b>						
Quoted bonds, classified as financial instruments at amortised cost, in corporations with fixed interest rate at:						
- 5.33% matured on 16 April 2018 (effective rate: 4.68% (31 Dec 2017: 4.68%, 1 January 2017: 4.68%)), Sri Lanka	–	–	292	–	–	294
- 4.50% to 6.50% matured between 3 May 2018 to 6 October 2019 (effective rate: 4.28% to 6.16% (31 December 2017: 4.28% to 6.16%, 1 January 2017: 4.28% to 6.16%)), Cayman Island	–	–	869	–	–	882
- 3.50% maturing on 21 April 2020 (effective rate: 3.51% (31 December 2017: 3.51%, 1 January 2017: 3.51%)), British Virgin Islands	273	266	287	274	268	292
- 4.50% to 4.85% maturing between 31 January 2020 to 5 February 2020 (effective rate: 3.98% to 4.40% (31 December 2017: 3.98% to 4.40%, 1 January 2017: 3.98% to 4.40%)), Singapore	551	539	586	559	542	595
- 5.38% maturing on 31 January 2023 (effective rate: 5.38%), PRC	273	–	–	259	–	–
	1,097	805	2,034	1,092	810	2,063

Notes to the  
**FINANCIAL STATEMENTS**

**18. Other financial assets (cont'd)**

Group and Company						
	Carrying value			Fair value		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Current:</b>						
Quoted bonds, classified as financial instruments at amortised cost, in corporations with fixed interest rate at:						
- 5.33% matured on 16 April 2018 (effective rate: 4.68% (31 Dec 2017: 4.68%, 1 January 2017: 4.68%)), Sri Lanka	-	268	-	-	268	-
- 4.50% to 6.50% matured between 3 May 2018 to 6 October 2019 (effective rate: 4.28% to 6.16% (31 December 2017: 4.28% to 6.16%, 1 January 2017: 4.28% to 6.16%)), Cayman Island	-	533	-	-	534	-
	-	801	-	-	802	-
Financial instruments at FVPL:						
- United High Grade Corporate Bond Fund	1,932	1,879	-	1,932	1,879	-
- United SGD Fund United SGD Fund - AACCUSDH	7,664	7,446	-	7,664	7,446	-
	9,596	10,126	-	9,596	10,127	-
Total	10,693	10,931	2,034	10,688	10,937	2,063

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		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Financial instruments at FVPL	9,596	9,325	-	9,596	9,325	-
Financial instruments at amortised cost	1,097	1,606	2,034	1,092	1,612	2,063
	10,693	10,931	2,034	10,688	10,937	2,063

**18. Other financial assets (cont'd)**

Group and Company			
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Within 1 year	9,596	10,126	-
Within 2 to 3 years	824	805	1,161
After 3 years	273	-	873
	10,693	10,931	2,034

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

**19. Inventories**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Statement of financial position:</b>						
Finished goods (at lower of cost and net realisable value)	32,486	27,639	42,246	15,175	19,384	24,569
Raw materials	246	255	206	-	-	-
Work-in-progress	47	41	245	-	-	-
Packaging materials	189	259	256	-	-	-
Total Inventories	32,968	28,194	42,953	15,175	19,384	24,569

Group			
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Consolidated statement of profit or loss:</b>			
Inventories recognised as an expense in cost of sales	49,430	64,808	47,338
Inclusive of the following charge:			
- Inventories written-off charged to profit or loss included in cost of sales	268	42	169
- Inventories written-down	275	406	333
- Reversal of write-down of inventories	(613)	-	(88)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in 2018 and no longer required for write-down as there were subsequent movements in these inventories during the year.



Notes to the  
**FINANCIAL STATEMENTS**

**20. Trade and other receivables**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Financial assets</b>						
<b>Trade receivables</b>						
Third parties	3,470	43,845	23,713	442	40,571	18,811
Amounts due from subsidiaries	–	–	–	32,739	10,738	27,165
Less: Allowance for impairment	(1,425)	(2,286)	(2,716)	(8,953)	(8,882)	(10,093)
	2,045	41,559	20,997	24,228	42,427	35,883
<b>Other receivables</b>						
Third parties	1,602	3,823	2,646	384	3,772	2,919
Amounts due from subsidiaries	–	–	–	15,498	10,236	12,147
Less: Allowance for impairment	(438)	(255)	(213)	(8,631)	(7,970)	(5,200)
	1,164	3,568	2,433	7,251	6,038	9,866
Refundable rental deposits	2,009	1,977	1,849	1,255	1,243	1,243
	5,218	47,104	25,279	32,734	49,708	46,992

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date, is as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Less than 30 days	1,437	10,558	11,590	10,608	10,510	11,392
31 to 60 days	231	15,733	5,712	11,569	16,260	12,485
61 to 90 days	55	9,869	4,464	2,094	10,368	10,218
Over 90 days	1,747	7,685	1,947	8,910	14,171	11,881
	3,470	43,845	23,713	33,181	51,309	45,976

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

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 (31 December 2017: 30 to 120, 1 January 2017: 30) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Group and Company has trade receivables amounting to S\$608,000 and S\$17,000 (31 December 2017: S\$130,000 and S\$127,000, 1 January 2017: S\$9,409,000 and S\$22,590,000) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Less than 60 days	206	127	5,175	–	127	12,169
61 to 90 days	13	–	4,234	–	–	8,552
Over 90 days	389	3	–	17	–	1,869
	608	130	9,409	17	127	22,590

Receivables that are impaired

The Group's and Company's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts for expected credit losses used to record the impairment are as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Trade receivables - nominal Amounts	2,033	2,286	2,716	10,668	8,882	10,093
Less: Allowance for expected credit losses	(1,425)	(2,286)	(2,716)	(8,953)	(8,882)	(10,093)
	608	–	–	1,715	–	–
Movement in allowance accounts:						
At beginning of the year	2,286	2,716	766	8,882	10,093	10,138
(Write-back)/charge for the year	(816)	(412)	1,865	71	(1,211)	294
Written off	–	–	–	–	–	(339)
Exchange difference	(45)	(18)	85	–	–	–
At end of the year	1,425	2,286	2,716	8,953	8,882	10,093

Notes to the  
**FINANCIAL STATEMENTS**

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

These receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. An analysis of their aging at the end of the reporting period is as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Less than 60 days	25	218	–	985	–	381
61 to 90 days	55	51	900	338	–	1,666
Over 90 days	1,345	2,017	1,816	7,630	8,882	8,046
	1,425	2,286	2,716	8,953	8,882	10,093

Other receivables

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

Amounts due from subsidiaries are unsecured, bear interests ranging from 4.6% to 6.9% (31 December 2017: 3.0% to 6.9%, 1 January 2017: 3.0% to 6.9%) per annum and are to be settled in cash.

Other receivables that are impaired

The Group's and Company's other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts for expected credit losses used to record the impairment are as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Other receivables - nominal amounts	438	255	213	8,631	7,970	5,200
Less: Allowance for expected credit losses	(438)	(255)	(213)	(8,631)	(7,970)	(5,200)
	–	–	–	–	–	–
Movement in allowance accounts:						
At beginning of the year	255	213	169	7,970	5,200	4,390
Charge for the year	183	42	44	661	2,770	810
At end of the year	438	255	213	8,631	7,970	5,200

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

Other receivables that are impaired (cont'd)

These receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. An analysis of their aging at the end of the reporting period is as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Over 90 days	438	255	213	8,631	7,970	5,200

**21. Other assets**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Advances to suppliers	9,419	3,439	8,123	9,004	3,191	7,784
Prepayments	4,981	883	2,117	3,420	178	157
	14,400	4,322	10,240	12,424	3,369	7,941

**22. Cash and bank balances**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Cash at bank - Not restricted in use <sup>(a)</sup>	187,752	72,983	48,721	63,351	38,653	21,810
Cash pledged for bank facilities <sup>(b)</sup>	4,807	5,136	2,042	1,500	1,500	1,500
Cash pledged for security deposits <sup>(c)</sup>	4,565	4,109	4,170	–	–	–
Cash at end of the financial year	197,124	82,228	54,933	64,851	40,153	23,310
Interest earning balance	70,770	43,607	25,656	62,532	35,568	20,744

The rate of interest for the cash on interest earning balances is between 0.6% to 3.85% (31 December 2017: 0.1% to 3.1%, 1 January 2017: 0.2% to 3.9%) per annum.

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

Notes to the  
**FINANCIAL STATEMENTS**

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

<sup>(b)</sup> This is for fixed deposits ranging from 1 month to 6 years (31 December 2017: 1 month to 6 years, 1 January 2017: 1 month to 6 years) maturity 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 33(b)).

<sup>(c)</sup> This relates to security deposits with an overseas bank placed by subsidiaries.

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

	Group		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Cash at end of the year	197,124	82,228	54,933
Cash pledged for bank facilities	(4,807)	(5,136)	(2,042)
Cash pledged for security deposits	(4,565)	(4,109)	(4,170)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the financial year	187,752	72,983	48,721

**22B. Non-cash transaction**

During the previous financial year ended 31 December 2017, the Group and the Company acquired equipment with aggregate cost of S\$420,000 of which S\$120,000 were by means of a trade-in allowance. There was no such transaction during the current financial year ended 31 December 2018.

**23. Trade and other payables**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Trade payables						
- Third parties	3,198	3,534	3,530	2,648	2,818	2,838
Accrued operating expenses	43,130	37,512	36,546	19,691	20,595	17,040
	46,328	41,046	40,076	22,339	23,413	19,878
Other payables						
- Third parties	30,369	4,167	3,230	1,176	290	347
Total trade and other payables	76,697	45,213	43,306	23,515	23,703	20,225

**23. Trade and other payables (cont'd)**

As at the end of the reporting periods, the ageing analysis of trade payables based on invoice date, is as follows:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Less than 30 days	2,304	2,199	2,368	2,044	1,933	1,978
31 to 60 days	679	586	876	593	449	777
61 to 90 days	107	540	100	7	419	82
Over 90 days	108	209	186	4	17	1
	3,198	3,534	3,530	2,648	2,818	2,838

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. Other financial liabilities**

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Current:</b>						
Bank loans	2,049	5,359	2,630	-	2,674	-
Finance leases	-	2	8	-	-	-
Total current portion	2,049	5,361	2,638	-	2,674	-
<b>Non-current:</b>						
Bank loans	-	2,037	4,720	-	-	-
Finance leases	-	-	3	-	-	-
Total non-current portion	-	2,037	4,723	-	-	-
Total current and non-current	2,049	7,398	7,361	-	2,674	-

Bank loans

The Group's bank loans comprise:

- (i) Term loan amounted to S\$2,049,000 as at 31 December 2018 (31 December 2017: S\$4,722,000, 1 January 2017: S\$7,350,000) is repayable over 36 monthly instalments, with the final instalment in September 2019. Interest is calculated at a margin over the bank's cost of funds determined by the bank from time to time. The effective interest rate of the loan was 2.6% (31 December 2017: 2.0%, 1 January 2017: 1.8%). The loan is secured by a first legal mortgage over the leasehold property (Note 12), non-current other intangible asset (Note 14) and corporate guarantee by the Company (Note 30).

Notes to the  
**FINANCIAL STATEMENTS**

**24. Other financial liabilities (cont'd)**

Bank loans (cont'd)

(ii) Revolving term loan amounted to S\$Nil as at 31 December 2018 (31 December 2017: S\$2,674,000, 1 January 2017: S\$Nil) was denominated in USD, bore interest at a margin over the bank's cost of funds. The effective interest rate of the loan was 2.2% (31 December 2017: 2.2%, 1 January 2017: Nil). The amount was fully repaid during the year.

Finance lease liabilities

The Group purchased certain motor vehicle under finance lease agreements. There are no restrictions placed upon the Group by entering into these leases. The finance leases are fully repaid in year 2018 and the effective interest rate was 5.69% (31 December 2017: 5.69%, 1 January 2017: 5.69%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Total minimum lease payments 31 December 2018 S\$'000	Present value of payments 31 December 2018 S\$'000	Total minimum lease payments 31 December 2017 S\$'000	Present value of payments 31 December 2017 S\$'000	Total minimum lease payments 1 January 2017 S\$'000	Present value of payments 1 January 2017 S\$'000
<b>Group</b>						
Not later than one year	–	–	2	2	9	8
Later than one year but not later than five years	–	–	–	–	3	3
Total minimum lease payments	–	–	2	2	12	11
Less: Amount representing finance charges	–	–	–	–	(1)	–
Present value of minimum lease payments	–	–	2	2	11	11

A reconciliation of liabilities arising from financial activities is as follows:

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

**24. Other financial liabilities (cont'd)**

A reconciliation of liabilities arising from financial activities is as follows: (cont'd)

	Non-cash changes				31 December 2017 S\$'000
	1 January 2017 S\$'000	Cash flows S\$'000	Foreign exchange movement S\$'000	Other S\$'000	
<b>Group</b>					
<b>Bank loans</b>					
- current	2,630	105	(59)	2,683	5,359
- non-current	4,720	–	–	(2,683)	2,037
<b>Obligations under financial leases</b>					
- current	8	(8)	–	2	2
- non-current	3	(1)	–	(2)	–
<b>Total</b>	7,361	96	(59)	–	7,398

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

**25. 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		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Balance at beginning and end of financial years	961	961	961	882	882	882

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

Notes to the  
**FINANCIAL STATEMENTS**

**26. Share capital**

(a) Share capital

	Group and Company			
	31 December 2018		31 December 2017	
	No. of shares '000	S\$'000	No. of shares '000	S\$'000
Issued and fully paid ordinary shares				
At beginning of the financial year	550,089	20,618	275,230	20,618
Sub-division of each of the ordinary shares into two (2) ordinary shares <sup>(i)</sup>	–	–	275,230	–
Share buy back - held as treasury shares	(925)	–	(371)	–
Transfer of treasury shares pursuant to performance share scheme <sup>(ii)</sup>	232	–	–	–
At end of the financial year	549,396	20,618	550,089	20,618

<sup>(i)</sup> On 25 May 2017, the Company issued a total of 277,196,007 new ordinary shares (including 1,966,250 treasury shares) by way of share split of each share into two shares.

<sup>(ii)</sup> On 23 April 2018, the Company transferred 232,000 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.

(b) Treasury shares

	Group and Company			
	31 December 2018		31 December 2017	
	No. of shares '000	S\$'000	No. of shares '000	S\$'000
At beginning of the financial year	4,303	(880)	1,966	(449)
Sub-division of each of the treasury shares into two (2) (Note 26a <sup>(i)</sup> )	–	–	1,966	–
Acquired during the financial year <sup>(a)</sup>	925	(1,176)	371	(431)
Transfer of treasury shares pursuant to performance share scheme	(232)	46	–	–
At end of the financial year	4,996	(2,010)	4,303	(880)

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

(a) The Company acquired 925,000 (31 December 2017: 371,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was S\$1,176,000 (31 December 2017: S\$431,000) and this was presented as a component within shareholders' equity.

**26. Share capital (cont'd)**

(b) Treasury shares (cont'd)

A summary of the share capital held as ordinary shares and treasury shares at the end of the reporting period is as follows:

	Group and Company					
	31 December 2018		31 December 2017		1 January 2017	
	No. of shares '000	S\$'000	No. of shares '000	S\$'000	No. of shares '000	S\$'000
Ordinary shares	549,396	20,618	550,089	20,618	275,230	20,618
Treasury shares	4,996	(2,010)	4,303	(880)	1,966	(449)
	554,392	18,608	554,392	19,738	277,196	20,169

**27. Other reserves**

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Foreign currency translation reserve	(184)	155	–	–	–	–
Statutory reserve	5,647	–	–	–	–	–
Other reserves	364	42	–	322	–	–
Total other reserves	5,827	197	–	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; and

(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.

Notes to the  
**FINANCIAL STATEMENTS**

**28. 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:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>With companies related to directors of the Company</b>		
Sale of goods	(81)	(67)
Commission expenses	325	255
Consultancy fee expenses	68	50
Travel allowances	13	35

**(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:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Short-term employee benefits	15,783	13,087
Central Provident Fund contributions and other pension contributions	235	219
Total compensation paid to key management personnel	16,018	13,306
Short-term employee benefits paid to the key management personnel comprised:		
- Directors of the Company	12,107	10,233
- Other key management personnel	3,911	3,073
	16,018	13,306

**29. Commitments**

**(a) Operating lease commitments - as lessee**

The Group has entered into commercial leases on certain premises, motor vehicles and office equipment. These leases have an average tenure of between 1 and 36 (31 December 2017: 1 and 37, 1 January 2017: 1 and 38) years with no contingent rent provision included in the contracts. The Group is 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:

	<b>Group</b>			<b>Company</b>		
	<b>31</b>	<b>31</b>	<b>1</b>	<b>31</b>	<b>31</b>	<b>1</b>
	<b>December</b>	<b>December</b>	<b>January</b>	<b>December</b>	<b>December</b>	<b>January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Not later than one year	4,375	4,102	3,399	1,384	1,247	1,552
Later than one year and not later than five years	5,849	5,513	2,293	1,314	2,419	235
Later than five years	2,286	2,379	2,455	-	-	-
	12,510	11,994	8,147	2,698	3,666	1,787

**(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 25 (31 December 2017: 13, 1 January 2017: 25) months.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	<b>Group</b>		
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Not later than one year	124	114	114
Later than one year and not later than five years	136	10	124
	260	124	238

**(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:

	<b>Group</b>		
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Capital commitments in respect of property, plant and equipment	10,009	-	-

Notes to the  
**FINANCIAL STATEMENTS**

**30. Corporate guarantees**

The Company has provided a corporate guarantee to a bank for a S\$2,049,000 (31 December 2017: S\$4,722,000, 1 January 2017: S\$7,350,000) loan (Note 24) taken by a subsidiary.

**31. Classification of financial instruments**

The following table categorises the carrying amounts of financial assets and liabilities recorded at the end of the reporting period:

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Financial assets:</b>						
<b>Financial assets at fair value through profit or loss</b>						
Other financial assets	9,596	9,325	–	9,596	9,325	–
<b>Financial assets at amortised cost</b>						
Cash and bank balances	197,124	82,228	54,933	64,851	40,153	23,310
Other financial assets	1,097	1,606	2,034	1,097	1,606	2,034
Trade and other receivables	5,218	47,104	25,279	32,734	49,708	46,992
Total financial assets	213,035	140,263	82,246	108,278	100,792	72,336

	Group			Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Financial liabilities at amortised cost:</b>						
Trade and other payables	76,697	45,213	43,306	23,515	23,703	20,225
Other financial liabilities	2,049	7,398	7,361	–	2,674	–
Total financial liabilities at amortised cost	78,746	52,611	50,667	23,515	26,377	20,225

**32. Fair value of assets and liabilities**

**(a) Fair value hierarchy**

The Group categorises 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.

**(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)		
	31 December 2018	31 December 2017	1 January 2017
<b>Recurring fair value measurements Assets:</b>			
Other financial assets (Note 18)			
- Financial instruments at FVPL	9,596	9,325	–

Notes to the  
**FINANCIAL STATEMENTS**

**32. Fair value of assets and liabilities (cont'd)**

**(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:

<b>Group</b>				
<b>31 December 2018</b>				
<b>S\$'000</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value Total</b>	<b>Carrying amount</b>
<b>Assets</b>				
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

<b>Group</b>				
<b>31 December 2017</b>				
<b>S\$'000</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value Total</b>	<b>Carrying amount</b>
<b>Assets</b>				
Investment property (Note 13)	–	3,100	3,100	1,164
Other financial assets (Note 18)				
- Financial instruments at amortised cost	1,612	–	1,612	1,606
<b>Liabilities</b>				
Obligations under finance leases (Note 24)	–	2	2	2

<b>Group</b>				
<b>1 January 2017</b>				
<b>S\$'000</b>				
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value Total</b>	<b>Carrying amount</b>
<b>Assets</b>				
Investment property (Note 13)	–	2,560	2,560	1,182
Other financial assets (Note 18)				
- Financial instruments at amortised cost	2,063	–	2,063	2,034
<b>Liabilities</b>				
Obligations under finance leases (Note 24)	–	11	11	11

**32. 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)**

Determination of fair value

- (i) Investment property

<b>Description</b>	<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Range</b>
<b>2018</b>			
Investment property	Direct comparison method	Price per square foot	S\$1,658 to S\$2,511
<b>2017</b>			
Investment property	Direct comparison method	Price per square foot	S\$1,647 to S\$2,307

*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\$341,000 (31 December 2017: S\$323,000, 1 January 2017: S\$311,000).*

- (ii) Obligations under finance leases

The fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending and leasing arrangements at the balance sheet date.

**(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), 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.

**33. 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, interest rate 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:

- 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.



Notes to the  
**FINANCIAL STATEMENTS**

**33. Financial risk management objectives and policies (cont'd)**

(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.

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.

**33. Financial risk management objectives and policies (cont'd)**

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Summarised below is the information about the credit risk exposure on the Group and Company's trade receivables using provision matrix:

**Group**

<b>31 December 2018</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	1,437	231	55	1,747	3,470
Loss allowance provision	–	(25)	(55)	(1,345)	(1,425)

<b>31 December 2017</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	10,558	15,733	9,869	7,685	43,845
Loss allowance provision	(70)	(148)	(51)	(2,017)	(2,286)

<b>1 January 2017</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	11,590	5,712	4,464	1,947	23,713
Loss allowance provision	–	–	(900)	(1,816)	(2,716)

Notes to the  
**FINANCIAL STATEMENTS**

**33. Financial risk management objectives and policies (cont'd)**

(a) Credit risk (cont'd)

Trade receivables (cont'd)

**Company**

<b>31 December 2018</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	10,608	11,569	2,094	8,910	33,181
Loss allowance provision	(269)	(716)	(338)	(7,630)	(8,953)

<b>31 December 2017</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	10,510	16,260	10,368	14,171	51,309
Loss allowance provision	–	–	–	(8,882)	(8,882)

<b>1 January 2017</b>	<b>Less than 30 days S\$'000</b>	<b>31- 60 days S\$'000</b>	<b>61 to 90 days S\$'000</b>	<b>More than 90 days S\$'000</b>	<b>Total S\$'000</b>
Gross carrying amount	11,392	12,485	10,218	11,881	45,976
Loss allowance provision	(65)	(316)	(1,666)	(8,046)	(10,093)

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.

**33. Financial risk management objectives and policies (cont'd)**

(a) Credit risk (cont'd)

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 (31 December 2017: S\$8,000,000, 1 January 2017: S\$8,000,000) relating to corporate guarantees provided by the Company to a bank on its subsidiary's borrowings.

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:

	<b>Group</b>			<b>Company</b>		
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Top customer	–	40,134	16,553	17	40,134	16,553

At the end of the reporting period, none of the Group's and Company's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Trade and other receivables).

(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. At the end of the reporting period, 100% (31 December 2017: 72%, 1 January 2017: 36%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

**33. 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:

<b>Group</b>	<b>Less than one year S\$'000</b>	<b>One to five years S\$'000</b>	<b>Total S\$'000</b>
<b>31 December 2018</b>			
<b>Financial assets:</b>			
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
<b>Financial liabilities:</b>			
Trade and other payables	76,697	–	76,697
Other financial liabilities	2,073	–	2,073
Total undiscounted financial liabilities	78,770	–	76,770
Total net undiscounted financial assets	133,168	1,097	134,265
<b>31 December 2017</b>			
<b>Financial assets:</b>			
Trade and other receivables	47,104	–	47,104
Other financial assets	10,126	805	10,931
Cash and bank balances	82,228	–	82,228
Total undiscounted financial assets	139,458	805	140,263
<b>Financial liabilities:</b>			
Trade and other payables	45,213	–	45,213
Other financial liabilities	5,434	2,053	7,487
Total undiscounted financial liabilities	50,647	2,053	52,700
Total net undiscounted financial assets/(liabilities)	88,811	(1,248)	87,563

**33. Financial risk management objectives and policies (cont'd)**

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	<b>Less than one year S\$'000</b>	<b>One to five years S\$'000</b>	<b>Total S\$'000</b>
<b>Group</b>			
<b>1 January 2017</b>			
<b>Financial assets:</b>			
Trade and other receivables	25,279	–	25,279
Other financial assets	–	2,034	2,034
Cash and bank balances	54,933	–	54,933
Total undiscounted financial assets	80,212	2,034	82,246
<b>Financial liabilities:</b>			
Trade and other payables	43,306	–	43,306
Other financial liabilities	2,750	4,799	7,549
Total undiscounted financial liabilities	46,056	4,799	50,855
Total net undiscounted financial assets/(liabilities)	34,156	(2,765)	31,391
<b>Company</b>			
<b>31 December 2018</b>			
<b>Financial assets:</b>			
Trade and other receivables	32,734	–	32,734
Other financial assets	9,596	1,097	10,693
Cash and bank balances	64,851	–	64,851
Total undiscounted financial assets	107,181	1,097	108,278
<b>Financial liabilities:</b>			
Trade and other payables	23,515	–	23,515
Total undiscounted financial liabilities	23,515	–	23,515
Total net undiscounted financial assets	83,666	1,097	84,763

Notes to the  
**FINANCIAL STATEMENTS**

**33. 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
<b>Company</b>			
<b>31 December 2017</b>			
<b>Financial assets:</b>			
Trade and other receivables	49,708	–	49,708
Other financial assets	10,126	805	10,931
Cash and bank balances	40,153	–	40,153
Total undiscounted financial assets	99,987	805	100,792
<b>Financial liabilities:</b>			
Trade and other payables	23,703	–	23,703
Other financial liabilities	2,739	–	2,739
Total undiscounted financial liabilities	26,442	–	26,442
Total net undiscounted financial assets	73,545	805	74,350
<b>1 January 2017</b>			
<b>Financial assets:</b>			
Trade and other receivables	46,992	–	46,992
Other financial assets	–	2,034	2,034
Cash and bank balances	23,310	–	23,310
Total undiscounted financial assets	70,302	2,034	72,336
<b>Financial liabilities:</b>			
Trade and other payables	20,225	–	20,225
Total undiscounted financial liabilities	20,225	–	20,225
Total net undiscounted financial assets	50,077	2,034	52,111

**33. Financial risk management objectives and policies (cont'd)**

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

	Group and Company		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
Less than one year	2,037	4,722	7,350

Undrawn available credit facilities

At the end of the reporting period, the Group has undrawn available credit facilities with certain banks of S\$52,465,000 (31 December 2017: S\$29,077,000, 1 January 2017: S\$15,241,000). 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.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from financial liabilities at floating interest rates which are not significant. The interest rates are disclosed in Note 24 to the financial statements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, a reasonable fluctuation of interest rates with all variables being held constant, do not have a significant impact to the Group's profit or loss.

Notes to the  
**FINANCIAL STATEMENTS**

**33. Financial risk management objectives and policies (cont'd)**

(d) 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).

At the end of the reporting period, an analysis of the financial assets and financial liabilities denominated in USD is as follow:

	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>USD</b>			
<b>Group</b>			
<b>Financial assets:</b>			
Loans and receivables	576	134	18,330
Other financial assets	10,693	10,931	2,034
Cash and bank balances	1,816	22,073	9,305
Total financial assets	13,085	33,138	29,669
<b>Financial liabilities:</b>			
Trade and other payables	630	1,644	729
Other financial liabilities	–	2,674	–
Total financial liabilities	630	4,318	729
Total net financial assets	12,455	28,820	28,940

	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>USD</b>			
<b>Company</b>			
<b>Financial assets:</b>			
Loans and receivables	2,519	2,244	19,711
Other financial assets	10,693	10,931	2,034
Cash and bank balances	1,432	21,701	8,804
Total financial assets	14,644	34,876	30,549
<b>Financial liabilities:</b>			
Trade and other payables	630	1,644	729
Other financial liabilities	–	2,674	–
Total financial liabilities	630	4,318	729
Total net financial assets	14,014	30,558	29,820

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Taiwan, People's Republic of China, Malaysia and Indonesia. The Group's net investments are not hedged as currency positions are considered to be long-term in nature.

**33. Financial risk management objectives and policies (cont'd)**

(d) 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 USD against the respective functional currencies of the Group entities, with all other variables held constant.

	Increase/(decrease) Profit before tax		
	31 December 2018 S\$'000	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Group</b>			
<b>USD</b>			
- strengthened 10% (31 December 2017: 10%, 1 January 2017: 10%)	1,246	2,882	2,894
- weakened 10% (31 December 2017: 10%, 1 January 2017: 10%)	(1,246)	(2,882)	(2,894)
<b>Company</b>			
<b>USD</b>			
- strengthened 10% (31 December 2017: 10%, 1 January 2017: 10%)	1,401	3,056	2,982
- weakened 10% (31 December 2017: 10%, 1 January 2017: 10%)	(1,401)	(3,056)	(2,982)

(e) 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 or exchange rates). The Group is exposed to equity price risk arising from its investments in quoted investment funds and are classified as held for trading investments (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 fixed income 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 is aimed 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 shares held had been 10% (31 December 2017: 10%, 1 January 2017: Nil) higher/lower with all other variables held constant, the Group's profit before tax would have been S\$960,000 (31 December 2017: S\$933,000, 1 January 2017: S\$Nil) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.



Notes to the  
**FINANCIAL STATEMENTS**

**34. Segment information (cont'd)**

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 goodwill impairment that are not expected to recur regularly in every reporting year.
- (C) Segment assets consist principally plant and equipment, intangible 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:

<b>Group</b>			
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Deferred tax assets	441	830	582
Leasehold building	–	–	1,583
Investment property	1,146	1,164	1,182
Other intangible asset	8,206	8,257	8,643
Other financial assets	10,693	10,931	2,034
Other assets	14,400	4,322	10,240
Other unallocated amounts	3,865	6,561	5,298
<b>Total</b>	<b>38,751</b>	<b>32,065</b>	<b>29,562</b>

(E) Segment liabilities consist principally trade and other payables, contract liabilities, other financial liabilities and other liabilities.

(F) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

<b>Group</b>			
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Other financial liabilities	(2,049)	(4,722)	(7,350)
Deferred tax liabilities	(1,568)	(3,902)	(2,826)
Income tax payable	(18,848)	(10,799)	(16,485)
<b>Total</b>	<b>(22,465)</b>	<b>(19,423)</b>	<b>(26,661)</b>

**34. Segment information (cont'd)**

**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:

	<b>Taiwan S\$'000</b>	<b>Singapore S\$'000</b>	<b>People's Republic of China S\$'000</b>	<b>Indonesia S\$'000</b>	<b>Others S\$'000</b>	<b>Group S\$'000</b>
<b>2018</b>						
Revenue	85,994	8,124	135,787	15,760	11,615	257,280
<b>2017</b>						
Revenue	82,346	7,419	110,462	5,238	9,341	214,806

The following table provides an analysis of the Group's non-current assets by geographical location in which the assets are located:

<b>Group Non-current assets</b>			
	<b>31 December 2018 S\$'000</b>	<b>31 December 2017 S\$'000</b>	<b>1 January 2017 S\$'000</b>
Singapore	14,103	12,647	14,414
People's Republic of China	1,957	6,593	6,765
Malaysia	609	983	1,022
Taiwan	1,278	1,669	1,595
Indonesia	68	108	166
Others	70	167	201
	<b>18,085</b>	<b>22,167</b>	<b>24,163</b>

Non-current assets information presented above consist of property, plant and equipment, investment property, intangible assets and non-current other intangible asset as presented in the consolidated statement of financial position.

**Information about a major customer**

Revenue from one major customer amounted to S\$25,059,000 (2017: S\$105,789,000), arising from the franchise (2017: export) segment.

# Notes to the FINANCIAL STATEMENTS

## 35. 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 2018 and 2017.

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 27, 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 2018 and 2017.

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 at 31 December 2018, as disclosed in Note 24, the Company has bank borrowing of S\$Nil (31 December 2017: S\$2,674,000, 1 January 2017: S\$Nil). The Group has bank borrowings and finance leases totaling to S\$2,049,000 as at 31 December 2018 (31 December 2017: S\$7,398,000, 1 January 2017: S\$7,361,000) and these are secured by specific assets. As such, the debt-to adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings.

## 36. Dividends

	Group and Company	
	2018 S\$'000	2017 S\$'000
<strong>Declared and paid during the financial year:</strong>		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2017: 2.6 cents (2016: 3.0) cents per share	14,307	8,257
- Interim exempt (one-tier) dividend for 2018: 1.2 cents (2017: 1.5) cents per share	6,594	8,251
- Special interim exempt (one-tier) dividend for 2018: 1.2 cents (2017: Nil) cents per share	6,594	–
	27,495	16,508
<strong>Proposed but not recognised as a liability as at 31 December:</strong>		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2018: 4.2 (2017: 2.6) cents per share	23,075	14,302
- Final special exempt (one-tier) dividend for 2018: 0.8 (2017: Nil) cents per share	4,395	–
	27,470	14,302

## 37. Events after the reporting period

### Acquisition of Celligenics Pte. Ltd.

On 21 January 2019, the Group has 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.

### Restructuring of PT Best World Indonesia and PT BWL Indonesia

The Group has undertaken a restructuring exercise in respect of its subsidiaries in Indonesia, namely PT Best World Indonesia and PT BWL Indonesia. In December 2018, PT BWL Indonesia transferred 930,000 shares representing 20% of the issued share capital of PT Best World Indonesia to a Indonesia Joint Venture Partner for a consideration of RP8,816,400,000.

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. The restructuring exercise was completed on 1 February 2019. There was no change in effective shareholding subsequent to the restructuring.

There was no significant impact to the Group's financial statements for the year ended 31 December 2018 arising from the restructuring exercise.

### 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 Reviewer of the Company.

Details of the independent review and the status is disclosed in Note 2.1 of the financial statements.

### Interim Dividends

An interim one tier tax-exempt dividend of 1.2 cents per share in respect of the financial period ended 30 June 2019 was issued on 28 August 2019.

### Incorporation of a wholly-owned subsidiary

On 4 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 with principal activities being sales of personal necessities, cosmetics and hygiene products, nutritional supplements and health care products, pre-packaged food and other related activities.

### 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 \$24.6 million).

In June 2020, Best World Investments Pte. Ltd. has changed its name to MDUK Investment Pte. Ltd.



Notes to the  
**FINANCIAL STATEMENTS**

**37. Events after the reporting period (cont'd)**

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.

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, the Group is currently unable to estimate the financial impact of the Covid-19. Management remains very cautious about the Group’s performance outlook and will take necessary steps to ensure business continuity plans are in place.

**38. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 7 June 2020.

# MAJOR PROPERTIES OF THE GROUP

Location	Description	Existing use	Tenure of land
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 21 May 2020

#### 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 21 MAY 2020

Size Of Shareholdings	No. Of Shareholders	%	No. Of Shares	%
1 - 99	38	1.24	1,445	0.00
100 - 1,000	331	10.83	209,737	0.04
1,001 - 10,000	1,606	52.52	8,613,071	1.58
10,001 - 1,000,000	1,049	34.30	73,898,820	13.58
1,000,001 and above	34	1.11	461,377,041	84.80
<b>Total</b>	<b>3,058</b>	<b>100.00</b>	<b>549,395,114</b>	<b>100.00</b>

### 20 LARGEST SHAREHOLDERS AS AT 21 MAY 2020

	Shareholder's Name	No. Of Shares	%
1	D2 INVESTMENT PTE LTD	192,787,500	35.43
2	DBS NOMINEES PTE LTD	39,538,117	7.27
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	28,348,244	5.21
6	MAYBANK KIM ENG SECURITIES PTE. LTD	26,997,212	4.96
7	HSBC (SINGAPORE) NOMINEES PTE LTD	17,768,016	3.27
8	RAFFLES NOMINEES (PTE) LIMITED	12,338,112	2.27
9	DBSN SERVICES PTE LTD	9,669,155	1.78
10	KGI SECURITIES (SINGAPORE) PTE. LTD	9,511,000	1.75
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,607,349	1.21
12	NG SEOW YUEN (HUANG XIAOYAN)	5,158,200	0.95
13	SU AH TEE	3,701,000	0.68
14	CHIN POH LENG	3,639,103	0.67
15	PHILLIP SECURITIES PTE LTD	3,380,350	0.62
16	OCBC SECURITIES PRIVATE LTD	3,375,700	0.62
17	HUANG BAN CHIN	3,300,000	0.61
18	CHANG GRACE SHAIN-JOU	3,000,000	0.55
19	WEE KWEE HUAY HELENE	2,873,124	0.53
20	FOO MOOH SHUNG	2,528,950	0.46
<b>Total</b>		<b>438,231,132</b>	<b>80.55</b>

# Statistics OF SHAREHOLDINGS

**SUBSTANTIAL SHAREHOLDERS** as at 21 May 2020  
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 <sup>(1)</sup>	35.48
Doreen Tan Nee Moi	31,380,000	5.77	193,037,500 <sup>(2)</sup>	35.48

Notes:-

- (1) This represents Dr Hoan Beng Mui, Dora's deemed interest of 193,037,500 shares held in the name of the following:-
- 192,787,500 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and
  - 250,000 shares held by Li Lihui (an immediate family member)
- (2) This represents Dr Tan Nee Moi, Doreen's deemed interest of 193,037,500 shares held in the name of the following:-
- 192,787,500 shares held by D2 Investment Pte Ltd (a 50% owned private limited company); and
  - 250,000 shares held by Pek Jia Rong (an immediate family member).

## Public Shareholdings

Based on the information provided to the Company as at 21 May 2020, approximately **48.45%** 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.

## BEST WORLD INTERNATIONAL LIMITED

(Company Registration No. 199006030Z)  
(Incorporated in the Republic of Singapore)

# NOTICE OF ANNUAL GENERAL MEETING

This Notice has been made available on SGXNet and the Company's website at <http://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 Monday, 22 June 2020 at 10.00 a.m. to transact the following businesses: -

## AS ORDINARY BUSINESS

- To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2018 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**
- To declare a final one-tier tax-exempt dividend of S\$0.042 per ordinary share and a special final one-tier tax-exempt dividend of S\$0.008 per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**
- To approve payment of Directors' fees of S\$182,000 for the financial year ended 31 December 2018 (31 December 2017: S\$152,000) **(Resolution 3)**
- To re-elect Doreen Tan Nee Moi who retires pursuant to Article 93 of the Company's Constitution. **(Resolution 4)**
- To re-elect Lee Sen Choon who retires pursuant to Article 93 of the Company's Constitution. **(Resolution 5)**

*Lee Sen Choon will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(B) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

- To re-elect Chester Fong Po Wai who retires pursuant to Article 92 of the Company's Constitution. **(Resolution 6)**

*Chester Fong Po Wai 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(B) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

*See Explanatory Note (1)*

- To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
- 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:

- 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:
- issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
  - 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 8)**

#### **NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE**

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members will be closed on 1 July 2020 for the preparation of dividend warrants for the proposed final one-tier tax-exempt dividend of S\$0.042 per ordinary share and the special final one-tier tax-exempt dividend of S\$0.008 per ordinary share for the financial year ended 31 December 2018.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #02-00, Singapore 068898, up to 5.00 p.m. on 30 June 2020 will be registered to determine Shareholders' entitlement to the proposed dividends. In respect of the shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the dividends will be paid by the Company to CDP which will distribute the dividends to holders of the securities accounts.

The proposed final one-tier tax-exempt dividend of S\$0.042 per ordinary share and the special final one-tier tax-exempt dividend of S\$0.008 per ordinary share for the financial year ended 31 December 2018, if approved by the shareholders at the Annual General Meeting, will be paid on 17 July 2020.

By Order of the Board

Huang Ban Chin  
Director and Chief Operating Officer

Dated: 7 June 2020

#### **Explanatory Note:**

- (1) In relation to Ordinary Resolutions 4, 5 and 6 proposed in item 4 above, the detailed information on Doreen Tan Nee Moi, Lee Sen Choon and Chester Fong Po Wai is set out in the section entitled "Board of Directors" of the Company's 2018 Annual Report. Doreen Tan Nee Moi 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 8 proposed in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of the above Annual General Meeting until the next Annual General

Meeting to issue shares in the capital of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares 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 8, 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 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, EIGHTHRIUM #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

Doreen Tan Nee Moi, Lee Sen Choon and Chester Fong Po Wai are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on Monday, 22 June 2020 (“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:

	DOREEN TAN NEE MOI	LEE SEN CHOON	CHESTER FONG PO WAI
Date of Initial Appointment	11 December 1990	24 May 2004	15 February 2019
Date of last re-appointment	26 April 2017	26 April 2017	NA
Age	65	69	64
Country of principal residence	Singapore	Singapore	Hong Kong
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Doreen Tan Nee Moi 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 Lee Sen Choon 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.	The re-election of Chester Fong Po Wai 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 and past experiences.
Whether appointment is executive, and if so, the area of responsibility	Executive  As Co-Chairman and President, she is responsible for the overall strategic planning, corporate development, management oversight, human resources and training.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Non-Executive, Lead Independent Director, Audit Committee Chairman, Remuneration Committee member and Nominating Committee member.	Non-Executive, Independent Director, Nominating Committee Chairman, Audit Committee member and Remuneration Committee member.

	DOREEN TAN NEE MOI	LEE SEN CHOON	CHESTER FONG PO WAI
Professional qualifications	American Academy of Nutrition with an Associate’s Degree of Science in Applied Nutrition.	Bachelor of Science (Hons) degree, Nanyang University, Singapore  Post-Graduate Diploma in Management Studies, University of Salford, United Kingdom  Chartered Accountants in England and Wales since 1980.  Practising member of the Institute of Singapore Chartered Accountants of Singapore since January 1984.	Bachelor Degree in Social Sciences  Master Degree in Business Administration  Hong Kong Institute of Certified Public Accountants  Certified General Accountants Association of Ontario in Canada
Working experience and occupation(s) during the past 10 years	As Co-founder of the Group, Doreen Tan Nee Moi steers the strategic direction and vision of the Group.	Senior Partner at UHY Lee Seng Chan & Co	Senior advisor to McKinsey & Company
Shareholding interest in the listed issuer and its subsidiaries	<ul style="list-style-type: none"> <li>31,380,000 shares (direct interest)</li> <li>193,037,500 shares (deemed interest)</li> </ul> <i>(as at 21 May 2020)</i>	207,500 shares	No
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.	Doreen Tan Nee Moi is a controlling shareholder of the Company.  Together with Dora Hoan Beng Mui and D2 Investment Pte Ltd, they are concert parties pursuant to a shareholders’ agreement dated 23 September 2005.  Doreen Tan Nee Moi is the mother of Pek Wei Liang (Bai Weiliang) who is alternate director to her.	Shareholder of the Company.	None
Conflict of Interest (including any competing business)	No	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	Yes

	<b>DOREEN TAN NEE MOI</b>	<b>LEE SEN CHOON</b>	<b>CHESTER FONG PO WAI</b>
Other Principal Commitments* Including Directorships Past (for the last 5 years)	Nil	Nil	Nil
Present	1 Best World International Limited 2 Corporate Council Board Member, ASEAN Alliance of Health Supplement Associations 3 Vice President, Health Supplements Industry Association (Singapore) 4 Patron, Pasir Ris West CCC 5 Chairman of School Advisory Committee, Meridian Secondary School	1 Best World International Limited 2 Hor Kew Corporation Limited 3 Soon Lian Holdings Limited 4 Immediate Past Chairman, Board of Directors, Singapore Chinese High School 5 Treasurer and Chairman of Finance Committee, Hwa Chong Institution Board of Governors 6 Chairman of School Advisory Committee, Xingnan Primary School	1 Best World International Limited 2 New Era Nutrition Inc.

Messrs Doreen Tan Nee Moi, Lee Sen Choon and Chester Fong Po Wai have each:

- Individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No".

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The disclosure on prior experience as a director of an issuer listed on the Exchange and details of prior experience is not applicable as disclosure is applicable to the appointment of Director only.

# DR's Secret



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