



# **BEST WORLD INTERNATIONAL LTD**

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

## **Financial Statements And Related Announcement For the 3 months ended 31 March 2019**

# **BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019**

## **TABLE OF CONTENTS**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	2
STATEMENTS OF FINANCIAL POSITION	4
BORROWINGS AND DEBT SECURITIES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
STATEMENTS OF CHANGES IN EQUITY	7
SHARE CAPITAL	9
AUDIT	10
ACCOUNTING POLICIES	10
EARNINGS PER SHARE	11
NET ASSET VALUE PER SHARE	12
REVIEW OF THE PERFORMANCE OF THE GROUP	12
Overview	12
Revenue by Business Segments	13
Revenue by Geographical Locations	14
Financial Position and Cash Flow	15
COMMENTARY ON THE CURRENT PERIOD'S PROSPECTS	16
DIVIDENDS	17

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

(Amounts expressed in Singapore dollars)

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

	Group		
	3 months Ended 31.03.19 \$'000	3 months Ended 31.03.18 \$'000 (restated)	Change %
Revenue	53,362	24,547	117.4
Cost of Sales	<u>(13,235)</u>	<u>(7,781)</u>	70.1
Gross Profit	40,127	16,766	139.3
<u>Other Items of Income</u>			
Interest Income	384	145	164.8
Other Operating Income	61	3,903	(98.4)
<u>Other Items of Expense</u>			
Distribution Costs	(15,910)	(6,834)	132.8
Administrative Expenses	(10,455)	(6,581)	58.9
Finance Costs	(89)	(26)	242.3
Other Losses, Net	(321)	(236)	36.0
Share of Results of Associates	<u>(31)</u>	-	NM
<b>Profit Before Tax</b>	13,766	7,137	92.9
Income Tax Expense	<u>(3,472)</u>	<u>(1,434)</u>	142.1
<b>Profit For the Period</b>	<u>10,294</u>	<u>5,703</u>	80.5
<b>Profit Attributable to:</b>			
<b>- Owners of the Parent Company</b>	10,329	5,771	79.0
- Non-Controlling Interests	(35)	(68)	(48.5)
<b>Profit For the Period</b>	<u>10,294</u>	<u>5,703</u>	80.5
<b><u>Additional notes:</u></b>			
Gross Profit Margin	75.2%	68.3%	
Net Profit Margin	19.4%	23.5%	
Earnings Per Share (cents)	1.88	1.05	

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**Statement of Comprehensive Income for the three months ended 31 March 2019:**

	Group		Change %
	3 months Ended 31.03.19 \$'000	3 months Ended 31.03.18 \$'000	
<b>Profit for the Period, Net of Tax</b>	10,294	5,703	80.5
<u>Other Comprehensive Income</u>			
Exchange Differences on Translating Foreign Operations	297	894	(66.8)
<b>Other Comprehensive Expense for the Period, Net of Tax</b>	297	894	(66.8)
<b>Total Comprehensive Income for the Period</b>	<u>10,591</u>	<u>6,597</u>	60.5
Attributable to:			
<b>Owners of the Parent Company</b>	<b>10,598</b>	<b>6,604</b>	60.5
Non-Controlling Interests	(7)	(7)	-
<b>Total Comprehensive Income for the Period</b>	<u>10,591</u>	<u>6,597</u>	60.5

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

	Group	
	3 months Ended	
	31.03.19 \$'000	31.03.18 \$'000
Depreciation of Property, Plant and Equipment	494	465
Depreciation of an Investment Property	5	5
Amortisation of Right-Of-Use Assets	929	-
Amortisation of Intangible Assets	193	116
Inventories Written Off	1	-
Fair value (Gain) Loss on Other financial Assets	(292)	13
Allowance for Impairment on Inventories, Net	366	153
Write Back of Accruals	-	(687)
Reversal of Impairment Allowance on Trade Receivables	-	(58)
Foreign Exchange Adjustment Losses, Net	247	815
Interest Income	(384)	(145)
Interest Expense	89	26

## STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

(Amounts expressed in Singapore dollars)

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

	Group		Company	
	31.03.19	31.12.18	31.03.19	31.12.18
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	9,245	8,246	2,956	3,062
Investment Property	1,141	1,146	-	-
Right of Use Assets	9,447	-	2,252	-
Other Intangible Assets	8,148	8,206	-	-
Intangible Assets	4,037	4,155	4	5
Investment in Subsidiaries	-	-	36,052	30,234
Investment in an Associate	5,594	-	-	-
Deferred Tax Assets	1,260	441	-	-
Other Financial Assets	540	1,097	540	1,097
Total Non-Current Assets	<u>39,412</u>	<u>23,291</u>	<u>41,804</u>	<u>34,398</u>
<b>CURRENT ASSETS</b>				
Inventories	41,727	31,423	18,005	15,175
Trade and Other Receivables	6,167	5,219	47,225	32,734
Other Assets	24,358	21,741	21,817	12,424
Other Financial Assets	10,039	9,596	10,039	9,596
Cash and Cash Equivalents	167,279	197,124	50,005	64,851
Total Current Assets	<u>249,570</u>	<u>265,103</u>	<u>147,091</u>	<u>134,780</u>
<b>TOTAL ASSETS</b>	<b><u>288,982</u></b>	<b><u>288,394</u></b>	<b><u>188,895</u></b>	<b><u>169,178</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Income Tax Payable	15,016	17,813	10,273	9,633
Trade and Other Payables	79,222	95,053	29,304	24,897
Other Financial Liabilities	1,372	2,049	-	-
Lease Liabilities	3,518	-	1,332	-
Other Liabilities	961	961	882	882
Total Current Liabilities	<u>100,089</u>	<u>115,876</u>	<u>41,791</u>	<u>35,412</u>
<b>NET CURRENT ASSETS</b>	<b><u>149,481</u></b>	<b><u>149,227</u></b>	<b><u>105,300</u></b>	<b><u>99,368</u></b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred Tax Liabilities	1,539	1,734	138	138
Lease Liabilities	5,979	-	920	-
Total Non-Current Liabilities	<u>7,518</u>	<u>1,734</u>	<u>1,058</u>	<u>138</u>
<b>TOTAL LIABILITIES</b>	<b><u>107,607</u></b>	<b><u>117,610</u></b>	<b><u>42,849</u></b>	<b><u>35,550</u></b>
<b>NET ASSETS</b>	<b><u>181,375</u></b>	<b><u>170,784</u></b>	<b><u>146,046</u></b>	<b><u>133,628</u></b>
<b>EQUITY, ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share Capital	18,608	18,608	18,608	18,608
Retained Earnings	159,644	149,315	127,116	114,698
Other Reserves	6,096	5,827	322	322
	<u>184,348</u>	<u>173,750</u>	<u>146,046</u>	<u>133,628</u>
Non-Controlling Interests	(2,973)	(2,966)	-	-
<b>TOTAL EQUITY</b>	<b><u>181,375</u></b>	<b><u>170,784</u></b>	<b><u>146,046</u></b>	<b><u>133,628</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>288,982</u></b>	<b><u>288,394</u></b>	<b><u>188,895</u></b>	<b><u>169,178</u></b>

## BORROWINGS AND DEBT SECURITIES

(Amounts expressed in Singapore dollars)

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

Amount Repayable in One Year or less, or on Demand

As at 31.03.19		As at 31.12.18	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
1,372	-	2,049	-

Amount Repayable after One Year

As at 31.03.19		As at 31.12.18	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

#### Details of any collateral

Certain leasehold properties of subsidiaries at carrying value of \$412,000 as at 31 March 2019 (31 December 2018: \$408,000), a non-current other intangible asset of a subsidiary at carrying value of \$8,148,000 as at 31 March 2019 (31 December 2018: \$8,206,000) and an investment property of a subsidiary at carrying value of \$1,141,000 as at 31 March 2019 (31 December 2018: \$1,146,000) are mortgaged to banks to secure bank facilities granted by the banks.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2019

(Amounts expressed in Singapore dollars)

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

	Group	
	3 Months Ended 31.03.19	3 Months Ended 31.03.18
	\$'000	\$'000
<b>Cash flows from Operating Activities:</b>		
Profit before Tax	13,766	7,137
Interest Income	(384)	(145)
Interest Expenses	89	26
Depreciation of Property, Plant and Equipment	494	465
Amortisation of Right-Of-Use Assets	929	-
Depreciation of an Investment Property	5	5
Amortisation of Intangible Assets	193	116
Fair Value (Gain) Loss on Other Financial Assets	(292)	13
Unrealised Exchange Losses	509	1,611
<b>Operating Cash Flows before Changes in Working Capital</b>	<u>15,309</u>	<u>9,228</u>
Inventories	(10,303)	(1,364)
Trade and Other Receivables	(979)	18,624
Other Assets	(2,616)	(4,398)
Trade and Other Payables	(15,590)	(1,723)
<b>Net Cash Flows (used in) from Operations before Tax</b>	<u>(14,179)</u>	<u>20,367</u>
Income Tax Paid	(7,303)	-
<b>Net Cash Flows (Used in) from Operating Activities</b>	<u>(21,482)</u>	<u>20,367</u>
<b>Cash flows from Investing Activities:</b>		
Acquisition of an Associate	(5,594)	-
Purchase of Property, Plant and Equipment	(1,474)	(55)
Purchase of Intangible Assets	(16)	-
Purchase of Other Financial Assets	-	(11)
Interest Received	384	145
<b>Net Cash Flows (used in) from Investing Activities</b>	<u>(6,700)</u>	<u>79</u>
<b>Cash flows from Financing Activities:</b>		
Repayment of Bank Borrowings	(677)	(3,310)
Repayment of Finance Lease Liabilities	-	(2)
Repayment of Lease Liabilities	(879)	-
Interest Paid	(89)	(26)
Increase in Cash Restricted in Use	(28)	(78)
<b>Net Cash Flows used in Financing Activities</b>	<u>(1,673)</u>	<u>(3,416)</u>
<b>Net (decrease) increase in Cash and Cash Equivalents</b>	(29,855)	17,030
<b>Effects of exchange rate changes on Cash and Cash Equivalents</b>	(18)	(291)
<b>Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance</b>	<u>187,752</u>	<u>72,983</u>
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance</b> Note A	<u><u>157,879</u></u>	<u><u>89,722</u></u>
<b>Note A :</b>		
	Group	
	3 Months Ended 31.03.19	3 Months Ended 31.03.18
	\$'000	\$'000
Cash and bank balances	167,279	99,045
Less: Cash pledged	(9,400)	(9,323)
<b>Cash and Cash Equivalents in the Consolidated Cash Flow Statement</b>	<u><u>157,879</u></u>	<u><u>89,722</u></u>

## STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2019

(Amounts expressed in Singapore dollars)

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

	Attributable to Owners of the Parent Company									
	Total Equity	Total	Share Capital	Treasury Shares	Retained Earnings	Foreign Currency Translation Reserve	Statutory Reserves	Share- based Compen- sation Reserves	Other Reserves	Non- Controlling Interests
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Group</b>										
<b>Balance at 1 January 2019</b>	170,784	173,750	20,618	(2,010)	149,315	(184)	5,647	322	42	(2,966)
<b>Movements in Equity</b>										
Total Comprehensive Income (Expense) for the Period	10,591	10,598	-	-	10,329	269	-	-	-	(7)
<b>Balance at 31 March 2019</b>	<u>181,375</u>	<u>184,348</u>	<u>20,618</u>	<u>(2,010)</u>	<u>159,644</u>	<u>85</u>	<u>5,647</u>	<u>322</u>	<u>42</u>	<u>(2,973)</u>
<b>Balance at 1 January 2018</b>	126,790	129,500	20,618	(880)	108,002	1,718	-	-	42	(2,710)
Impact on adoption of SFRS(I) 1	-	-	-	-	1,563	(1,563)	-	-	-	-
<b>Balance at 1 January 2018 as restated</b>	126,790	129,500	20,618	(880)	109,565	155	-	-	42	(2,710)
<b>Movements in Equity</b>										
Total Comprehensive Income (Expense) for the Period	6,597	6,604	-	-	5,771	833	-	-	-	(7)
<b>Balance at 31 March 2018</b>	<u>133,387</u>	<u>136,104</u>	<u>20,618</u>	<u>(880)</u>	<u>115,336</u>	<u>988</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>(2,717)</u>



## STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2019

(Amounts expressed in Singapore dollars)

Company	Attributable to Owners of the Parent Company				
	Total Equity \$'000	Share Capital \$'000	Treasury Shares \$'000	Retained Earnings \$'000	Share- based Compen- sation Reserve \$'000
<b>Balance at 1 January 2019</b>	133,628	20,618	(2,010)	114,698	322
<b><u>Movements in Equity</u></b>					
Total Comprehensive Income for the Period	12,418	-	-	12,418	-
<b>Balance as at 31 March 2019</b>	146,046	20,618	(2,010)	127,116	322
 <b>Balance at 1 January 2018</b>	 116,172	 20,618	 (880)	 96,434	 -
<b><u>Movements in Equity</u></b>					
Total Comprehensive Income for the Period	3,124	-	-	3,124	-
<b>Balance as at 31 March 2018</b>	119,296	20,618	(880)	99,558	-

## NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

(Amounts expressed in Singapore dollars)

### SHARE CAPITAL

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

#### (a) Share Capital

	Group and Company		Group and Company	
	Issued ordinary shares		Issued and fully paid up capital	
	No. of shares		\$'000	
	2019	2018	2019	2018
At 1 January and 31 March	549,395,114	550,088,514	18,608	19,738

#### (b) Treasury Shares

	Group and Company		Group and Company	
	No. of shares		\$'000	
	2019	2018	2019	2018
At 1 January and 31 March	4,996,900	4,303,500	2,010	880

For the three months ended 31 March 2019 and 31 March 2018, the company did not purchase its ordinary shares to be held as treasury shares.

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

The total number of issued ordinary shares excluding treasury shares as at 31 March 2019 and 31 December 2018 was 549,395,114.

The total number of treasury shares as at 31 March 2019 and 31 December 2018 was 4,996,900.

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

Not Applicable.

## AUDIT

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

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

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

Not applicable.

## ACCOUNTING POLICIES

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period as compared with those used in the audited financial statements for the financial year ended 31 December 2017 and unaudited financial statements for the financial year ended 31 December 2018, except for the adoption of the new and revised SFRS (I) applicable for the financial period beginning 1 January 2019.

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

The Group and Company have adopted the new and revised SFRS (I) applicable for the financial period beginning 1 January 2019. The impact of adopting the following SFRS (I) which is effective for financial year beginning 1 January 2019, is detailed as follows:

### SFRS(I) 16 – Leases

The Group and Company adopted SFRS(I) 16 and elected modified retrospective method where the lease liability was measured at present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. The Company adopted to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in balance sheet as at 1 January 2019. In addition, the Group elected the following practical expedients:

- i) 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
- ii) to apply the exemption not to recognize right-of-use asset and lease liabilities to lease for which the lease term ends within 12 months as of 1 January 2019
- iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Summary of Impact:

Group	1 January 2019	SFRS(I) 16	1 January 2019 (Restated)
	\$'000	\$'000	\$'000
<b>Non-Current Assets</b>			
Rights-of-use assets	-	10,376	10,376
<b>Non-Current Liabilities</b>			
Lease liabilities	-	6,858	6,858
<b>Current Liabilities</b>			
Lease liabilities	-	3,518	3,518

## EARNINGS PER SHARE

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

	GROUP		
	3 months ended 31.03.19	3 months ended 31.03.08	Change %
Earnings per share of Group:			
(a) Based on weighted average number of ordinary shares on issue (cts); and	1.88	1.05	79.0
(b) On a fully diluted basis (cts)	1.88	1.05	79.0

For comparative purposes, the earnings per ordinary shares for the three months ended 31 March 2019 and 31 March 2018 are calculated based on the profit for the period of approximately \$10.3 million and \$5.8 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 31 March 2019 is 549,395,114 (3 months ended 31 March 2018 is 550,088,514).

## NET ASSET VALUE PER SHARE

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

	GROUP		COMPANY	
	31.03.19	31.12.18	31.03.19	31.12.18
Net asset value per ordinary shares (cents)	33.55	31.63	26.58	24.32

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 31 March 2019 and 31 December 2018 was 549,395,114.

## REVIEW OF THE PERFORMANCE OF THE GROUP

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

### Overview

In line with previous FY2018 announcement on the new accounting standards SFRS(I) 15, Revenue from Contracts with Customers, certain expenses previously recorded in distribution costs are to be recorded as reduction in revenue. The Group recorded \$53.4 million in revenue for 1Q2019, an increase of 117.4% when compared to 1Q2018. This is mainly due to the improvement in the Direct Selling Segment and the recognition of revenue from the Franchise segment in 1Q2019 which has a higher price point than the Export price. Cost of sales in 1Q2019 increased by 70.1% due to higher freight charges and customs duties from the Franchise segment. The full contribution from the Franchise segment in 1Q2019 resulted in an improvement of gross profit margin to 75.2%.

Net profit margin declined to 19.4% in 1Q2019 mainly due to the following factors:

- Other operating income decreased by 98.4% from \$3.9 million in 1Q2018 to \$61,000 in 1Q2019 upon the Group's transition to the Franchise Segment. \$61,000 relates to rental income from an investment property and other miscellaneous income;
- Higher interest income of \$384,000 in 1Q2019 as compared to \$145,000 in 1Q2018 is mainly due to interest income earned from fixed deposits from banks and from other financial assets;

- Distribution costs increased by 132.8% from \$6.8 million in 1Q2018 to \$15.9 million in 1Q2019 primarily due to higher sales related expenses of the Franchise segment as well as higher commissions under the Direct Selling segment, which is in line with the increase of Direct Selling revenue;
- Administrative expenses increased from \$6.6 million in 1Q2018 to \$10.5 million in 1Q2019 due to higher management and staff costs. Overall general expenses increased mainly due to the inclusion of higher expenses from the Hunan branch office;
- Share of losses of associated company in 1Q2019 was \$31,000 mainly due to Investments in Celligenics in 1Q2019;
- Net other losses in 1Q2019 was mainly due to higher allowance for impairment on inventories of \$0.4 million as well as net foreign exchange losses of \$0.2 million due to weaker Singapore dollar against US dollar, offsetting fair value gains on other financial assets; and
- The Group incurred higher income tax expense of \$3.5 million mainly attributable to certain subsidiaries in the Group being profitable in 1Q2019 as well as accrual of \$1.4 million withholding tax expenses in relation to distributable profits from our China subsidiary.

Group's Profit Attributable to Owners of the Parent Company increased from \$5.8 million in 1Q2018 to \$10.3 million in 1Q2019.

### Revenue by Business Segments

For Quarter: 1Q2019 Vs 1Q2018

Business Segment	3 months ended 31.03.19 Revenue		3 months ended 31.03.18 Revenue		Change %
	\$'000	%	\$'000	%	
Direct Selling	22,854	42.8	15,763	64.2	45.0
Export	176	0.3	7,980	32.5	(97.8)
Manufacturing/Wholesale	689	1.3	804	3.3	(14.3)
Franchise	29,643	55.6	-	-	NA
<b>Total</b>	<b>53,362</b>	<b>100.0</b>	<b>24,547</b>	<b>100.0</b>	<b>117.4</b>

The Group generated \$22.9 million of revenue from the Direct Selling segment, which makes up 42.8% of its total revenue. This translates to an increase of 45.0% mainly as a result of growth in the key markets of Taiwan, Indonesia and Singapore.

In line with the Group's results announcement in last reporting quarter, revenue from Export segment now solely represents exports to Myanmar. As a result, Export revenue declined to \$0.2 million for this reporting period.

Due to very intense market competition in the mass market health supplements sector in China, Manufacturing/Wholesale segment decreased by 14.3% when compared to the same period last year, contributing merely 1.3% of the Group's total revenue.

On the other hand, the Franchise segment contributed \$29.6 million of revenue in 1Q2019, representing 55.6% of the Group's total revenue.

As at 31 March 2019, our China subsidiary had entered into agreements with 33 franchisees, which are spread over eleven provinces and one municipality in mainland China.

For our Direct Selling segment, as at 31 March 2019, the Group had 98,912 members, which is a slight decline of 0.7% when compared to 4Q2018 due to higher number of expiries compared to new members.

## Revenue by Geographical Locations

For Quarter: 1Q2019 Vs 1Q2018

Geographical Locations	3 months ended 31.03.19 Revenue		3 months ended 31.03.18 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	2,234	4.2	1,685	6.9	32.6
China	30,332	56.8	6,809	27.7	345.5
Taiwan	13,796	25.9	11,388	46.4	21.1
Indonesia	3,615	6.8	2,260	9.2	60.0
Others	3,385	6.3	2,405	9.8	40.7
<b>Total</b>	<b>53,362</b>	<b>100.0</b>	<b>24,547</b>	<b>100.0</b>	<b>117.4</b>

### Singapore

Revenue from Singapore increased from \$1.7 million in 1Q2018 to \$2.2 million in 1Q2019 mainly due to the increased level of activity from distributors as a result of promotions and campaigns, and improved response by existing consumer members to our weekly marketing activities.

### China

Revenue from China grew by 345.5% in 1Q2019 vis-à-vis the same period last year, mainly due to the revenue from the Franchise segment which only began contributing for a full quarter in 3Q2018. Revenue from Franchise is primarily fuelled by underlying demand for the Group's skincare line, DR's Secret. Revenue from China for the reporting quarter could have been better if not for delays experienced for 2 SKUs of DR's Secret; 2 re-registration of new formula of existing products. The delays resulted in us not being able to import the 2 SKUs into China temporarily, creating products shortages. The revenue from the sale of these 2 SKUs will thus be recognize only in end 2Q2019 to early 3Q2019 when the delivery of the products are complete. The Group do not expect additional licenses to be re-registered for the remaining periods of FY2019.

### Taiwan

Revenue from Taiwan increased from \$11.4 million in 1Q2018 to \$13.8 million in 1Q2019 mainly due to management's effort to leverage on the growth momentum since 2H2018 through monthly large-scale marketing activities, trainings and other market stimulation strategies targeting existing consumer members.

### Indonesia

Revenue from Indonesia improved by 60.0% when compared to the same period last year mainly due to increased brand awareness, stimulating distributors' activities through promotion,

campaign, rewards and trainings. On top of that, the scheduled marketing activities are also gaining traction in terms of frequency and customers response.

### **Others**

Revenue from Other Markets increased by 40.7% in 1Q2019 due to the increase in sales from Hong Kong, Malaysia, Thailand, Vietnam, Philippines and Dubai, offsetting declines from the markets of Myanmar and Korea.

### **Financial Position and Cash Flow**

Non-current assets of the Group increased from \$23.3 million as at 31 December 2018 to \$39.4 million as at 31 March 2019, mainly attributable to increase of Property, Plant and Equipment in relation to construction in progress for our Tuas facility, the increase in right-of-use assets with the adoption of SFRS(I) 16 Leases, and our newly acquired investment in associate, Celligenics, offsetting decrease in other financial assets.

Inventories increased from \$31.4 million as at 31 December 2018 to \$41.7 million as at 31 March 2019 mainly due to building up of inventories from our Hunan branch in China.

Trade and other receivables increased from \$5.2 million as at 31 December 2018 to \$6.2 million as at 31 March 2019 due to increase in sales transactions on the last few days of March which led to a temporary increase in trade receivables as well as increase in other receivables due to higher VAT receivables for our Indonesia subsidiary.

In line with previous announcement, other assets increased from \$21.7 million as at 31 December 2018 to \$24.4 million as at 31 March 2019 mainly due to higher deposits made to our suppliers.

Trade and other payables decreased from \$95.1 million as at 31 December 2018 to \$79.2 million as at 31 March 2019 mainly due to settlement of commissions during the period offsetting increase in trade payables to our suppliers.

Other financial liabilities decreased from \$2.0 million as at 31 December 2018 to \$1.4 million as at 31 March 2019 due to repayment of bank borrowings in 1Q2019.

In addition, total lease liabilities increased to \$9.5 million as at 31 March 2019 due to the adoption of SFRS(I) 16 Leases.

Other Liabilities were maintained at \$1.0 million as at 31 March 2019 vis-à-vis 31 December 2018.

Income Tax Payable decreased from \$17.8 million as at 31 December 2018 to \$15.0 million as at 31 March 2019 due to payment for income tax offsetting income tax provisions for the period.

Operating cash flows before changes in working capital grew 65.9% y-o-y to S\$15.3 million in 1Q2019 mainly due to increase in profit before tax during the period. The Group recorded \$21.5 million net cash flow used in operating activities mainly due to settlement of trade and other payables, increase in inventories and income tax payments for 1Q2019. Net cash flow used in investing activities of \$6.7 million were mainly due to the acquisition of an associate, Celligenics, of \$5.6 million, and \$1.5 million addition of property, plant and equipment relating to Tuas facility. Net cash flow of \$1.7 million used in financing activities were mainly due to \$0.7 million repayment of bank borrowings in 1Q2019 and \$0.9 million repayment of lease liabilities.



As at 31 March 2019, the Group maintained a healthy balance sheet and working capital position with approximately \$167.3 million in cash and cash equivalents.

## **COMMENTARY ON THE CURRENT PERIOD'S PROSPECTS**

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

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

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

Barring any unforeseen circumstances, management is cautiously optimistic to be able to achieve growth in both revenue and profit for the Group when compared to FY2018, mainly due to the following reasons:

- In FY2018, revenue and profit for 1H2018 were only contributed by our Direct Selling segment, whereas in FY2019, the Group will register revenue and profit from both Direct Selling and Franchise segments for all the quarters of the year;
- Outlook for underlying demand for the Group's products remains positive in China, Taiwan, Indonesia, Singapore and certain Other markets in FY2019; and
- Although fasting month has begun in May, we are still cautiously optimistic about our Indonesian market in 2Q2019 as a result of certain market measures taken and the launch of the BWL iPhone/Android apps in 2Q2019.

Barring unforeseen circumstances, factors that may affect the Group's performance in the next reporting period and for the next 12 months are as follows:

- The Group constantly engages the services of various professionals to, amongst other reasons, identify and assess M&A and corporate development opportunities relevant to the Group's business, and to ensure that its operations fulfil all local regulations in the different jurisdictions it operates in. As a result, we expect higher professional fees and other related expenses than usual for FY2019;
- While China management is fulfilling the goods shortage in mid-May, the shortage of the certain SKUs have extended into 2Q2019 as well. As such, we still expect some revenue from franchisees' orders in 2Q2019 to be recognized only in the subsequent quarters upon completion of deliveries;
- Higher administrative expenses due to an increase in management and staff in HQ and certain subsidiaries, expenses in relation to the construction of the Group's Tuas manufacturing facilities and the relocation/refurbishment of certain Regional Centres;
- Fluctuations of currencies in key markets which the Group operates against the Singapore Dollar, may affect the Group's performance positively or negatively. Management actively undertakes measures to mitigate such potential risks.

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

## **DIVIDENDS**

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

None

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

None

**(b) Date payable for dividend**

Not applicable

**(c) Book closure date for dividend**

Not applicable

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

No dividend has been recommended or declared for the period ended 31 March 2019.

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

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

**14. Board Negative Assurance Confirmation for Interim Financial Results**

We, Dora Hoan Beng Mui and Doreen Tan Nee Moi, being two directors of Best World International Limited (the "Company"), do hereby confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the three months ended 31 March 2019 to be false or misleading.

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

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

On behalf of the Board of Directors

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

Doreen Tan Nee Moi  
Co-Chairman, President

8 May 2019