



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 2020

BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 March 2020

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	8
AUDIT	9
ACCOUNTING POLICIES	9
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	17
DIVIDENDS	18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2020

(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		Change %
	3 months ended 31.03.20 \$'000	3 months ended 31.03.19 \$'000	
Revenue	74,550	53,362	39.7
Cost of sales	<u>(22,542)</u>	<u>(13,235)</u>	70.3
Gross profit	52,008	40,127	29.6
<u>Other items of income</u>			
Interest income	506	384	31.8
Other operating income	45	61	(26.2)
<u>Other items of expense</u>			
Distribution costs	(21,072)	(15,910)	32.4
Administrative expenses	(15,929)	(10,455)	52.4
Finance costs	(126)	(89)	41.6
Other gains (Other losses), net	4,775	(321)	NM
Share of results of an associate	<u>(54)</u>	<u>(31)</u>	74.2
Profit before tax	20,153	13,766	46.4
Income tax expense	<u>(7,124)</u>	<u>(3,472)</u>	105.2
Profit for the period	<u>13,029</u>	<u>10,294</u>	26.6
Profit attributable to:			
- Owners of the parent company	13,280	10,329	28.6
- Non-controlling interests	(251)	(35)	617.1
Profit for the period	<u>13,029</u>	<u>10,294</u>	26.6
<u>Additional notes:</u>			
Gross profit margin	69.8%	75.2%	
Net Profit margin	17.8%	19.4%	
Earnings per share (cents)	2.44	1.88	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2020

Statement of Comprehensive Income for the three months ended 31 March 2020:

	Group		Change %
	3 months ended 31.03.20 \$'000	3 months ended 31.03.19 \$'000	
Profit for the period, net of tax	13,029	10,294	26.6
<u>Other comprehensive income</u>			
Exchange differences on translating foreign operations	1,147	297	286.2
Other comprehensive expense for the period, net of tax	1,147	297	286.2
Total comprehensive income for the period	14,176	10,591	33.8
Attributable to:			
Owners of the parent company	14,393	10,598	35.8
Non-controlling interests	(217)	(7)	NM
Total comprehensive income for the period	14,176	10,591	33.8

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

	Group	
	3 months ended	
	31.03.20 \$'000	31.03.19 \$'000
Depreciation of property, plant and equipment	607	494
Depreciation of an investment property	5	5
Amortisation of right-of-use assets	704	929
Amortisation of intangible assets	87	193
Inventories written off	11	1
Fair value loss (gains) on other financial assets	257	(292)
Fair value gains on forward contracts	(1,041)	-
Allowance for impairment on inventories, net	141	366
Foreign exchange (gains) losses, net	(4,132)	247
Interest income	(506)	(384)
Interest expense	126	89

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

(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	
	31.03.20	31.12.19	31.03.20	31.12.19
	\$'000	\$'000	\$'000	\$'000
Assets				
Non-current assets				
Property, plant and equipment	16,521	14,892	4,336	4,757
Investment property	1,123	1,127	-	-
Right-of-use assets	14,386	14,501	5,921	6,371
Intangible assets	1,281	1,287	17	18
Other intangible assets	7,917	7,975	-	-
Investment in subsidiaries	-	-	39,049	33,987
Investment in an associate	5,361	5,415	-	-
Deferred tax assets	10,364	7,787	-	-
Other financial assets	566	535	566	535
Total non-current assets	<u>57,519</u>	<u>53,519</u>	<u>49,889</u>	<u>45,668</u>
Current assets				
Inventories	103,627	96,147	38,191	56,984
Trade and other receivables	16,271	18,130	93,982	53,791
Other assets	33,704	28,439	11,690	9,360
Other financial assets	13,289	12,848	13,288	12,848
Cash and cash equivalents	214,257	241,071	112,440	102,873
Total current assets	<u>381,148</u>	<u>396,635</u>	<u>269,591</u>	<u>235,856</u>
Total assets	<u>438,667</u>	<u>450,154</u>	<u>319,480</u>	<u>281,524</u>
Equity and liabilities				
Current liabilities				
Income tax payable	24,827	23,608	17,268	12,432
Trade and other payables	138,858	165,071	64,258	60,847
Deferred grant income	239	-	209	-
Other financial liabilities	-	817	-	817
Lease liabilities	2,884	2,884	1,718	1,718
Other liabilities	1,302	1,302	1,082	1,082
Total current liabilities	<u>168,110</u>	<u>193,682</u>	<u>84,535</u>	<u>76,896</u>
Net current assets	<u>213,038</u>	<u>202,953</u>	<u>185,056</u>	<u>158,960</u>
Non-current liabilities				
Deferred tax liabilities	142	138	138	138
Lease liabilities	11,783	11,878	4,317	4,746
Total non-current liabilities	<u>11,925</u>	<u>12,016</u>	<u>4,455</u>	<u>4,884</u>
Total liabilities	<u>180,035</u>	<u>205,698</u>	<u>88,990</u>	<u>81,780</u>
Net assets	<u>258,632</u>	<u>244,456</u>	<u>230,490</u>	<u>199,744</u>
Equity, attributable to owner of the company				
Share capital	10,027	10,027	10,027	10,027
Retained earnings	243,766	230,486	220,141	189,395
Other reserves	7,001	5,888	322	322
	<u>260,794</u>	<u>246,401</u>	<u>230,490</u>	<u>199,744</u>
Non-controlling interests	(2,162)	(1,945)	-	-
Total equity	<u>258,632</u>	<u>244,456</u>	<u>230,490</u>	<u>199,744</u>
Total equity and liabilities	<u>438,667</u>	<u>450,154</u>	<u>319,480</u>	<u>281,524</u>

BORROWINGS AND DEBT SECURITIES

(Amounts expressed in Singapore dollars)

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

Amount repayable in one year or less, or on demand

As at 31.03.20		As at 31.12.19	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 31.03.20		As at 31.12.19	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Details of any collateral

Certain leasehold properties of subsidiaries at carrying value of \$403,000 as at 31 March 2020 (31 December 2019: \$403,000), a non-current other intangible asset of a subsidiary at carrying value of \$7,917,000 as at 31 March 2020 (31 December 2019: \$7,975,000), an investment property of a subsidiary at carrying value of \$1,123,000 as at 31 March 2020 (31 December 2019: \$1,127,000), other financial assets of the company at carrying value of \$2,293,000 (31 December 2019: \$2,185,000) 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 2020

(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 31.03.20 \$'000	3 Months Ended 31.03.19 \$'000
Cash flows from operating activities:		
Profit before tax	20,153	13,766
Interest income	(506)	(384)
Interest expenses	126	89
Depreciation of property, plant and equipment	607	494
Amortisation of right-of-use assets	704	929
Depreciation of an investment property	5	5
Amortisation of intangible assets	87	193
Share of results of an associate	54	31
Fair value gains on forward contract	(1,041)	-
Fair value losses (gains) on other financial assets	257	(292)
Unrealised exchange (gains) losses	(2,056)	509
Operating cash flows before changes in working capital	<u>18,390</u>	<u>15,340</u>
Inventories	(7,480)	(10,303)
Trade and other receivables	2,114	(979)
Other assets	(5,265)	(2,616)
Trade and other payables	(25,487)	(15,590)
Deferred grant income	239	-
Net cash flows used in operations before tax	<u>(17,489)</u>	<u>(14,148)</u>
Interest received	506	384
Interest paid	(126)	(89)
Income tax paid	(8,712)	(7,303)
Net cash flows used in operating activities	<u>(25,821)</u>	<u>(21,156)</u>
Cash flows from investing activities:		
Acquisition of an associate	-	(5,625)
Purchase of property, plant and equipment	(2,121)	(1,474)
Purchase of intangible assets	(25)	(16)
Net cash flows used in investing activities	<u>(2,146)</u>	<u>(7,115)</u>
Cash flows from financing activities:		
Repayment of bank borrowings	-	(677)
Repayment of lease liabilities	(686)	(879)
Increase in cash restricted in use	(177)	(28)
Net cash flows used in financing activities	<u>(863)</u>	<u>(1,584)</u>
Net decrease in cash and cash equivalents	(28,830)	(29,855)
Effects of exchange rate changes on cash and cash equivalents	1,839	(18)
Cash and cash equivalents, statement of cash flows, beginning balance	<u>235,416</u>	<u>187,752</u>
Cash and cash equivalents, statement of cash flows, ending balance Note A	<u>208,425</u>	<u>157,879</u>

Note A :

	Group	
	3 Months Ended 31.03.20 \$'000	3 Months Ended 31.03.19 \$'000
Cash and bank balances	214,257	167,279
Less: Cash pledged	(5,832)	(9,400)
Cash and cash equivalents in the consolidated cash flow statement	<u>208,425</u>	<u>157,879</u>

STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020

(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 compensation reserves	Other reserves	Non-controlling interests
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Group										
Balance at 1 January 2020	244,456	246,401	20,618	(10,591)	230,486	(123)	5,647	322	42	(1,945)
<u>Movements in equity</u>										
Total comprehensive income (expense) for the period	14,176	14,393	-	-	13,280	1,113	-	-	-	(217)
Balance at 31 March 2020	258,632	260,794	20,618	(10,591)	243,766	990	5,647	322	42	(2,162)
Balance at 1 January 2019	170,784	173,750	20,618	(2,010)	149,315	(184)	5,647	322	42	(2,966)
<u>Movements in equity</u>										
Total comprehensive income (expense) for the period	10,591	10,598	-	-	10,329	269	-	-	-	(7)
Balance at 31 March 2019	181,375	184,348	20,618	(2,010)	159,644	85	5,647	322	42	(2,973)

STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Amounts expressed in Singapore dollars)

Company	Attributable to owners of the parent company				
	Total equity	Share capital	Treasury shares	Retained earnings	Share-based compensation reserve
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020	199,744	20,618	(10,591)	189,395	322
<u>Movements in equity</u>					
Total comprehensive income for the period	30,746	-	-	30,746	-
Balance as at 31 March 2020	<u>230,490</u>	<u>20,618</u>	<u>(10,591)</u>	<u>220,141</u>	<u>322</u>
Balance at 1 January 2019	133,628	20,618	(2,010)	114,698	322
<u>Movements in equity</u>					
Total comprehensive income for the period	12,418	-	-	12,418	-
Balance as at 31 March 2019	<u>146,046</u>	<u>20,618</u>	<u>(2,010)</u>	<u>127,116</u>	<u>322</u>

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

(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	
	2020	2019	2020	2019
At 1 January and 31 March	544,100,114	549,395,114	10,027	18,608

(b) Treasury Shares

	Group and Company		Group and Company	
	No. of shares		\$'000	
	2020	2019	2020	2019
At 1 January and 31 March	10,291,900	4,996,900	10,591	2,010

For the three months ended 31 March 2020 and 31 March 2019, 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 2020 and 31 December 2019 was 544,100,114.

The total number of treasury shares as at 31 March 2020 and 31 December 2019 was 10,291,900.

- (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 and 31 December 2019, except for the adoption of the new and revised SFRS (I) applicable for the financial year 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 year 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 assets 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 assets 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
Non-current assets			
Right-of-use assets	-	10,376	10,376
Non-current liabilities			
Lease liabilities	-	6,858	6,858
Current liabilities			
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 31.03.20	3 months ended 31.03.19	Change %
Earnings per share of Group:			
(a) Based on weighted average number of ordinary shares on issue (cts); and	2.44	1.88	29.8
(b) On a fully diluted basis (cts)	2.44	1.88	29.8

For comparative purposes, the earnings per ordinary shares for the three months ended 31 March 2020 and 31 March 2019 are calculated based on the profit for the period of approximately \$13.3 million and \$10.3 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 31 March 2020 is 544,100,114 (3 months ended 31 March 2019: 549,395,114).

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	
	31.03.20	31.12.19	31.03.20	31.12.19
Net asset value per ordinary shares (cents)	47.93	45.29	42.36	36.71

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 31 March 2020 and 31 December 2019 was 544,100,114.

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

The Group reported a total revenue of \$74.6 million in 1Q2020, representing an increase of 39.7% when compared to 1Q2019 mainly due to increase in revenue from our Franchise segment and Direct Selling segment.

Cost of sales increased from \$13.2 million in 1Q2019 to \$22.5 million in 1Q2020 mainly due to the increase in sales compared to the same period last year. Gross profit margin declined to 69.8% in 1Q2020 from 75.2% when compared to the same period last year, mainly due to increased filing/bottling/packaging expenses to secure for prioritized and express services, as well as increase in duties levied by China's customs on goods made in the United States, from 11% to as high as 31% in at least two separate occasions since 2H2019. As China subsidiary contributes approximately 53% of the Group's business, this higher cost of goods had negatively impacted the Group's gross profit margin. However, compared to the 70.1% gross profit margin achieved in 4Q2019 after the increase in China customs duties, gross profit margin of 1Q2019 was still relatively stable.

The Group's profit attributable to owners of the parent company increased from \$10.3 million in 1Q2019 to \$13.3 million in 1Q2020 mainly due to the following factors:

- Interest income increased from \$0.4 million in 1Q2019 to \$0.5 million in 1Q2020 mainly due to interest from deposits placed in banks and other financial assets;

- In line with the increase in sales in 1Q2020, distribution costs increased to \$21.1 million or by 32.4% when compared to 1Q2019 mainly attributable to the increase of sales related expenses for the Franchise segment and freelance commissions for the Direct Selling segment offsetting lower convention expenses;
- Administrative expenses increased from \$10.5 million in 1Q2019 to \$15.9 million in 1Q2020 mainly attributable to increase in management and staff costs and professional fees relating to the ongoing independent review of the Group's business in China and other corporate projects;
- Finance costs increased to \$126,000 in 1Q2020 from \$89,000 in 1Q2019 mainly attributable to the increase of lease interest arising from our new Changi HQ office and Cuppage Regional Centre cum Concept Store in 4Q2019;
- Net other gains of \$4.8 million in 1Q2020 was mainly due to strengthening of United States Dollar and Chinese Yuan against Singapore Dollar. This included net foreign exchange gains of \$4.1 million mainly attributable to the revaluation of the Group's other financial assets and cash and cash equivalents denominated in US dollars and revaluation of Hunan branch's payables denominated in SGD as well as fair value gains of \$1.0 million on forward contracts offsetting fair value loss of \$0.3 million on other financial assets;
- Share of losses of \$54,000 in 1Q2020 was mainly due to an associated company Celligenics, which the Group invested into in 1Q2019; and
- The Group income tax expense of \$7.1 million in 1Q2020 is mainly attributable to certain profitable subsidiaries in the Group with higher corporate tax rate. Due to the effect of Group consolidation adjustment on unrealised profits on inventories held by our subsidiaries as at 31 March 2020, the Group's effective tax rate increased to 35.3% vis-à-vis 25.2% in 1Q2019.

Revenue by Business Segments

For quarter: 1Q2020 Vs 1Q2019

Business Segment	3 months ended 31.03.20 Revenue		3 months ended 31.03.19 Revenue		Change %
	\$'000	%	\$'000	%	
Direct Selling	34,847	46.7	22,854	42.8	52.5
Export	40	0.1	176	0.3	(77.3)
Manufacturing/Wholesale	179	0.2	689	1.3	(74.0)
Franchise	39,484	53.0	29,643	55.6	33.2
Total	74,550	100.0	53,362	100.0	39.7

The Group generated \$34.8 million or 46.7% of its total revenue from the Direct Selling segment in 1Q2020. This represents a 52.5% increase when compared to 1Q2019, mainly due to growth from its key markets of Singapore, Taiwan, Malaysia and Hong Kong.

Group's Export segment revenue, which refers to exports to Myanmar, only generated 0.1% of the Group's total revenue.

Due to tightening of regulations imposed by the China authorities on health food market, Manufacturing/Wholesale segment revenue, which declined from \$0.7 million in 1Q2019 to \$0.2 million in 1Q2020, represented only 0.2% of the total Group's revenue. Impact from Covid-19 outbreak had resulted in a challenging environment for wholesalers which relied on drugstores and retail shops to distribute products. Factory operations was also ceased from end January to early March as a result of the shutdown of Hangzhou city due to Covid-19.

Despite the shutdown of multiple cities in China during the reporting period, sales to franchisees grew from \$29.6 million in 1Q2019 to \$39.5 million in 1Q2020 mainly due to healthy growth in market demand for the Group's skincare line, fuelling franchisees need to place orders in March after a weak January and February. The Franchise segment made up 53.0% of the Group's total revenue in 1Q2020.

As at 31 March 2020, there are 39 franchisees distributed over twelve provinces and one municipality in mainland China.

As at the same period, the Group has 114,856 members for its Direct Selling segment, representing a 6.2% increase when compared to 4Q2019.

Revenue by Geographical Locations

For quarter: 1Q2020 Vs 1Q2019

Geographical Locations	3 months ended 31.03.20 Revenue		3 months ended 31.03.19 Revenue		Change %
	\$'000	%	\$'000	%	
Singapore	3,194	4.3	2,234	4.2	43.0
China	39,663	53.2	30,332	56.8	30.8
Taiwan	22,232	29.8	13,796	25.9	61.1
Indonesia	1,210	1.6	3,615	6.8	(66.5)
Others	8,251	11.1	3,385	6.3	143.8
Total	74,550	100.0	53,362	100.0	39.7

Singapore

While marketing activities were reduced to a minimum in 1Q2020 due to the Covid-19 social distancing measures, revenue from Singapore increased 43.0% to \$3.2 million vis-à-vis the same period last year, mainly attributable to the building momentum of influx of new customer members and new active distributors since last year and the readiness of our online store and mobile apps in market communications and fulfilment of customers' orders.

China

Despite the lockdown since February, revenue from China increased by 30.8% or \$9.3 million mainly due the early adoption of digital marketing strategies by our franchisees utilizing online social platforms such as WeChat and Red (XiaoHongShu) to build brand visibility and grow market demand through the sharing of DR's Secret contents through these platforms. While last mile delivery services by logistic provider was disrupted during the lockdown months of the reporting quarter, franchisees were able to replenish their depleting inventory in March as normalcy returned to a certain extent.

Taiwan

Building on the momentum from FY2019, Taiwan's revenue for 1Q2020 increased 61.1% to \$22.2 million. This is mainly due to increase in market share for our DR's Secret as a result of highly effective distributors in leads conversion and servicing existing consumer member, as well as new marketing strategies to engage members. Effective containment efforts made by the Taiwan's government in early stages of the outbreak to contain the virus had minimised impact to the market and also boosted consumers' confidence.

Indonesia

Revenue from Indonesia for 1Q2020 decreased by 66.5% or \$2.4 million when compared to 1Q2019 mainly due to strong competitive environment that had resulted in loss of active distributors. In addition, the outbreak of Covid-19 in Indonesia had also impacted the consumers' confidence since February even though online store is available.

Others

In line with previous FY2019 announcement, revenue from other markets increased by 143.8% in 1Q2020 when compared to 1Q2019 mainly due to increased sales through the Group's online store and mobile apps to new markets like Australia and New Zealand, as well as increase in revenue from Malaysia, Hong Kong, Korea and UAE, offsetting decline from the markets of Thailand, Vietnam, Philippines and Myanmar.

Financial Position and Cash Flow

Non-current assets of the Group increased from \$53.5 million as at 31 December 2019 to \$57.5 million as at 31 March 2020, mainly attributable to increase of Property, Plant and Equipment in relation to construction in progress for our Tuas facility, and an increase in deferred tax asset.

Inventories increased from \$96.1 million as at 31 December 2019 to \$103.6 million as at 31 March 2020 mainly due to building up of inventories for the Hunan branch of the Group's China subsidiary in view of potential supply disruptions in anticipation of Covid-19 outbreak situation worsening in regions outside China to ensure sufficient supply to China consumers.

Trade and other receivables decreased from \$18.1 million as at 31 December 2019 to \$16.3 million as at 31 March 2020 mainly due to lower GST receivables from headquarter in Singapore and lower trade receivables from Hunan franchisees.

Other assets increased from \$28.4 million as at 31 December 2019 to \$33.7 million as at 31 March 2020 mainly due to higher deposits made to suppliers and for the purchase of equipment for our Tuas facility, as well as advance payments made to suppliers by the Hunan branch of the Group's China subsidiary.

Trade and other payables decreased from \$165.1 million as at 31 December 2019 to \$138.9 million as at 31 March 2020 mainly due to payments of sales related expenses during the period and lower trade payables to our suppliers offsetting higher accruals made for management and staff incentives and professional fees for the ongoing independent review of the Group's business in China.

Deferred grant income of \$0.2 million as at 31 March 2020 relates to government grants relating to Job Support Scheme.

Other Financial liabilities, relating to fair value losses on an existing forward contract reduced from \$817,000 as at 31 December 2019 to nil as at 31 March 2020, as there were fair value gains recorded as at 31 March 2020, and included as part of other financial assets. Total lease liabilities were maintained at \$14.7 million as at 31 March 2020 vis-à-vis 31 December 2019.

Other liabilities were maintained at \$1.3 million as at 31 March 2020 vis-à-vis 31 December 2019.

Income tax payable increased from \$23.6 million as at 31 December 2019 to \$24.8 million as at 31 March 2020 due to higher tax payables from the profitable companies.

As at 31 March 2020, the Group recorded net cash flows used in operating activities of \$25.8 million mainly attributable to increase in inventories, other assets as well as income tax payments for 1Q2020, offsetting operating cashflow before changes in working capital of \$18.4 million and decrease in trade and other payables. Net cash flow used in investing activities of \$2.1 million was mainly due to purchase of property, plant and equipment relating to Tuas facility. Net cash flows used in financing activities of \$0.9 million was mainly due to repayment of lease liabilities of \$0.7 million and increase in restricted cash in use of \$0.2 million in 1Q2020.

As at 31 March 2020, the Group maintained \$214.3 million in cash and cash equivalents.

Key findings of the Interim Update

In relation to the findings raised in the interim update report issued by PwC (the “Independent Accountant”) on 22 March 2020, the Group is currently working with its auditors and legal advisors on the below 2 exceptions observed based on PwC’s work done:

- a) Potential sales cut-off issue for goods sold which remained undelivered as at 31 December 2018

The potential impact to the revenue for the year ended 31 December 2018 is estimated to be between CNY54 million based on the Company’s estimate and CNY111.8 million based on the work performed by the Independent Accountant on significant franchisees. The Group is working with the Independent Accountant to reconcile the difference and will work closely with the Group’s auditor on the quantification of the adjustments to the sales and inventory numbers for FY2018. The potential sales cut-off adjustments will affect revenue, cost of sales, distribution costs, inventories, trade receivables and trade and other payables for FY2018.

Any adjustments in relation to the potential sales cut-off for FY2018 will be concurrently adjusted in FY2019.

- b) Potential understatement of BW Changsha’s sales and certain related expenses

The Group is currently working with the Group’s auditor to review and consider if any reclassification or adjustments are necessary to the financial statements for the year ended 31 December 2018. However, should there be any reclassification or adjustments to the financial statements of FY2018 and FY2019, the net financial impact of such reclassification or adjustments is unlikely to be significant.

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.

During this period of uncertainty, management remains very cautious about the Group's performance outlook for the next 12 months. Barring any unforeseen circumstances, management expects volatility in top and bottom line performance due to the following factors:

- While market situation in China is on the slow path of returning to normalcy since April, franchisees are not returning to previous level of sales activities over concerns of a resurgence of Covid-19 cases. The Group's growth is largely dependent on China's consumers' sentiments and performance, we expect this to cast uncertainty over the Group's financial performance for FY2020;
- As of reporting date, most of the Group's subsidiaries, except for China, Taiwan and Hong Kong, are closed due to city lockdowns or movement control. The Group will continue to monitor closely the situation in relation to Covid-19 for all the markets we operate in and will make further announcements to update Shareholders should any material developments arise;
- Besides shipments from our contract manufacturers being delayed due to current lockdown, currently all of our fillers and packagers are also not operational as a result of the Circuit Breaker. We anticipate the possibilities of goods shortages for certain markets in the quarters ahead;
- The current Circuit Breaker in Singapore till 1st June 2020 has brought all construction activities of the Tuas facility to a halt. Management expects an increase in costs as a result of this delay;
- The China-US trade disputes has already negatively impacted the profitability of our China business. Management is uncertain if there will be further retaliatory response from either side that could further impact us;
- As a result of the on-going independent review, higher professional expenses are expected. They include and are not limited to, Independent Accountant's fees, legal costs and other expenses. Management also expects to incur other professional expenses due to, amongst other reasons, identification and assessment of M&A and corporate development opportunities relevant to the Group's business, and to ensure that adherence to relevant local regulations by its subsidiaries in the different jurisdictions;
- As announced previously, management expects higher administrative expenses in relation to management and staff costs to cater to our expanding business activities, the construction of our Tuas manufacturing facilities and the relocation & refurbishment of certain Regional Centres;

- Fluctuations of currencies in key markets which the Group operates in against the Singapore Dollar may positively or negatively affect the Group's performance. Management actively undertakes measures to mitigate such risks.

Other ongoing factors that may affect the Group's performance include and are not limited to, 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 2020.

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 2020 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

14 May 2020