



BEST WORLD INTERNATIONAL LTD

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

Financial Statements And Related Announcement For the 6 months ended 30 June 2019

BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 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			Group		
	3 months Ended 30.06.19 \$'000	3 months Ended 30.06.18 \$'000	Change %	6 months Ended 30.06.19 \$'000	6 months Ended 30.06.18 \$'000 (restated)	Change %
Revenue	98,309	33,084	197.1	151,671	57,631	163.2
Cost of Sales	<u>(21,647)</u>	<u>(8,331)</u>	159.8	<u>(34,882)</u>	<u>(16,112)</u>	116.5
Gross Profit	76,662	24,753	209.7	116,789	41,519	181.3
<u>Other Items of Income</u>						
Interest Income	384	161	138.5	768	306	151.0
Other Operating Income	568	4,416	(87.1)	629	8,319	(92.4)
<u>Other Items of Expense</u>						
Distribution Costs	(21,761)	(10,622)	104.9	(37,671)	(17,456)	115.8
Administrative Expenses	(19,921)	(8,812)	126.1	(30,376)	(15,393)	97.3
Finance Costs	(88)	(23)	282.6	(177)	(49)	261.2
Other Gains (Other Losses), Net	49	929	(94.7)	(272)	693	NM
Share of Results of an Associate	<u>(71)</u>	-	NM	<u>(102)</u>	-	NM
Profit Before Tax	35,822	10,802	231.6	49,588	17,939	176.4
Income Tax Expense	<u>(9,120)</u>	<u>(1,739)</u>	424.4	<u>(12,592)</u>	<u>(3,173)</u>	296.8
Profit For the Period	<u>26,702</u>	<u>9,063</u>	194.6	<u>36,996</u>	<u>14,766</u>	150.5
Profit Attributable to:						
- Owners of the Parent Company	26,745	9,128	193.0	37,074	14,899	148.8
- Non-Controlling Interests	(43)	(65)	(33.8)	(78)	(133)	(41.4)
Profit For the Period	<u>26,702</u>	<u>9,063</u>	194.6	<u>36,996</u>	<u>14,766</u>	150.5
Additional notes:						
Gross Profit Margin	78.0%	74.8%		77.0%	72.0%	
Net Profit Margin	27.2%	27.6%		24.4%	25.9%	
Earnings Per Share (cents)	4.90	1.66		6.77	2.71	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Statement of Comprehensive Income for the six months ended 30 June 2019:

	Group			Group		
	3 months Ended 30.06.19 \$'000	3 months Ended 30.06.18 \$'000	Change %	6 months Ended 30.06.19 \$'000	6 months Ended 30.06.18 \$'000	Change %
Profit for the Period, Net of Tax	26,702	9,063	194.6	36,996	14,766	150.5
<u>Other Comprehensive Income</u>						
Exchange Differences on Translating Foreign Operations	(757)	(371)	104.0	(460)	523	NM
Other Comprehensive Expense for the Period, Net of Tax	(757)	(371)	104.0	(460)	523	NM
Total Comprehensive Income for the Period	<u>25,945</u>	<u>8,692</u>	198.5	<u>36,536</u>	<u>15,289</u>	139.0
Attributable to:						
Owners of the Parent Company	26,001	8,758	196.9	36,599	15,362	138.2
Non-Controlling Interests	(56)	(66)	(15.2)	(63)	(73)	(13.7)
Total Comprehensive Income for the Period	<u>25,945</u>	<u>8,692</u>	198.5	<u>36,536</u>	<u>15,289</u>	139.0

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

	Group	
	6 months Ended	
	30.06.19 \$'000	30.06.18 \$'000
Depreciation of Property, Plant and Equipment	966	866
Depreciation of an Investment Property	9	9
Amortisation of Right-Of-Use Assets	1,857	-
Amortisation of Intangible Assets	383	411
Inventories Written Off	3	-
Fair value (Gain) Loss on Other financial Assets	(441)	87
Allowance for (Reversal of) Impairment on Inventories, Net	158	(273)
Write Back of Accruals	-	(687)
Allowance for (Reversal of) Impairment on Trade Receivables	70	(84)
Reversal of Impairment on Other Receivables	-	(39)
Foreign Exchange Loss, Net	784	303
Gain on Disposal of Property, Plant and Equipment	(299)	-
Interest Income	(768)	(306)
Interest Expense	177	49

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 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	
	30.06.19	31.12.18	30.06.19	31.12.18
	\$'000	\$'000	\$'000	\$'000
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	11,492	8,246	3,817	3,062
Investment Property	1,137	1,146	-	-
Right of Use Assets	8,518	-	1,919	-
Other Intangible Assets	8,090	8,206	-	-
Intangible Assets	3,888	4,155	4	5
Investment in Subsidiaries	-	-	40,999	30,234
Investment in an Associate	5,523	-	-	-
Deferred Tax Assets	1,045	441	-	-
Other Financial Assets	537	1,097	537	1,097
Total Non-Current Assets	<u>40,230</u>	<u>23,291</u>	<u>47,276</u>	<u>34,398</u>
CURRENT ASSETS				
Inventories	51,254	31,423	22,790	15,175
Trade and Other Receivables	9,929	5,219	31,823	32,734
Other Assets	17,848	21,741	12,331	12,424
Other Financial Assets	10,509	9,596	10,509	9,596
Cash and Cash Equivalents	195,457	197,124	64,415	64,851
Total Current Assets	<u>284,997</u>	<u>265,103</u>	<u>141,868</u>	<u>134,780</u>
TOTAL ASSETS	<u>325,227</u>	<u>288,394</u>	<u>189,144</u>	<u>169,178</u>
EQUITY AND LIABILITIES				
CURRENT LIABILITIES				
Income Tax Payable	18,144	17,813	8,690	9,633
Trade and Other Payables	97,939	95,053	33,919	24,897
Other Financial Liabilities	689	2,049	-	-
Lease Liabilities	3,518	-	1,332	-
Other Liabilities	961	961	882	882
Total Current Liabilities	<u>121,251</u>	<u>115,876</u>	<u>44,823</u>	<u>35,412</u>
NET CURRENT ASSETS	<u>163,746</u>	<u>149,227</u>	<u>97,045</u>	<u>99,368</u>
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	138	1,734	138	138
Lease Liabilities	5,099	-	587	-
Total Non-Current Liabilities	<u>5,237</u>	<u>1,734</u>	<u>725</u>	<u>138</u>
TOTAL LIABILITIES	<u>126,488</u>	<u>117,610</u>	<u>45,548</u>	<u>35,550</u>
NET ASSETS	<u>198,739</u>	<u>170,784</u>	<u>143,596</u>	<u>133,628</u>
EQUITY, ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share Capital	10,027	18,608	10,027	18,608
Retained Earnings	186,389	149,315	133,247	114,698
Other Reserves	5,352	5,827	322	322
	<u>201,768</u>	<u>173,750</u>	<u>143,596</u>	<u>133,628</u>
Non-Controlling Interests	(3,029)	(2,966)	-	-
TOTAL EQUITY	<u>198,739</u>	<u>170,784</u>	<u>143,596</u>	<u>133,628</u>
TOTAL EQUITY AND LIABILITIES	<u>325,227</u>	<u>288,394</u>	<u>189,144</u>	<u>169,178</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 30.06.19		As at 31.12.18	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
689	-	2,049	-

Amount Repayable after One Year

As at 30.06.19		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 \$405,000 as at 30 June 2019 (31 December 2018: \$408,000), a non-current other intangible asset of a subsidiary at carrying value of \$8,090,000 as at 30 June 2019 (31 December 2018: \$8,206,000) and an investment property of a subsidiary at carrying value of \$1,137,000 as at 30 June 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 SIX MONTHS ENDED 30 JUNE 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		Group	
	3 Months Ended 30.06.19 \$'000	3 Months Ended 30.06.18 \$'000	6 Months Ended 30.06.19 \$'000	6 Months Ended 30.06.18 \$'000
Cash flows from Operating Activities:				
Profit before Tax	35,822	10,802	49,588	17,939
Interest Income	(384)	(161)	(768)	(306)
Interest Expenses	88	23	177	49
Depreciation of Property, Plant and Equipment	472	401	966	866
Amortisation of Right-Of-Use Assets	928	-	1,857	-
Depreciation of an Investment Property	4	4	9	9
Amortisation of Intangible Assets	190	295	383	411
Gain on Disposal of Property, Plant and Equipment	(299)	-	(299)	-
Share of results of an associate	71	-	102	-
Issue of Shares by transferring of Treasury Shares	-	368	-	368
Fair Value (Gain) Loss on Other Financial Assets	(149)	74	(441)	87
Unrealised Exchange (Gain) Loss	(620)	(1,016)	(123)	595
Operating Cash Flows before Changes in Working Capital	36,123	10,790	51,451	20,018
Inventories	(9,528)	(4,728)	(19,831)	(6,092)
Trade and Other Receivables	(3,747)	13,398	(4,726)	32,022
Other Assets	6,509	(877)	3,893	(5,275)
Trade and Other Payables	17,988	(6,333)	2,398	(8,056)
Net Cash Flows from Operations before Tax	47,345	12,250	33,185	32,617
Income Tax Paid	(6,854)	(5,815)	(14,157)	(5,815)
Net Cash Flows from Operating Activities	40,491	6,435	19,028	26,802
Cash flows from Investing Activities:				
Acquisition of an Associate	-	-	(5,625)	-
Purchase of Property, Plant and Equipment	(2,471)	(133)	(3,945)	(188)
Purchase of Intangible Assets	-	-	(4)	-
Decrease in Other Financial Assets	3	538	3	527
Interest Received	384	161	768	306
Net Cash Flows (used in) from Investing Activities	(2,084)	566	(8,803)	645
Cash flows from Financing Activities:				
Dividends paid on Ordinary Shares	-	(14,307)	-	(14,307)
Purchase of Treasury Shares	(8,581)	(1,176)	(8,581)	(1,176)
Repayment of Bank Borrowings	(684)	(666)	(1,361)	(3,976)
Repayment of Finance Lease Liabilities	-	-	-	(2)
Repayment of Lease Liabilities	(880)	-	(1,759)	-
Interest Paid	(88)	(23)	(177)	(49)
Decrease (Increase) in Cash Restricted in Use	132	69	104	(9)
Net Cash Flows used in Financing Activities	(10,101)	(16,103)	(11,774)	(19,519)
Net increase (decrease) in Cash and Cash Equivalents	28,306	(9,102)	(1,549)	7,928
Effects of exchange rate changes on Cash and Cash Equivalents	4	211	(14)	(80)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	157,879	89,722	187,752	72,983
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance Note A	186,189	80,831	186,189	80,831
Note A :				
	Group	Group	Group	Group
	3 Months Ended 30.06.19 \$'000	3 Months Ended 30.06.18 \$'000	6 Months Ended 30.06.19 \$'000	6 Months Ended 30.06.18 \$'000
Cash and bank balances	195,457	90,085	195,457	90,085
Less: Cash pledged	(9,268)	(9,254)	(9,268)	(9,254)
Cash and Cash Equivalents in the Consolidated Cash Flow Statement	186,189	80,831	186,189	80,831

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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
Group										
Balance at 1 January 2019	170,784	173,750	20,618	(2,010)	149,315	(184)	5,647	322	42	(2,966)
Movements in Equity										
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)
Movements in Equity										
Total Comprehensive Income (Expense) for the Period	25,945	26,001	-	-	26,745	(744)	-	-	-	(56)
Share Buy Back - Held as Treasury Shares	(8,581)	(8,581)	-	(8,581)	-	-	-	-	-	-
Balance at 30 June 2019	<u>198,739</u>	<u>201,768</u>	<u>20,618</u>	<u>(10,591)</u>	<u>186,389</u>	<u>(659)</u>	<u>5,647</u>	<u>322</u>	<u>42</u>	<u>(3,029)</u>
Balance at 1 January 2018	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)	-	-	-	-
Balance at 1 January 2018 as restated	126,790	129,500	20,618	(880)	109,565	155	-	-	42	(2,710)
Movements in Equity										
Total Comprehensive Income (Expense) for the Period	6,597	6,604	-	-	5,771	833	-	-	-	(7)
Balance at 31 March 2018	133,387	136,104	20,618	(880)	115,336	988	-	-	42	(2,717)
Movements in Equity										
Total Comprehensive Income (Expense) for the Period	8,692	8,758	-	-	9,128	(370)	-	-	-	(66)
Share Buy Back - Held as Treasury Shares	(1,176)	(1,176)	-	(1,176)	-	-	-	-	-	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	368	368	-	46	-	-	-	322	-	-
Dividends	(14,307)	(14,307)	-	-	(14,307)	-	-	-	-	-
Balance at 30 June 2018	<u>126,964</u>	<u>129,747</u>	<u>20,618</u>	<u>(2,010)</u>	<u>110,157</u>	<u>618</u>	<u>-</u>	<u>322</u>	<u>42</u>	<u>(2,783)</u>

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Amounts expressed in Singapore dollars)

Company	Attributable to Owners of the Parent Company				Share-based Compensation Reserve
	Total Equity	Share Capital	Treasury Shares	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000
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	146,046	20,618	(2,010)	127,116	322
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	6,131	-	-	6,131	-
Share Buy Back - Held as Treasury Shares	(8,581)	-	(8,581)	-	-
Balance as at 30 June 2019	<u>143,596</u>	<u>20,618</u>	<u>(10,591)</u>	<u>133,247</u>	<u>322</u>
Balance at 1 January 2018	116,172	20,618	(880)	96,434	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	3,124	-	-	3,124	-
Balance as at 31 March 2018	119,296	20,618	(880)	99,558	-
<u>Movements in Equity</u>					
Total Comprehensive Income for the Period	7,885	-	-	7,885	-
Share Buy Back - Held as Treasury Shares	(1,176)	-	(1,176)	-	-
Transfer of Treasury Shares pursuant to Performance Share Scheme	368	-	46	-	322
Dividends	(14,307)	-	-	(14,307)	-
Balance as at 30 June 2018	<u>112,066</u>	<u>20,618</u>	<u>(2,010)</u>	<u>93,136</u>	<u>322</u>

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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
Share buy back – held as Treasury Shares	(5,295,000)	(925,000)	(8,581)	(1,176)
Transfer of Treasury Shares pursuant to Performance Share Scheme	-	231,600	-	46
At 30 June	<u>544,100,114</u>	<u>549,395,114</u>	<u>10,027</u>	<u>18,608</u>

(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
Share buy back – held as Treasury Shares	5,295,000	925,000	8,581	1,176
Transfer of Treasury Shares pursuant to Performance Share Scheme	-	(231,600)	-	(46)
At 30 June	<u>10,291,900</u>	<u>4,996,900</u>	<u>10,591</u>	<u>2,010</u>

For the three months ended 30 June 2019, the company purchased 5,295,000 of its ordinary shares (3 months ended 30 June 2018: 925,000 shares) by way of on-market purchase at share price ranging from \$1.32 to \$2.04 to be held as treasury shares.

On 23 April 2018, the company transferred 231,600 of its treasury shares for fulfilment of share awards vested under the Performance Share Scheme.

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

The total number of issued ordinary shares excluding treasury shares as at 30 June 2019 was 544,100,114 (31 December 2018 was 549,395,114).

The total number of treasury shares as at 30 June 2019 was 10,291,900 (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
Non-Current Assets			
Rights-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 30.06.19	3 months ended 30.06.18	Change %	6 months ended 30.06.19	6 months ended 30.06.18	Change %
Earnings per share of Group:						
(a) Based on weighted average number of ordinary shares on issue (cts); and	4.90	1.66	195.2	6.77	2.71	149.8
(b) On a fully diluted basis (cts)	4.90	1.66	195.2	6.77	2.71	149.8

For comparative purposes, the earnings per ordinary shares for the three months ended 30 June 2019 and 30 June 2018 are calculated based on the profit for the period of approximately \$26.7 million and \$9.1 million respectively. The earnings per ordinary shares for the 6 months ended 30 June 2019 and 30 June 2018 are calculated based on the profit for the period of approximately \$37.1 million and \$14.9 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 30 June 2019 is 546,241,928 (3 months ended 30 June 2018: 549,916,538). The weighted average number of ordinary shares (excluding treasury shares) for the six months ended 30 June 2019 is 547,809,810 (6 months ended 30 June 2018: 550,002,053).

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	
	30.06.19	31.12.18	30.06.19	31.12.18
Net asset value per ordinary shares (cents)	37.08	31.63	26.14	24.32

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 30 June 2019 was 544,100,114 (31 December 2018: 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 announcement on the new accounting standards SFRS(I) 15, in Revenue from Contracts with Customers, certain expenses previously recorded in distribution costs are to be recorded as reduction in revenue. Group revenue for the reporting period ended 30 June 2019 increased 163.2% vis-à-vis the same period last year primarily due to the improvement in the Direct Selling Segment and revenue from the Franchise Segment, which only contributed negligibly to the Group in 1H2018. The full contribution from the Franchise segment in 2Q2019 resulted in an improvement of gross profit margin to 78.0%.

Net profit margin decreased marginally to 27.2% in 2Q2019 mainly due to the following factors:

- In line with previous results announcement in 1Q2019, other operating income decreased by 87.1% from \$4.4 million in 2Q2018 to \$568,000 in 2Q2019 upon Group's transition to the Franchise Segment. This income relates to rental income from an investment property and certain government incentives;
- A higher interest income of \$384,000 in 2Q2019 when compared to \$161,000 in 2Q2018, mainly due to interest earned from higher fixed deposits placed in banks and from other financial assets;
- Distribution costs increased to \$21.8 million in 2Q2019 from \$10.6 million in 2Q2018 primarily due to sales related expenses of the Franchise segment, higher convention expenses accrued, and higher Direct Selling commissions as a result of increased sales from the segment;
- Administrative expenses increased to \$19.9 million in 2Q2019 from \$8.8 million in 2Q2018 mainly due to higher professional fees incurred in relation to certain investment and other projects. In addition, higher management and staff costs and other general expenses increased mainly due to expenses in China;
- Net other gains of \$49,000 in 2Q2019 was primarily due to fair value gains on other financial assets, reversal of impairment on inventories and gain on disposal of property, plant and equipment, offsetting primarily net foreign exchange losses of \$0.5 million mainly due to weaker Renminbi and New Taiwan Dollar against Singapore Dollar. In aggregate for 1H2019, net other losses of \$0.3 million was largely also attributable to net foreign exchange losses of mainly weaker Renminbi and New Taiwan Dollar against Singapore Dollar;
- Share of losses of \$71,000 in an associated company for 2Q2019 was mainly due to Celligenics, an investment the Group made back in 1Q2019; and
- In 2Q2019, the Group incurred higher income tax expense of \$9.1 million mainly due to certain profitable subsidiaries in the Group. As a result of higher corporate tax rates

applicable to these profitable subsidiaries, the Group's effective tax rate increased from 16.1% in 2Q2018 to 25.5% in 2Q2019.

Due to the above, Group's Profit Attributable to Owners of the Parent Company increased from \$14.9 million in 1H2018 to \$37.1 million in 1H2019.

Revenue by Business Segments

For Quarter: 2Q2019 Vs 2Q2018

Business Segment	3 months ended 30.06.19 Revenue		3 months ended 30.06.18 Revenue		Change
	\$'000	%	\$'000	%	%
Direct Selling	35,863	36.5	26,860	81.2	33.5
Export	67	0.1	4,340	13.1	(98.5)
Manufacturing/Wholesale	567	0.6	1,043	3.2	(45.6)
Franchise	61,812	62.8	841	2.5	NM
Total	98,309	100.0	33,084	100.0	197.1

For Year-to-Date: 1H2019 Vs 1H2018

Business Segment	6 months ended 30.06.19 Revenue		6 months ended 30.06.18 Revenue		Change
	\$'000	%	\$'000	%	%
Direct Selling	58,717	38.7	44,384	77.0	32.3
Export	243	0.2	10,559	18.3	(97.7)
Manufacturing/Wholesale	1,256	0.8	1,847	3.2	(32.0)
Franchise	91,455	60.3	841	1.5	NM
Total	151,671	100.0	57,631	100.0	163.2

Revenue contribution from the Group's Direct Selling segment grew by 33.5% in 2Q2019 and 32.3% in 1H2019 primarily due to growth in the key markets of Singapore and Taiwan.

In line with the Group's previous announcement, revenue from Export segment from FY2019 onwards solely represents exports to Myanmar. Hence, export declined to \$67,000 in 2Q2019 from \$4.3 million in 2Q2018. For 1H2019, export revenue was \$0.2 million.

Manufacturing/Wholesale segment sales made up 0.6% of the Group's total revenue in 2Q2019 translating to a decrease of 32.0% in 1H2019 when compared to the same period last year.

Revenue from Franchise increased to \$61.8 million in 2Q2019 when compared to \$0.8 million in 2Q2018 as a result of a full contribution from Franchise segment in 2Q2019. For 1H2019, Franchise revenue contributed \$91.5 million, making up 60.3% of the Group's total revenue for the reporting period.

As at 30 June 2019, we have 33 franchisees, which are distributed over eleven provinces and one municipality in mainland China.

As at 30 June 2019, the Group has 101,580 members for its direct selling business, representing a 2.7% increase when compared to 1Q2019.

Revenue by Geographical Locations

For Quarter: 2Q2019 Vs 2Q2018

Geographical Locations	3 months ended 30.06.19 Revenue		3 months ended 30.06.18 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	2,619	2.7	1,724	5.2	51.9
China	62,378	63.4	6,205	18.8	905.3
Taiwan	26,754	27.2	18,891	57.1	41.6
Indonesia	2,516	2.6	3,503	10.6	(28.2)
Others	4,042	4.1	2,761	8.3	46.4
Total	98,309	100.0	33,084	100.0	197.1

For Year-to-Date: 1H2019 Vs 1H2018

Geographical Locations	6 months ended 30.06.19 Revenue		6 months ended 30.06.18 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	4,853	3.2	3,409	5.9	42.4
China	92,710	61.2	13,014	22.6	612.4
Taiwan	40,550	26.7	30,279	52.5	33.9
Indonesia	6,131	4.0	5,763	10.0	6.4
Others	7,427	4.9	5,166	9.0	43.8
Total	151,671	100.0	57,631	100.0	163.2

Singapore

Revenue from Singapore increased from \$1.7 million in 2Q2018 to \$2.6 million in 2Q2019 primarily due to an increase in number of distributors as well as promotional events. Through our weekly events, we also achieved greater participation from our existing consumer members. This led to a 42.4% increase in revenue or \$1.4 million in 1H2019 vis-à-vis the same period last year.

China

In line with Group's last announcement, revenue from China grew by 905.3% in 2Q2019 vis-à-vis the same period last year, mainly due to the fact that Franchise revenue in 2Q2018 only registered in the last weeks of the quarter. Revenue from Franchise is primarily fuelled by underlying demand for the Group's product offerings especially our skincare line, DR's Secret. In 2Q2019, more than half of the shortages arising from 4Q2018 and 1Q2019 have been fulfilled. Management expects the remaining shortages to be fulfilled in 2H2019 and at the same time to be able to meet market demand.

Taiwan

Revenue from Taiwan grew 41.6% in 2Q2019 when compared to 2Q2018. Vis-à-vis the same period last year, this translates to a growth of 33.9% for 1H2019. Although there was a price increase in January 2019, demand for our product offerings increased due to several factors which include, continuous effort in optimizing online to offline (O2O) interactions between distributors and their online followers, upgrading and skills training and improved distributors' incentives.

Indonesia

Revenue from Indonesia in 2Q2019 declined by 28.2% when compared to 2Q2018 mainly due to tension and heightened social unrest before and after the April elections. Despite the decrease in revenue in 2Q2019, for 1H2019, revenue increased 6.4% to \$6.1 million compared to the same period last year. During this period, management continued its efforts to increase brand awareness, stimulate distributors' activities through promotional activities and trainings. The BWL iPhone/Android app for Indonesia was also launched in 2Q2019.

Others

Revenue from Other Markets increased by 46.4% in 2Q2019 due to the increase in sales from Hong Kong, Malaysia, Thailand, Philippines, Korea and Dubai, offsetting declines from the markets of Vietnam and Myanmar. For the six months ended 30 June 2019, revenue increased by 43.8% when compared to the same period last year mainly due to the increase in sales from Hong Kong, Malaysia, Thailand, Philippines and Dubai, offsetting declines from the markets of Vietnam, 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 \$40.2 million as at 30 June 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, intangible assets and other assets.

Inventories increased from \$31.4 million as at 31 December 2018 to \$51.3 million as at 30 June 2019 mainly due to building up of inventories in our Hunan branch in China and headquarters in Singapore as we expect higher demand in 2H2019.

Trade and other receivables increased from \$5.2 million as at 31 December 2018 to \$9.9 million as at 30 June 2019 mainly due to higher VAT receivables from our Hunan branch in China and Indonesia subsidiary.

Other assets decreased from \$21.7 million as at 31 December 2018 to \$17.8 million as at 30 June 2019 mainly due to lower prepayments for projects offsetting an increase in deposits made to our suppliers.

Trade and other payables increased from \$95.1 million as at 31 December 2018 to \$97.9 million as at 30 June 2019 mainly due to increase in accruals for management and staff costs, as well as trade payables to our suppliers.

Other financial liabilities decreased from \$2.0 million as at 31 December 2018 to \$0.7 million as at 30 June 2019 due to repayment of bank borrowings in 1H2019.

In addition, total lease liabilities increased to \$8.6 million as at 30 June 2019 due to the adoption of SFRS(I) 16 Leases.

Other Liabilities were maintained at \$1.0 million as at 30 June 2019 vis-à-vis 31 December 2018.

Income Tax Payable increased from \$17.8 million as at 31 December 2018 to \$18.1 million as at 30 June 2019 due to additional tax provisions from our profitable subsidiaries for the period.

Net cash flows from operating activities of \$19.0 million in 1H2019 was mainly attributable to the Group's net profit before tax in 1H2019 amounting to \$49.6 million, offsetting changes in working capital as a result of increase in trade and other receivables and inventories as well as income tax payments for the period. Net cash flow used in investing activities of \$8.8 million was mainly due to the acquisition of an associate, Celligenics of \$5.6 million, and addition of property, plant and equipment of \$3.9 million mainly relating to Tuas facility. Net cash flow of \$11.8 million used in financing activities was mainly due to purchase of treasury shares, repayment of bank borrowings and repayment of lease liabilities in 1H2019.

As at 30 June 2019, the Group maintained approximately \$195.5 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 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 slow down in global economic growth, trade tensions between China & US, EU & Indonesia, Brexit negotiations etc, have added uncertainties to the global economy. Such uncertainties will inevitably lead to cautious consumers' sentiments and may negatively impact the Group's performance;
- As a result of the US-China trade disputes, China responded by raising the import duties of US made skin care products from 11% to a range of 19% to 26% and most recently, by weakening the RMB. Such measures may reduce the profitability of the Group's China subsidiaries;
- With the ongoing independent review of the Group's business in China, a certain portion of the China managements' time has been diverted to deal with the enquiries;
- 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 adhere to all relevant local regulations in the different jurisdictions it operates in. On top of that, we expect higher

professional fees including legal and other related expenses as a result of the independent review;

- Although management has fulfilled in 2Q2019, more than half of shortages arising from 4Q2018 and 1Q2019, the remaining shortages to be fulfilled in 2H2019 may result in some negative shopping experience for certain customers;
- 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 and HQ;
- Fluctuations of currencies in key markets which the Group operates in 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

The Directors are pleased to recommend an interim one tier tax-exempt dividend of 1.2 cents per share in respect of the financial period ended 30 June 2019.

(ii) Corresponding Period of the immediately Preceding Financial Year

For the corresponding period of the immediately preceding financial year, the Company paid an interim one tier tax-exempt dividend of 1.2 cents per share in respect of the financial period ended 30 June 2018.

(b) Date payable for dividend

Date payable for dividend: 28 August 2019

(c) Book closure date for dividend

Book closure date for dividend: 21 August 2019

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

Not applicable

- 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 six months ended 30 June 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

13 August 2019