



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 2020

BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 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			Group		
	3 months Ended 30.06.20 \$'000	3 months Ended 30.06.19 \$'000	Change %	6 months Ended 30.06.20 \$'000	6 months Ended 30.06.19 \$'000	Change %
Revenue	138,500	98,309	40.9	213,050	151,671	40.5
Cost of sales	(35,989)	(21,647)	66.3	(58,531)	(34,882)	67.8
Gross profit	102,511	76,662	33.7	154,519	116,789	32.3
<u>Other items of income</u>						
Interest income	189	384	(50.8)	695	768	(9.5)
Other operating income	877	568	54.4	922	629	46.6
<u>Other Items of Expense</u>						
Distribution costs	(36,665)	(21,761)	68.5	(57,737)	(37,671)	53.3
Administrative expenses	(18,347)	(19,921)	(7.9)	(34,276)	(30,376)	12.8
Finance costs	(237)	(88)	169.3	(363)	(177)	105.1
(Other losses) other gains, net	(1,746)	49	NM	3,029	(272)	NM
Share of results of a joint venture	432	-	NM	432	-	NM
Share of results of an associate	(67)	(71)	(5.6)	(121)	(102)	18.6
Profit before tax	46,947	35,822	31.1	67,100	49,588	35.3
Income tax expense	(18,005)	(9,120)	97.4	(25,129)	(12,592)	99.6
Profit for the period	28,942	26,702	8.4	41,971	36,996	13.4
Profit attributable to:						
- Owners of the parent company	28,766	26,745	7.6	42,046	37,074	13.4
- Non-controlling interests	176	(43)	NM	(75)	(78)	(3.8)
Profit for the period	28,942	26,702	8.4	41,971	36,996	13.4
Additional notes:						
Gross profit margin	74.0%	78.0%		72.5%	77.0%	
Net profit margin	20.8%	27.2%		19.7%	24.4%	
Earnings per share (cents)	5.29	4.90		7.73	6.77	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Statement of Comprehensive Income for the six months ended 30 June 2020:

	Group			Group		
	3 months Ended 30.06.20 \$'000	3 months Ended 30.06.19 \$'000	Change %	6 months Ended 30.06.20 \$'000	6 months Ended 30.06.19 \$'000	Change %
Profit for the period, net of tax	28,942	26,702	8.4	41,971	36,996	13.4
<u>Other comprehensive income</u>						
Exchange differences on translating foreign operations	(327)	(757)	(56.8)	820	(460)	NM
Other comprehensive expense for the period, net of tax	(327)	(757)	(56.8)	820	(460)	NM
Total comprehensive income for the period	<u>28,615</u>	<u>25,945</u>	10.3	<u>42,791</u>	<u>36,536</u>	17.1
Attributable to:						
Owners of the parent company	28,623	26,001	10.1	43,016	36,599	17.5
Non-controlling interests	(8)	(56)	(85.7)	(225)	(63)	257.1
Total comprehensive income for the period	<u>28,615</u>	<u>25,945</u>	10.3	<u>42,791</u>	<u>36,536</u>	17.1

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

	Group	
	6 months ended	
	30.06.20 \$'000	30.06.19 \$'000
Depreciation of property, plant and equipment	772	966
Depreciation of an investment property	9	9
Amortisation of right-of-use assets	2,286	1,857
Amortisation of intangible assets	172	383
Inventories written off	-	3
Fair value gains on other financial assets	(174)	(441)
Fair value gains on forward contracts	(457)	-
Allowance for impairment on inventories	19	158
Allowance for impairment on trade receivables	-	70
Foreign exchange (gains) losses, net	(2,417)	784
Gain on disposal of property, plant and equipment	-	(299)
Government grant income	(757)	-
Interest income	(695)	(768)
Interest expense	363	177

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 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	
	30.06.20	31.12.19	30.06.20	31.12.19
	\$'000	\$'000	\$'000	\$'000
Assets				
Non-current assets				
Property, plant and equipment	17,287	14,892	3,735	4,757
Investment property	1,118	1,127	-	-
Right-of-use assets	16,077	14,501	6,272	6,371
Intangible assets	1,249	1,287	17	18
Other intangible assets	7,859	7,975	-	-
Investment in subsidiaries	-	-	66,647	33,987
Investment in an associate	5,293	5,415	-	-
Investment in a joint venture	25,194	-	-	-
Deferred tax assets	8,404	7,787	-	-
Other financial assets	834	535	834	535
Total non-current assets	<u>83,315</u>	<u>53,519</u>	<u>77,505</u>	<u>45,668</u>
Current assets				
Inventories	92,475	96,147	27,646	56,984
Trade and other receivables	22,477	18,130	100,097	53,791
Other assets	34,723	28,439	12,694	9,360
Other financial assets	12,954	12,848	12,954	12,848
Cash and cash equivalents	232,087	241,071	103,688	102,873
Total current assets	<u>394,716</u>	<u>396,635</u>	<u>257,079</u>	<u>235,856</u>
Total assets	<u>478,031</u>	<u>450,154</u>	<u>334,584</u>	<u>281,524</u>
Equity and liabilities				
Current liabilities				
Income tax payable	33,660	23,608	21,733	12,432
Trade and other payables	137,972	165,071	52,054	60,847
Deferred grant income	677	-	573	-
Other financial liabilities	360	817	360	817
Lease liabilities	1,911	2,884	1,718	1,718
Other liabilities	1,302	1,302	1,082	1,082
Total current liabilities	<u>175,882</u>	<u>193,682</u>	<u>77,520</u>	<u>76,896</u>
Net current assets	<u>218,834</u>	<u>202,953</u>	<u>179,559</u>	<u>158,960</u>
Non-current liabilities				
Deferred tax liabilities	142	138	138	138
Lease liabilities	14,760	11,878	4,134	4,746
Total non-current liabilities	<u>14,902</u>	<u>12,016</u>	<u>4,272</u>	<u>4,884</u>
Total liabilities	<u>190,784</u>	<u>205,698</u>	<u>81,792</u>	<u>81,780</u>
Net assets	<u>287,247</u>	<u>244,456</u>	<u>252,792</u>	<u>199,744</u>
Equity, attributable to owner of the company				
Share capital	10,027	10,027	10,027	10,027
Retained earnings	272,532	230,486	242,443	189,395
Other reserves	6,858	5,888	322	322
	<u>289,417</u>	<u>246,401</u>	<u>252,792</u>	<u>199,744</u>
Non-controlling interests	(2,170)	(1,945)	-	-
Total equity	<u>287,247</u>	<u>244,456</u>	<u>252,792</u>	<u>199,744</u>
Total equity and liabilities	<u>478,031</u>	<u>450,154</u>	<u>334,584</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 30.06.20		As at 31.12.19	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Amount repayable after one year

As at 30.06.20		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 \$397,000 as at 30 June 2020 (31 December 2019: \$403,000), a non-current other intangible asset of a subsidiary at carrying value of \$7,859,000 as at 30 June 2020 (31 December 2019: \$7,975,000), an investment property of a subsidiary at carrying value of \$1,118,000 as at 30 June 2020 (31 December 2019: \$1,127,000), other financial assets of the company at carrying value of \$2,297,000 as at 30 June 2020 (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 SIX MONTHS ENDED 30 JUNE 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		Group	
	3 Months Ended 30.06.20	3 Months Ended 30.06.19	6 Months Ended 30.06.20	6 Months Ended 30.06.19
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit before tax	46,947	35,822	67,100	49,588
Interest income	(189)	(384)	(695)	(768)
Interest expenses	237	88	363	177
Depreciation of property, plant and equipment	165	472	772	966
Amortisation of right-of-use assets	1,582	928	2,286	1,857
Depreciation of an investment property	4	4	9	9
Amortisation of intangible assets	85	190	172	383
Gain on disposal of property, plant and equipment	-	(299)	-	(299)
Share of results of a joint venture	(432)	-	(432)	-
Share of results of an associate	67	71	121	102
Fair value (losses) gains on forward contract	584	-	(457)	-
Fair value gains on other financial assets	(431)	(149)	(174)	(441)
Unrealised exchange losses (gains)	2,479	(620)	423	(123)
Operating cash flows before changes in working capital	<u>51,098</u>	<u>36,123</u>	<u>69,488</u>	<u>51,451</u>
Inventories	11,152	(9,528)	3,672	(19,831)
Trade and other receivables	(6,881)	(3,747)	(4,767)	(4,726)
Other assets	(1,019)	6,509	(6,284)	3,893
Trade and other payables	(864)	17,988	(26,351)	2,398
Deferred grant income	(916)	-	(677)	-
Cash flows from operations	<u>52,570</u>	<u>47,345</u>	<u>35,081</u>	<u>33,185</u>
Interest received	189	384	695	768
Interest paid	(237)	(88)	(363)	(177)
Income tax paid	(7,207)	(6,854)	(15,919)	(14,157)
Net cash flows from operating activities	<u>45,315</u>	<u>40,787</u>	<u>19,494</u>	<u>19,619</u>
Cash flows from investing activities:				
Acquisition of an associate	-	-	-	(5,625)
Acquisition of a joint venture	(24,762)	-	(24,762)	-
Purchase of property, plant and equipment	(1,103)	(2,471)	(3,224)	(3,945)
Purchase of intangible assets	5	-	(20)	(4)
Decrease in other financial assets	262	3	262	3
Net cash flows used in investing activities	<u>(25,598)</u>	<u>(2,468)</u>	<u>(27,744)</u>	<u>(9,571)</u>
Cash flows from financing activities:				
Purchase of treasury shares	-	(8,581)	-	(8,581)
Repayment of bank borrowings	-	(684)	-	(1,361)
Repayment of lease liabilities	(1,127)	(880)	(1,813)	(1,759)
Decrease (increase) in cash restricted in use	77	132	(100)	104
Net cash flows used in financing activities	<u>(1,050)</u>	<u>(10,013)</u>	<u>(1,913)</u>	<u>(11,597)</u>
Net increase (decrease) in cash and cash equivalents	18,667	28,306	(10,163)	(1,549)
Effects of exchange rate changes on cash and cash equivalents	(760)	4	1,079	(14)
Cash and cash equivalents, statement of cash flows, beginning balance	<u>208,425</u>	<u>157,879</u>	<u>235,416</u>	<u>187,752</u>
Cash and cash equivalents, statement of cash flows, ending balance Note A	<u>226,332</u>	<u>186,189</u>	<u>226,332</u>	<u>186,189</u>

Note A :

	Group		Group	
	3 Months Ended 30.06.20	3 Months Ended 30.06.19	6 Months Ended 30.06.20	6 Months Ended 30.06.19
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	232,087	195,457	232,087	195,457
Less: Cash pledged	(5,755)	(9,268)	(5,755)	(9,268)
Cash and cash equivalents in the consolidated cash flow statement	<u>226,332</u>	<u>186,189</u>	<u>226,332</u>	<u>186,189</u>

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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		Share capital	Treasury shares	Retained earnings	Foreign currency translation reserve	Statutory reserves	Share-based compensation reserves	Other reserves	Non-controlling interests
	\$ '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)
<u>Movements in equity</u>										
Total comprehensive income (expense) for the period	28,615	28,623	-	-	28,766	(143)	-	-	-	(8)
Balance at 30 June 2020	<u>287,247</u>	<u>289,417</u>	<u>20,618</u>	<u>(10,591)</u>	<u>272,532</u>	<u>847</u>	<u>5,647</u>	<u>322</u>	<u>42</u>	<u>(2,170)</u>
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)
<u>Movements in equity</u>										
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>

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts expressed in Singapore dollars)

Company	Attributable to owners of the parent company				Share-based compensation reserves
	Total equity	Share capital	Treasury shares	Retained earnings	
	\$'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	230,490	20,618	(10,591)	220,141	322
<u>Movements in equity</u>					
Total comprehensive income for the period	22,302	-	-	22,302	-
Balance as at 30 June 2020	<u>252,792</u>	<u>20,618</u>	<u>(10,591)</u>	<u>242,443</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	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>

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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
Share buy back – held as Treasury Shares	-	(5,295,000)	-	(8,581)
At 30 June	<u>544,100,114</u>	<u>544,100,114</u>	<u>10,027</u>	<u>10,027</u>

(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
Share buy back – held as Treasury Shares	-	5,295,000	-	8,581
At 30 June	<u>10,291,900</u>	<u>10,291,900</u>	<u>10,591</u>	<u>10,591</u>

For the three months ended 30 June 2020, the company did not purchase its ordinary shares (3 months ended 30 June 2019: 5,295,000 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 30 June 2020 and 31 December 2019 was 544,100,114.

The total number of treasury shares as at 30 June 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 2018 and unaudited financial statements for the financial year ended 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 30.06.20	3 months ended 30.06.19	Change %	6 months ended 30.06.20	6 months ended 30.06.19	Change %
Earnings per share of Group:						
(a) Based on weighted average number of ordinary shares on issue (cts); and	5.29	4.90	8.0	7.73	6.77	14.2
(b) On a fully diluted basis (cts)	5.29	4.90	8.0	7.73	6.77	14.2

For comparative purposes, the earnings per ordinary shares for the three months ended 30 June 2020 and 30 June 2019 are calculated based on the profit for the period of approximately \$28.8 million and \$26.7 million respectively. The earnings per ordinary shares for the 6 months ended 30 June 2020 and 30 June 2019 are calculated based on the profit for the period of approximately \$42.0 million and \$37.1 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 30 June 2020 is 544,100,114 (3 months ended 30 June 2019: 546,241,928). The weighted average number of ordinary shares (excluding treasury shares) for the six months ended 30 June 2020 is 544,100,114 (6 months ended 30 June 2019: 547,809,810).

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	
	30.06.20	31.12.19	30.06.20	31.12.19
Net asset value per ordinary shares (cents)	53.19	45.29	46.46	36.71

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 30 June 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 \$213.1 million for the reporting period ended 30 June 2020, representing an increase of 40.5% vis-à-vis the same period last year mainly due to increase in revenue from both of our key segments of Direct Selling and Franchise.

In line with an increase in sales vis-à-vis the same quarter last year, cost of sales increased from \$21.6 million in 2Q2019 to \$36.0 million in 2Q2020, as a result of higher custom duties incurred by our China subsidiary for goods made in the United States as well as higher filling/bottling/packaging expenses in 2Q2020 compared to 2Q2019. Gross profit margin decreased from 78.0% in 2Q2019 to 74.0% in 2Q2020.

For the reporting period 2Q2020 and 1H2020, the Group's profit attributable to owners of the parent company increased to \$28.8 million and \$42.0 million respectively, mainly due to the following factors:

- Other operating income increased from \$0.6 million in 2Q2019 to \$0.9 million in 2Q2020 mainly attributable to government grants in relation to the Jobs Support Scheme;
- Interest income decreased to \$0.2 million in 2Q2020 when compared to \$0.4 million in 2Q2019, mainly due to much lower interest rates on fixed deposits placed in banks. In comparison to 1H2019, interest income decreased from \$0.8 million to \$0.7 million;
- Distribution costs, which mainly comprise of freelance commissions of the Direct Selling segment and sales related expenses in relation to Franchise segment, increased to \$36.7 million in 2Q2020 from \$21.8 million in 2Q2019 primarily due to higher sales recorded for both segments for the reporting quarter;
- Administrative expenses decreased from \$19.9 million in 2Q2019 to \$18.3 million in 2Q2020 mainly due to lower professional fees incurred during the period. Whereas, administrative expenses in 1H2020 increased to \$34.3 million mainly due to higher management and staff costs;
- Finance costs increased from \$88,000 in 2Q2019 to \$0.2 million in 2Q2020 mainly attributable to lease interest from new leases from certain subsidiaries and BWI HQ. For 1H2020, finance costs increased approximately to \$0.4 million from \$0.2 million when compared to same period last year;

- Net other losses of \$1.7 million in 2Q2020 was mainly due to net foreign exchange losses attributable to revaluation of the Group's other financial assets and cash and cash equivalents denominated in US Dollars and Hunan branch's payables denominated in Singapore Dollars as a result of weakened US Dollars and Chinese Yuan against Singapore Dollars during the period, and fair value losses on the Group's forward contracts offsetting fair value gains on other financial assets. In 1H2020, net other gains of \$3.0 million was mainly due to net foreign exchange gains of \$2.4 million as a result of stronger New Taiwan Dollars and US Dollars against Singapore Dollar and \$0.5 million net fair value gains on forward contracts;
- Share of results of a joint venture and an associate increased to \$0.4 million in 2Q2020 when compared to the same period last year mainly due to positive contribution from the Group's United Kingdom ("UK") joint venture of Pedal Pulses Limited acquired in April 2020, offsetting share of losses of Celligenics, an investment the Group made back in 1Q2019; and
- The Group incurred higher income tax expense of \$25.1 million in 1H2020 mainly due to certain profitable subsidiaries in the Group with higher corporate tax rates as well as higher withholding tax expenses in relation to distributable profits from profitable subsidiaries. In addition, due to the effect of Group consolidation adjustment on unrealised profits on inventories held by our subsidiaries as at 30 June 2020, the Group's effective tax rate increased to 37.5% in 1H2020 from 25.4% in 1H2019.

Revenue by Business Segments

For Quarter: 2Q2020 Vs 2Q2019

Business Segment	3 months ended 30.06.20 Revenue		3 months ended 30.06.19 Revenue		Change
	\$'000	%	\$'000	%	%
Direct Selling	70,373	50.8	35,863	36.5	96.2
Export	22	0.0	67	0.1	(67.2)
Manufacturing/Wholesale	447	0.3	567	0.6	(21.2)
Franchise	67,658	48.9	61,812	62.8	9.5
Total	138,500	100.0	98,309	100.0	40.9

For Year-to-Date: 1H2020 Vs 1H2019

Business Segment	6 months ended 30.06.20 Revenue		6 months ended 30.06.19 Revenue		Change
	\$'000	%	\$'000	%	%
Direct Selling	105,220	49.4	58,717	38.7	79.2
Export	62	0.0	243	0.2	(74.5)
Manufacturing/Wholesale	626	0.3	1,256	0.8	(50.2)
Franchise	107,142	50.3	91,455	60.3	17.2
Total	213,050	100.0	151,671	100.0	40.5

For 2Q2020, revenue from the Group's Direct Selling segment increased to \$70.4 million or 96.2% vis-à-vis the same period last year, mainly attributable to growth in key markets of Singapore, Taiwan, Malaysia and Hong Kong.

Revenue from the Export segment, which represents exports to Myanmar, contributed only \$22,000 in 2Q2020 and \$62,000 in 1H2020.

As announced in our previous quarterly announcement, Manufacturing/Wholesale segment sales decreased by 21.2% to \$0.5 million in 2Q2020 mainly due to the on-going tightening of regulations imposed by the China authorities on health food market as well as challenging environment faced by the wholesalers while distributing the products through drugstores and retail shops during the period.

Despite the challenging environment due to Covid-19 pandemic which extended into 2Q2020, revenue from the Franchise segment was able to achieve a 9.5% increase from \$61.8 million in 2Q2019 to \$67.7 million in 2Q2020 due to 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.

As at 30 June 2020, we have 39 franchisees, which are distributed over twelve provinces and one municipality in mainland China.

As at 30 June 2020, the Group has 131,777 members for its direct selling business, representing a 14.7% increase when compared to 1Q2020.

Revenue by Geographical Locations

For Quarter: 2Q2020 Vs 2Q2019

Geographical Locations	3 months ended 30.06.20 Revenue		3 months ended 30.06.19 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	5,546	4.0	2,619	2.7	111.8
China	68,105	49.2	62,378	63.4	9.2
Taiwan	45,887	33.1	26,754	27.2	71.5
Indonesia	875	0.6	2,516	2.6	(65.2)
Malaysia	11,862	8.6	672	0.7	1,665.2
Hong Kong	3,825	2.8	2,482	2.5	54.1
Others	2,400	1.7	888	0.9	170.3
Total	138,500	100.0	98,309	100.0	40.9

For Year-to-Date: 1H2020 Vs 1H2019

Geographical Locations	6 months ended 30.06.20 Revenue		6 months ended 30.06.19 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	8,740	4.1	4,853	3.2	80.1
China	107,768	50.6	92,710	61.2	16.2
Taiwan	68,119	32.0	40,550	26.7	68.0
Indonesia	2,085	1.0	6,131	4.0	(66.0)
Malaysia	16,209	7.6	1,203	0.8	1,247.4
Hong Kong	6,200	2.9	4,407	2.9	40.7
Others	3,929	1.8	1,817	1.2	116.2
Total	213,050	100.0	151,671	100.0	40.5

Singapore

Despite the Covid-19 circuit breaker which commenced in April, our skincare line DR's Secret was able to enjoy good exposure from sharing by active distributors and users on social media platforms such as Facebook and Instagram, which serves to broaden our customer base in this reporting quarter. As a result, revenue from Singapore increased to \$5.5 million in 2Q2020, equivalent to a 111.8% growth when compared to 2Q2019.

China

Revenue from China increased by 9.2% to \$68.1 million in 2Q2020 against the backdrop of great uncertainty due to the Covid-19 pandemic. This is mainly attributable to growth from our Franchise segment offsetting decline from our Manufacturing/Wholesale segment. As a result, revenue from China in 1H2020 increased by 16.2% to \$107.8 million, which represents 50.6% of the Group's revenue.

Taiwan

While Taiwan is not affected as badly as other markets by Covid-19, all company activities were nevertheless cancelled from April to May. Management was able to anticipate and adapt to the situation swiftly by breaking these activities into smaller scale gatherings to ensure safety of attendees and leverage on live streaming of such activities. As our distributors had been well trained on the usage of online platforms and tools, they were able to implement these strategies without much disruptions to market momentum. In addition, with the successful Mothers' Day event and the special thematic activities in April and May respectively, revenue in 2Q2020 grew 71.5% compared to same period last year. As a result, revenue from Taiwan increased from \$40.6 million in 1H2019 to \$68.1 million in 1H2020.

Indonesia

Revenue from Indonesia in 2Q2020 declined by 65.2% when compared to 2Q2019 mainly attributable to continued market disruption caused by rampant online discounting and continuation of the Covid-19 lockdown which has negatively impacted consumers' confidence. Management rolled out new strategies such as hosting online events via Zoom since March to attract new customers base.

Malaysia

Malaysia recorded \$11.9 million in 2Q2020, an increase of 1665.2% when compared to the same period last year. This is mainly due to our team of young, presentable and very dynamic distributors who were capable of harnessing online platforms and tools for product promotions, sales followups and trainings, during a challenging period when all offline activities came to a sudden halt due to the Movement Control Order as a result of Covid-19. Their strategies engaged and appealed to younger group of DR's Secret users while competitors are still adjusting to the situation. Coupled with effective sales incentives for distributors, this resulted to the on-boarding of more distributors. Revenue for 1H2020 increased to \$16.2 million compared to \$1.2 million vis-à-vis the same period last year.

Hong Kong

Despite Covid-19 and prolonged period of social unrest in Hong Kong, which led to cancellation of all company held sales activities, revenue increased by 54.1% in 2Q2020 vis-à-vis the same period last year. This is mainly attributable to the growing number of distributors with strong professional background in both markets of Hong Kong and Macau as well as effective small scale offline sales activities organized by distributors supported by online trainings. As a result, revenue from Hong Kong increased by 40.7% to \$6.2 million in 1H2020 when compared to 1H2019.

Others

Revenue from other markets increased by 170.3% in 2Q2020 and 116.2% in 1H2020 when compared to 2Q2019 and 1H2019 respectively, mainly attributable to growth from new online markets of Australia and New Zealand, offsetting decline from markets of Thailand, Vietnam, Philippines, Korea, Myanmar and Dubai.

Financial Position and Cash Flow

Non-current assets of the Group increased from \$53.5 million as at 31 December 2019 to \$83.3 million as at 30 June 2020, mainly attributable to increase of Property, Plant and Equipment in relation to construction in progress for our Tuas facility, deferred tax assets, our newly acquired UK joint venture of Pedal Pulses Limited as well as right of use assets.

Inventories decreased from \$96.1 million as at 31 December 2019 to \$92.5 million as at 30 June 2020 mainly due to delayed shipment from suppliers affected by Covid-19 outbreak in early 2020.

Trade and other receivables increased from \$18.1 million as at 31 December 2019 to \$22.5 million as at 30 June 2020 mainly due to higher trade receivables from Hunan franchisees, our Singapore and Taiwan subsidiaries as a result of increased transactions within the last few days of the quarter as well as grant receivables relating to the Jobs Support Scheme as at 30 June 2020.

Other assets increased from \$28.4 million as at 31 December 2019 to \$34.7 million as at 30 June 2020 mainly due to an increase in deposits made for our suppliers from BWI HQ as well as deposits made for purchase of property, plant and equipment for our Tuas facility.

Income Tax Payable increased from \$23.6 million as at 31 December 2019 to \$33.7 million as at 30 June 2020 due to additional tax provisions during the period.

Trade and other payables decreased from \$165.1 million as at 31 December 2019 to \$138.0 million as at 30 June 2020 mainly due to lower trade payables to our suppliers and payments of sales related expenses and management and staff incentives during the period, offsetting deposits received from our customers.

Deferred grant income of \$0.7 million as at 30 June 2020 relates to government grants relating to the Jobs Support Scheme.

Other financial liabilities decreased from \$0.8 million as at 31 December 2019 to \$0.4 million as at 30 June 2020 due to fair value losses on forward contracts.

Total lease liabilities increased from \$14.8 million as at 31 December 2019 to \$16.7 million as at 30 June 2020 mainly due to new leases from certain subsidiaries and BWI HQ.

Other Liabilities were maintained at \$1.3 million as at 30 June 2020 vis-à-vis 31 December 2019.

As at 30 June 2020, net cash flows from operating activities of \$19.5 million recorded was mainly attributable to the Group's net profit before tax of \$67.1 million, offsetting changes in working capital as a result of higher trade receivables mentioned above, increases in other assets, decrease in trade and other payables as well as income tax paid during the period. Net cash flow used in investing activities of \$27.7 million was mainly due to the recent investment in Pedal Pulses Limited, and purchases of property, plant and equipment in relation to our Tuas facility. Net cash flow of \$1.9 million used in financing activities was mainly due to repayment of lease liabilities in 1H2020.

As at 30 June 2020, the Group maintained approximately \$232.1 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.

While business activities started to resume in most markets that we operate in, countries like China, South Korea, United States of America etc. have encountered second wave of the pandemic. As management is unable to predict the kind and the level of impact a second wave of infection in our key markets could bring about, in view of such uncontrollable factors and uncertainties, we remain cautious about the Group's performance outlook for 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:

- In contrast to Beijing's success in containing the second wave which occurred in June 2020, other countries in the region are facing continued spikes following the lifting of months-long shutdowns. This demonstrates that an economic rebound will be uncertain for the next 12 months, which may negatively impact the Group's performance for the remaining half of the year;

- Consumer sentiments may also be negatively affected due to the prolonged restrictive measures taken by Governments to minimise the risks of the virus spreading. This will directly 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 Chinese Yuan. Such measures may reduce the profitability of the Group's China subsidiaries;
- 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 incurring higher professional fees leading to the lifting of trade suspension by SGX;
- 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; and
- 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 competitors and disgruntled customers.

DIVIDENDS

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

None

(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 2019.

(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 dividends have been declared or recommended by the Board for the financial period ended 30 June 2020 as the Board has decided to conserve cash in the face of heightened economic volatility and business uncertainty moving forward, with consideration of the current short and medium term commitments, especially in relation to the construction of our Tuas facility as well as second tranche investment in Pedal Pulses Limited, should the vendors exercise their put option during the put option period.

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.

Interested Person Transactions

Name of Interested Person	For the Six Months Ended 30 June 2020	
	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
	\$'000	\$'000
Pek Lu Pin ⁽¹⁾		
- Sales	5	NA
- Freelance commission paid	48	NA
- Marketing fee paid	93	NA

Note (1): Daughter of Doreen Tan Nee Moi

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 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

13 August 2020