



# **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 2017**

# **BEST WORLD INTERNATIONAL LIMITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

(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.**

	3 months Ended 31.03.17 \$'000	3 months Ended 31.03.16 \$'000	Change %
Revenue	44,744	35,226	27.0
Cost of Sales	(13,012)	(8,637)	50.7
Gross Profit	31,732	26,589	19.3
<u>Other Items of Income</u>			
Interest Income	101	73	38.4
Other Operating Income	1,469	1,158	26.9
<u>Other Items of Expense</u>			
Distribution Costs	(11,251)	(11,507)	(2.2)
Administrative Expenses	(8,907)	(7,070)	26.0
Finance Costs	(26)	-	NM
Other Losses, Net	(1,060)	(1,637)	(35.2)
<b>Profit Before Tax</b>	12,058	7,606	58.5
Income Tax Expense	(2,499)	(1,745)	43.2
<b>Profit For the Period</b>	9,559	5,861	63.1
<b>Profit Attributable to:</b>			
- Owners of the Parent Company	9,723	5,963	63.1
- Non-Controlling Interests	(164)	(102)	60.8
<b>Profit For the Period</b>	9,559	5,861	63.1
<b><u>Additional notes:</u></b>			
Gross Profit Margin	70.9%	75.5%	
Net Profit Margin	21.7%	16.9%	
Earnings Per Share (cents)	3.53	2.17	

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**Statement of Comprehensive Income for the three months ended 31 March 2017:**

	<b>Group</b>		
	<b>3 months Ended 31.03.17 \$'000</b>	<b>3 months Ended 31.03.16 \$'000</b>	<b>Change %</b>
<b>Profit for the Period, Net of Tax</b>	9,559	5,861	63.1
<u>Other Comprehensive Expense</u>			
Exchange Differences on Translating Foreign Operations	(484)	(800)	(39.5)
<b>Other Comprehensive Expense for the Period, Net of Tax</b>	(484)	(800)	(39.5)
<b>Total Comprehensive Income for the Period</b>	<u>9,075</u>	<u>5,061</u>	79.3
Attributable to:			
<b>Owners of the Parent Company</b>	<b>9,207</b>	<b>5,125</b>	79.6
Non-Controlling Interests	(132)	(64)	106.3
<b>Total Comprehensive Income for the Period</b>	<u>9,075</u>	<u>5,061</u>	79.3

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

	<b>Group</b>	
	<b>3 months Ended</b>	
	<b>31.03.17 \$'000</b>	<b>31.03.16 \$'000</b>
Depreciation of Property, Plant and Equipment	496	418
Depreciation of an Investment Property	5	5
Amortisation of Intangible Assets	246	244
Inventories Written Off	-	63
Allowance for Impairment on Inventories	5	4
Loss on Forward Contract	-	729
Unrealized Foreign Exchange Losses, Net	1,371	686
Realized Foreign Exchange (Gains) Losses, Net	(316)	218
Interest Income	(101)	(73)
Interest Expense	26	-

# STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

(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	
	31.03.17	31.12.16	31.03.17	31.12.16
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	16,318	16,765	2,595	2,788
Investment Property	1,177	1,182	-	-
Intangible Assets	5,933	6,216	10	14
Investment in Subsidiaries	-	-	3,293	3,293
Deferred Tax Assets	580	582	-	-
Other Receivables	-	-	16,295	16,295
Other Financial Assets	1,964	2,034	1,964	2,034
Total Non-Current Assets	<u>25,972</u>	<u>26,779</u>	<u>24,157</u>	<u>24,424</u>
<b>CURRENT ASSETS</b>				
Inventories	43,818	42,953	27,624	24,569
Trade and Other Receivables	29,518	23,430	48,135	45,749
Other Assets	11,472	12,089	8,512	9,184
Cash and Cash Equivalents	56,945	54,933	25,474	23,310
Total Current Assets	<u>141,753</u>	<u>133,405</u>	<u>109,745</u>	<u>102,812</u>
<b>TOTAL ASSETS</b>	<u>167,725</u>	<u>160,184</u>	<u>133,902</u>	<u>127,236</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital	20,169	20,169	20,169	20,169
Retained Earnings	78,578	68,855	80,635	73,905
Other Reserve	1,047	1,563	-	-
Equity, Attributable to Owners of the Parent	<u>99,794</u>	<u>90,587</u>	<u>100,804</u>	<u>94,074</u>
Non-Controlling Interests	(2,056)	(1,924)	-	-
Total Equity	<u>97,738</u>	<u>88,663</u>	<u>100,804</u>	<u>94,074</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred Tax Liabilities	3,131	2,826	429	429
Other Financial Liabilities	4,056	4,723	-	-
Total Non-Current Liabilities	<u>7,187</u>	<u>7,549</u>	<u>429</u>	<u>429</u>
<b>CURRENT LIABILITIES</b>				
Income Tax Payable	17,946	16,485	13,460	11,626
Trade and Other Payables	41,244	43,888	18,327	20,225
Other Financial Liabilities	2,649	2,638	-	-
Other Liabilities	961	961	882	882
Total Current Liabilities	<u>62,800</u>	<u>63,972</u>	<u>32,669</u>	<u>32,733</u>
Total Liabilities	<u>69,987</u>	<u>71,521</u>	<u>33,098</u>	<u>33,162</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>167,725</u>	<u>160,184</u>	<u>133,902</u>	<u>127,236</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 31.03.17		As at 31.12.16	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
2,649	-	2,638	-

Amount Repayable after One Year

As at 31.03.17		As at 31.12.16	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
4,056	-	4,723	-

### **Details of any collateral**

Certain leasehold properties of subsidiaries at carrying value of \$10,542,000 as at 31 March 2017 (31 December 2016: \$10,640,000) and an investment property of a subsidiary at carrying value of \$1,177,000 as at 31 March 2017 (31 December 2016: \$1,182,000) are mortgaged to bank to secure bank facilities granted by the banks.

Plant and equipment with carrying value of \$24,000 as at 31 March 2017 (31 December 2016: \$26,000) were acquired under finance lease arrangements. The obligations under finance leases are secured by the lessor's charge over the leased assets.

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 2017**

(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	3 Months
	Ended	Ended
	31.03.17	31.03.16
	\$'000	\$'000
<b>Cash flows from Operating Activities:</b>		
Profit before Tax	12,058	7,606
Interest Income	(101)	(73)
Interest Expense	26	-
Depreciation of Property, Plant and Equipment	496	418
Depreciation of an Investment Property	5	5
Amortisation of Intangible Assets	246	244
Loss on Forward Contract	-	729
Net Effect of Exchange Rate Changes in Consolidating Foreign Subsidiaries	(272)	(550)
<b>Operating Cash Flows before Changes in Working Capital</b>	<b>12,458</b>	<b>8,379</b>
Inventories	(865)	(1,325)
Trade and Other Receivables	(6,088)	(3,825)
Other Assets	(214)	(2,158)
Trade and Other Payables	(2,644)	(1,342)
<b>Net Cash Flows from (used in) Operations before Tax</b>	<b>2,647</b>	<b>(271)</b>
Income Tax Paid	-	(58)
<b>Net Cash Flows from (used in) Operating Activities</b>	<b>2,647</b>	<b>(329)</b>
<b>Cash flows from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(55)	(338)
Interest Received	101	73
<b>Net Cash Flows from (used in) Investing Activities</b>	<b>46</b>	<b>(265)</b>
<b>Cash flows from Financing Activities:</b>		
Repayment of Borrowings	(653)	-
Finance Lease Repayment	(2)	(2)
Interest Paid	(26)	-
Decrease in Cash Restricted in Use	125	212
<b>Net Cash Flows (used in) from Financing Activities</b>	<b>(556)</b>	<b>210</b>
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	<b>2,137</b>	<b>(384)</b>
<b>Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance</b>	<b>48,721</b>	<b>40,812</b>
<b>Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance</b> <b>Note A</b>	<b>50,858</b>	<b>40,428</b>

Note A :

	Group	
	3 Months	3 Months
	Ended	Ended
	31.03.17	31.03.16
	\$'000	\$'000
Cash and bank balances	56,945	46,651
Less: Cash pledged	(6,087)	(6,223)
<b>Cash and Cash Equivalents in the Consolidated Cash Flow Statement</b>	<b>50,858</b>	<b>40,428</b>

# STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2017

(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						Non-Controlling Interests
	Total Equity	Total	Share Capital	Treasury Shares	Retained Earnings	Foreign Currency Translation Reserve	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Group</b>							
<b>Balance at 1 January 2017</b>	88,663	90,587	20,618	(449)	68,855	1,563	(1,924)
<b><u>Movements in Equity</u></b>							
Total Comprehensive Income (Expense) for the Period	9,075	9,207	-	-	9,723	(516)	(132)
<b>Balance at 31 March 2017</b>	<u>97,738</u>	<u>99,794</u>	<u>20,618</u>	<u>(449)</u>	<u>78,578</u>	<u>1,047</u>	<u>(2,056)</u>
 <b>Balance at 1 January 2016</b>	61,985	63,700	20,618	(449)	42,015	1,516	(1,715)
<b><u>Movements in Equity</u></b>							
Total Comprehensive Income (Expense) for the Period	5,061	5,125	-	-	5,963	(838)	(64)
<b>Balance at 31 March 2016</b>	<u>67,046</u>	<u>68,825</u>	<u>20,618</u>	<u>(449)</u>	<u>47,978</u>	<u>678</u>	<u>(1,779)</u>



## STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2017

Company	Attributable to Owners of the Parent Company			
	Total Equity \$'000	Share Capital \$'000	Treasury Shares \$'000	Retained Earnings \$'000
<b>Balance at 1 January 2017</b>	94,074	20,618	(449)	73,905
<b><u>Movements in Equity</u></b>				
Total Comprehensive Income for the Period	6,730	-	-	6,730
<b>Balance as at 31 March 2017</b>	<u>100,804</u>	<u>20,618</u>	<u>(449)</u>	<u>80,635</u>
 <b>Balance at 1 January 2016</b>	 50,531	 20,618	 (449)	 30,362
<b><u>Movements in Equity</u></b>				
Total Comprehensive Income for the Period	5,048	-	-	5,048
<b>Balance as at 31 March 2016</b>	<u>55,579</u>	<u>20,618</u>	<u>(449)</u>	<u>35,410</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

(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**

	<b>Group and Company</b>		<b>Group and Company</b>	
	<b>Issued ordinary shares</b>		<b>Issued and fully paid up capital</b>	
	<b>No. of shares</b>		<b>\$'000</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
At 1 January and 31 March	275,229,757	220,183,864	20,169	20,169

**(b) Treasury Shares**

	<b>Group and Company</b>		<b>Group and Company</b>	
	<b>No. of shares</b>		<b>\$'000</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
At 1 January and 31 March	1,966,250	1,573,000	449	449

For the three months ended 31 March 2017 and 31 March 2016, the company did not purchase its ordinary shares to be held as treasury shares.

No new shares were issued pursuant to the Performance Share Scheme.

On 16 September 2016, the company issued 55,439,143 new ordinary shares by way of a bonus issue on the basis of one bonus share for every four existing ordinary 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 2017 and 31 December 2016 was 275,229,757.

The total number of treasury shares as at 31 March 2017 and 31 December 2016 was 1,966,250.

- (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 2016.

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 adoption of new and revised FRS does not have a significant impact on the Group.

## 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 31.03.17	3 months ended 31.03.16	Change %
Earnings per share of Group:			
(a) Based on weighted average number of ordinary shares on issue (cents); and	3.53	2.17	62.7%
(b) On a fully diluted basis (cents)	3.53	2.17	62.7%

For comparative purposes, the earnings per ordinary shares for the three months ended 31 March 2017 and 31 March 2016 are calculated based on the profit for the period of approximately \$9.7 million and \$6.0 million respectively.

The weighted average number of ordinary shares (excluding treasury shares) for the three months ended 31 March 2017 and 31 March 2016 is 275,229,757.

For comparative purposes, the number of ordinary shares as at 31 March 2016 was adjusted to include the issue of one bonus share for every four existing ordinary shares held for the calculation of basic and diluted earnings per share.

## 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	
	31.03.17	31.12.16	31.03.17	31.12.16
Net asset value per ordinary shares (cents)	36.26	32.91	36.63	34.18

Note: The number of ordinary shares of the Group and Company (excluding treasury shares) as at 31 March 2017 and 31 December 2016 was 275,229,757.

## 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

For the reporting period ended 31 March 2017, Group Revenue increased from \$35.2 million to \$44.7 million compared to the same period in 2016, translating to a 27.0% increase. This is mainly due to higher Export sales to China as well as increased sales in Singapore and other markets such as Hong Kong and Korea, offsetting lower sales in Taiwan.

Other noteworthy points of the Group's performance in 1Q2017 include:

- Revenue from the Export segment, being recognized at export price, generates a lower gross margin than the Direct Selling segment. As a result of Export segment's increased contribution over the past few quarters including the current financial period, Gross Profit Margin declined from 75.5% in 1Q2016 to 70.9% in 1Q2017;
- Distribution costs which mainly comprise of freelance commissions, annual convention expenses and other sales related costs did not increase in line with the growth of revenue in 1Q2017 as there were no Commissions relating to Export Segment. This translate to a 2.2% decrease when compared to the same period last year;
- Other Operating Income increased by 26.9% mainly due to higher service fees received from the Group's overseas Export Agent for 1Q2017;
- Administrative Expenses for the Group increased from \$7.1 million in 1Q2016 to \$8.9 million in 1Q2017 as a result of higher management and staff costs as well as higher depreciation from our Tuas facility;
- Net Other Losses of \$1.1 million in 1Q2017 was mainly attributable to Unrealised Foreign Exchange Losses recorded during the period due to revaluation of the Group's receivables denominated in US Dollars from a depreciating USD, offsetting Realised Foreign Exchange Gains recorded by our Taiwan Subsidiary as New Taiwan Dollars strengthened against Singapore Dollars;
- The Group's Income Tax Expenses increased from \$1.7 million in 1Q2016 to \$2.5 million in 1Q2017 due to an increase in Profit Before Tax recorded by the Group.

As a result, Profit Attributable to Owners of the Parent Company increased 63.1% from \$6.0 million in 1Q2016 to \$9.7 million in 1Q2017.

## Revenue by Business Segments

For Quarter: 1Q2017 Vs 1Q2016

Business Segment	3 months ended 31.03.17 Revenue		3 months ended 31.03.16 Revenue		Change
	\$'000	%	\$'000	%	%
Direct Selling	23,225	51.9	24,433	69.4	(4.9)
Export	20,657	46.2	9,836	27.9	110.0
Manufacturing/Wholesale	862	1.9	957	2.7	(9.9)
<b>Total</b>	<b>44,744</b>	<b>100.0</b>	<b>35,226</b>	<b>100.0</b>	<b>27.0</b>

Revenue contribution from the Group's Direct Selling business declined by 4.9% quarter-on-quarter to \$23.2 million primarily due to decrease in sales from Taiwan offsetting higher sales from Singapore, Hong Kong and Korea.

Market demand for the Group's DR's Secret skincare range in China continued to grow resulting in higher Export volume for 1Q2017. The export segment grew by 110.0% from \$9.8 million in 1Q2016 to \$20.7 million in 1Q2017, representing 46.2% of the Group's total revenue.

Vis-à-vis 1Q2016, revenue contribution from the Manufacturing/Wholesale segment in 1Q2017 declined by 9.9% to \$0.9 million. Due to pending changes to product registration requirements, the management has decided to hold back new product registrations and will engage wholesalers through other marketing activities to improve market demand for its brand offerings.

As at 31 March 2017, total membership net of attrition for the Group's Direct Selling business increased 5.6% to 460,195 members as compared to 31 December 2016.

## Revenue by Geographical Locations

For Quarter: 1Q2017 Vs 1Q2016

Geographical Locations	3 months ended 31.03.17 Revenue		3 months ended 31.03.16 Revenue		Change
	\$'000	%	\$'000	%	%
Singapore	1,603	3.6	1,394	4.0	15.0
China	21,417	47.9	10,566	30.0	102.7
Taiwan	18,685	41.7	20,221	57.4	(7.6)
Indonesia	1,119	2.5	1,400	4.0	(20.1)
Others	1,920	4.3	1,645	4.6	16.7
<b>Total</b>	<b>44,744</b>	<b>100.0</b>	<b>35,226</b>	<b>100.0</b>	<b>27.0</b>

### Singapore

Revenue from Singapore improved 15.0% to \$1.6 million for 1Q2017 mainly due to successful marketing campaigns and activities e.g. trade exhibition and workshops, which attracted new consumers during the quarter. Management is constantly exploring and engaging in marketing campaigns to attract new consumers in this highly competitive market.

## **China**

Revenue from China grew 102.7% in 1Q2017 vis-à-vis the same period last year, driven by larger shipments during this reporting quarter to fulfil back orders generated in 4Q2016.

On top of that, the larger shipments were also necessary so that sufficient inventory is held for the current and following quarter, as Management foresee further increase in repeat consumption amongst existing users as well as the number of new users for DR's Secret line of skincare solutions.

## **Taiwan**

Revenue from Taiwan saw a decline of 7.6% when compared to 1Q2016 as a result of a gradual departure from promotional activities towards initiatives designed to increase distributors' efficiency. This strategic change is timely as management foresee a slowdown in new member acquisitions moving forward, now that we are the 9<sup>th</sup> largest direct selling company in Taiwan. (Source: Power Networking Monthly, Issue 290/291).

In addition, high profile negative publicities of 2 direct selling companies in late 4Q2016 has impacted consumers' perception, indirectly resulting in more cautious consumption.

On a positive note, the opening of our new 6,300 square feet Taipei Regional Centre ("RC") in mid-May will serve as a new base for us to engage customers from Taipei and northern Taiwan region. Also, the launch of our "BWL Mobile" iOS application and new product launches in May are just some of the initiatives to further stimulate market demand for the remaining quarters of the financial year.

## **Indonesia**

Revenue from Indonesia decreased from \$1.4 million in 1Q2016 to \$1.1 million in 1Q2017, primarily due to the Group facing stiff competition in the market for our weight management line. As previously announced in 4Q2016, the management is making efforts to develop the skin care market by shifting members' focus to our skin care line.

## **Others**

Sales in Other Markets increased by 16.7% from \$1.6 million in 1Q2016 to \$1.9 million in 1Q2017, primarily due to improved sales from Hong Kong, Thailand and Korea offsetting Philippines, Malaysia, Myanmar and Vietnam.

## **Financial Position and Cash Flow**

Non-current assets of the Group decreased from \$26.8 million as at 31 December 2016 to \$26.0 million as at 31 March 2017, mainly due to depreciation of Property, Plant and Equipment and amortisation of Intangible Assets.

Due to the high lead time from our suppliers together with anticipation of higher orders from our Export agent and higher demand from our subsidiaries for FY2017, inventories increased from \$43.0 million as at 31 December 2016 to \$43.8 million as at 31 March 2017.

Trade and Other Receivables increased from \$23.4 million as at 31 December 2016 to \$29.5 million as at 31 March 2017 as a result of increased sales to our Export agent during the reporting period.

Other Assets decreased from \$12.1 million as at 31 December 2016 to \$11.5 million at 31 March 2017 mainly due to the request by our Indonesian subsidiary (as previously disclosed

in Note 29B (b) of the annual report) to offset the overpaid Value Added Tax against existing outstanding tax payable was approved in March 2017.

Trade and Other Payables decreased from \$43.9 million as at 31 December 2016 to \$41.2 million as at 31 March 2017 due to lower accruals of freelance commissions offsetting higher other payables.

Total Other Financial Liabilities decreased from \$7.4 million as at 31 December 2016 to \$6.7 million as at 31 March 2017 due to repayment of bank borrowings during the quarter.

Other Liabilities were maintained at \$1.0 million as at 31 March 2017 vis-à-vis 31 December 2016.

In line with higher profits experienced by the Company and certain subsidiaries of the Group, Income Tax Payable increased from \$16.5 million as at 31 December 2016 to \$17.9 million as at 31 March 2017.

As at 31 March 2017, the Group maintained a healthy balance sheet and working capital position with approximately \$56.9 million in cash and cash equivalents.

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

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

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

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

Barring any unforeseen circumstances, management is cautiously optimistic that China will be the Group's key driver in the next reporting period and for the next 12 months.

In addition, while the Group has experienced exceptional growth over the last few years in Taiwan, management believes that growth from the market will be more subdued in FY2017 as it prepares itself for the next phase of growth as one of the top 10 direct selling companies in Taiwan.

Factors that may affect the Group's performance in the next reporting period and for the next 12 months are as follows:

- Besides driving organic growth from our direct selling business, management is constantly on the lookout for other inorganic growth opportunities which would allow the Group to gain access into new markets, acquire new distribution channels, tap into upstream value chain of synergistic businesses and/or gain exclusivity or first movers' advantage to market new products/services to our members etc. Arising from these, management may incur professional fees and other related expenses;
- Higher Administrative expenses due to increase in management and staff in new RC, depreciation expenses related to the Group's Tuas facility and machineries/equipment for the factory and establishment of our Taipei RC & Changsha RC;



- Higher expenses relating to the Group's continuous effort to integrate the daily activities of direct selling with online activities on both the PC and mobile devices, manage our online presence and improve our customers' online/offline shopping experience & after sales services;
- As previously announced, conversion of the Export business to Direct Selling shall be implemented in phases.

Upon conversion of the Export Business to Direct Selling, some or all of the following items, amongst others may be affected:

1. Increase in Revenue and Gross Profit as a result of revenue recognition at a price higher than export price;
2. Increase in Administrative Expenses due to management and staff costs as well as lease expenses of our new Changsha RC; and
3. Decline in Other Operating Income due to lower service fees that the Group will be receiving from the Group's Export Agent.

The priority in the next 12 months, therefore, is to grow China's domestic market and to expand the geographical coverage of our direct selling license beyond Hangzhou to include other cities, starting with cities where we currently have already established presence; and

- Fluctuating currencies of key markets which the Group operates in against the SGD may positively or negatively impact the Group's performance. Management will undertake measures to mitigate any potential risks the Group is exposed to.

Other ongoing factors that affect the Group's performance include, timeline required for product registration in various markets, natural disasters, local direct selling regulations, product regulations and 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 2017.

**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, Dr. Dora Hoan Beng Mui and Dr. 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 2017 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

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

Dr. Doreen Tan Nee Moi  
Co-Chairman, President

9 May 2017