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Issuer: Best World International Limited

Stock code: CGN

Meeting details (EGM):

Date: 19 Jul 2024

Time: 9.00 a.m.

Venue: 10 Pasir Panjang Road, Mapletree Business City, Town Hall – Auditorium, Singapore 117438

Q1. An extraordinary general meeting has been scheduled for 19 July 2024, where shareholders will vote on the proposed capitalisation of retained earnings; the proposed selective capital reduction of \$2.56 in cash for each share cancelled; the proposed delisting of the company from SGX-ST, with all three resolutions inter-conditional upon one another.

If all three resolutions are approved, minority shareholders, whether dissenting or otherwise and whether they have voted or not, will receive \$2.56 for each share they hold. The company will be privatised by the major shareholders (and their concert parties) and it will be delisted from SGX-ST.

- (i) **How was Evolve Capital Advisory picked as the independent financial adviser (IFA) and what roles did the executive directors play in this process? Can the board disclose the selection criteria?**

On page 23 of the circular, the IFA stated that, based on its own estimates and computations, the estimated value of each share ranges between \$1.36 to \$2.69. However, the IFA further disclosed that their estimates and computations are theoretical and do not imply that the shares should trade within such a range.

- (ii) **Can the independent directors elaborate further on the experience of the IFA in valuing a premium skin care, beauty, health and wellness products manufacturer and distributor?**
- (iii) **How were the criteria for shortlisting and selecting the comparable companies determined, and what role did the recommending directors play in this process?**
- (iv) **Can the independent directors explain the factors contributing to the wide valuation range provided by the IFA, and how should shareholders assess the reliability and relevance of this estimate?**

It was noted that the company received a letter from requisitioning members in March 2024 before the announcement of the proposed delisting. On the operational front, the group is set to benefit from the anticipated recovery in the Chinese market, new products successfully registered and launched in 2023 and 2024 (including health supplements with Halal certification), breakthroughs in Celligenics and Margaret Dabbs London®, the ramping up of production, the GMP certification of the Tuas facility and the new logistic hub.

- (v) **Can the independent directors provide greater clarity on the timing of the proposed SCR and delisting of the company?**
- (vi) **What advice can the recommending directors give to shareholders who feel that the group's performance and earnings will rebound sharply after the delisting, given the years of investment into brand building and infrastructure (and the years of non-declaration of dividends)?**

Q2. In the letter from the IFA, it was noted that the exit offer values the company at 9.1x its earnings, 1.88x its net asset value, 2.13x its sales and 3.04x its EV/EBITDA.

The IFA had noted, amongst other observations, the following:

The PE ratio of the Group of 9.10 times implied by the Final Exit Offer Price is within the range of the PE ratios of the Comparable Companies but below the mean and median PE ratios of the Comparable Companies of 10.53 times and 10.41 times, respectively.

The EV/EBITDA ratio of the Group of 3.04 times is below the range of EV/EBITDA ratios of the Comparable Companies and below the mean and median EV/EBITDA ratios of the Comparable Companies of 6.02 times and 6.21 times, respectively.

APPENDIX A LETTER FROM THE IFA

Comparable Companies

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market Capitalisation (S\$ million)	PE ratio (times)	P/NAV ⁽¹⁾ (times)	PS ratio ⁽²⁾ (times)	EV/EBITDA ⁽³⁾ (times)
USANA Health Sciences Inc	1,159.03	13.53x	1.77x	0.94x	4.69x
Herbalife Ltd	1,483.98	7.77x	(1.06)x	0.22x	6.21x
Grape King Bio Ltd	1,003.82	10.88x	2.33x	2.19x	6.92x
NU Skin Enterprises Inc	834.75	72.32x	0.77x	0.32x	6.47x
Amway (Malaysia) Holdings Bhd	339.47	9.94x	3.84x	0.82x	5.82x
Max		72.32x	3.84x	2.19x	6.92x
Min		7.77x	(1.06)x	0.22x	4.69x
Mean		10.53x ⁽⁴⁾	1.53x	0.90x	6.02x
Median		10.41x ⁽⁴⁾	1.77x	0.82x	6.21x
Company (implied by the Final Exit Offer Price)	1,095.46	9.10x	1.88x⁽⁵⁾	2.13x	3.04x⁽⁶⁾

Sources: Bloomberg L.P., annual reports and announcements of the SGX-ST Companies and ECA calculations
 (Source: Circular to shareholders dated 24 June 2024)

- (i) **Do the recommending directors believe that an EV/EBITDA ratio of 3.04x is low, regardless of the stock exchange on which the company trades?**
- (ii) **Has the board, especially the independent directors, implemented any value-accretive strategies over the years to help boost the company's valuation? Did the recommending directors consider how the group's past practices (such as its business model in China, non-declaration of dividends, etc) might have contributed to the group's low valuation despite its EBITDA?**

It is further noted that the IFA made adjustments to its methodology to factor in the differences in the average valuation of the stock exchanges, after which it concluded that the mean and median adjusted EV/EBITDA ratios of comparable companies would be lowered from 6.02 times and 6.21 times to 3.37 times and 3.24 times, respectively.

- (iii) **Can the recommending directors provide a detailed explanation of why they consider the current exit offer to be in the best interest of shareholders, particularly in light of the IFA's adjustment (lowering) of valuations for comparable companies?**
- (iv) **Has the board, especially the recommending directors, ever explored the possibility of a secondary listing in high valuation markets such as the USA or Taiwan instead of pursuing delisting?**
- (v) **What assurances can the company offer shareholders that it will not undergo delisting from SGX-ST only to be relisted or sold in the near future at a significantly higher valuation?**

Q3. The board consists of six directors (and an additional two alternate directors), of which the two independent directors and a non-executive director are also the recommending directors, for the purposes of making a recommendation on the exit offer. The recommending directors are:

- Lee Sen Choon
- Adrian Chan Pengee, and
- Chester Fong Po Wai

- (i) **Can the directors clarify their roles, particularly as independent directors, regarding the company's off-market purchases through two equal access offers from December 2021 to February 2022 and April 2022 to June 2022 at \$1.36 per share?** This was done while trading was suspended and after the board announced considerations for delisting in November 2021. In total, the company repurchased 103.4 million shares at \$1.36 per share during the suspension. **Did the directors consider the impact on minority shareholders facing liquidity challenges who were compelled to accept the \$1.36 per share offer under the equal access program, especially with uncertainty about when trading in the company's shares would resume?**
- (ii) **What are the plans of the recommending directors in the event that shareholders approve the delisting? Will there be changes to the fees paid to the directors?**

Separately, Mr Lee Sen Choon has been redesignated as a non-independent director upon the conclusion of the AGM in April 2024. Mr Lee Sen Choon was first appointed on 24 May 2004 and has served on the board for more than 20 years.

- (iii) **Can the director help shareholders better understand how he has been able to maintain his independence given that he has been on the board for over twenty years?** The SGX rules have been updated to limit the tenure of independent directors serving on boards of listed issuers to nine years.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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