



BEST WORLD INTERNATIONAL LTD

(Company Registration: 199006030Z)

Incorporated in the Republic of Singapore

Extraordinary General Meeting Substantial & Relevant questions from Securities Investors Association (Singapore)

All capitalised terms used but not defined herein shall have the same meanings given to them in the circular dated 24 June 2024 (“Circular”), unless otherwise expressly stated or the context otherwise requires.

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 (ECA) 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?**

Company: As the Company’s shares were trading during the process, to avoid information leakage, management team involved in the exercise avoided communicating with multiple service providers. ECA was introduced to the Company during the course of another project. After meeting with ECA, the independent directors reviewed and approved the selection of ECA (after considering other potential candidates for the IFA appointment) based on their experience in the investment and corporate finance scene as well as their track record in the equity capital markets.

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?**

Company: The Independent Directors were informed that the IFA, ECA, possesses the requisite qualifications and extensive experience in corporate finance and capital markets. ECA holds the Capital Market Services Licence for advising on corporate finance and dealing in capital markets products, as authorised by the Monetary Authority of Singapore. Additionally, ECA is an Accredited Mainboard Issue Manager and a Catalyst Full Sponsor authorised by the Singapore Exchange Limited.

ECA's team has several decades of experience in advisory services, with a track record in transactions across various sectors, including consumer goods, beauty, health, and wellness. ECA is supported by a Global Advisory Panel of independent professionals with extensive corporate finance, capital markets, investments, business development, and risk management backgrounds.

Currently, ECA is acting as the Sponsor, Issue Manager, and Placement Agent for the upcoming IPO of A Wellness Holdings Ltd., an established integrated health, wellness and beauty services provider in Singapore.

iii. How were the criteria for shortlisting and selecting the comparable companies determined, and what role did the recommending directors play in this process?

Company: During discussions, and following research, the IFA and Company noted that there are no directly comparable listed companies operating in the beauty direct selling and franchise business listed on the SGX-ST and there was an absence of similar companies operating within the same field that were listed on SGX-ST.

In light of this, for the purpose of evaluating the financial terms of the Exit Offer, the IFA, as a broad reference, made reference to the valuation ratios of broadly comparable listed companies globally which are engaged in the direct selling of beauty products and franchise business. This approach aimed to provide a broad indication of the valuation of the Group. The selected companies – USANA, Herbalife, Grape King, Nu Skin, and Amway – all demonstrated a proven track record of active involvement and/or operations in this business.

However, the IFA acknowledges that no companies listed globally or on the SGX-ST may be considered substantially similar to the Group in terms of various criteria such as geographical markets, business activities, scale of operations, risk profile, and others. These businesses may have very different business and profitability objectives. Due to the potential disparities in valuations (attributed to factors such as market depth and liquidity, regulatory framework, cost of capital and investors risk profile) of the stock markets that the selected companies trade in, the IFA adjusted the valuation multiples of the selected companies by discounting their ratios by the average 1-year premium of the respective stock indices to remove the disparity in the different markets (as disclosed in Paragraph 8.6 of the IFA Letter). The IFA is of the view that such adjustments are essential to ensure a 'fairer' comparison to the best extent possible to enable the readers (i.e. shareholders) to account for the nuanced differences between markets and industries, thus providing a more accurate basis for evaluation and investment decision-making.

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?

Company: The wide valuation range encompasses both the lower and upper bounds, substantiated by the various implied price ranges derived from the relevant metrics. As explained in Paragraph 8.6 of the IFA letter, the Group's asset base consists of a large proportion of current assets, with a significant portion in cash. As such, the minimum valuation of the Group should be based at least on the Group's ANAV, which stands at S\$584.02 million or S\$1.36 per Share. The upper bound is determined by considering all relevant metrics outlined in the 'Football Field Chart' on page A-60 of the Circular. Accordingly, notwithstanding the 'broad' range of values, the independent directors accept the IFA's view that the opinion is still relevant as it accounts for all relevant metrics which were relied upon in forming the IFA's opinion. The IFA also confirms that the range of values is consistent with the requirements in the Code.

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?

Company: Following the Board's consideration of the various exit strategies available, several months of preparations of documents and consultation with SIC and SGX, the Company made the announcement for the proposed delisting exercise by way of a selective capital reduction on 22 March 2024. The earliest date that the Company may make an application to Court is 22 July 2024, which is after the EGM, provided that the Resolutions pass. The entire Court process may take approximately 2 to 3 months depending on the Court's schedule, and hence the Company is not able to provide at this stage the exact effective date of the Selective Capital Reduction and delisting date of the Company, which can only occur after the EGM (assuming shareholders' approval for the Selective Capital Reduction is obtained) and upon the approval from the Court. In any case, the Company will keep shareholders updated on the process by making announcements as matters develop.

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)?

Company: The economic and market conditions remain highly uncertain amid continuing geopolitical tensions and there have been concerns of slow economic growth in the major markets that the Company operates in. There is no assurance that these conditions will not deteriorate in 2025 and that the Company's business and financial performance will not be correspondingly affected.

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?**

Company: Following the Guidelines on Independent Financial Advisers issued by SGX RegCo on July 3, 2023, IFAs involved in offers are to furnish a range of values for the securities subject to the offer and in line with the Code. Paragraph 8.6 of the IFA Letter outlines a range of values, depicted in the 'Football Field Chart', which covers the lower and upper bounds of the implied price of the Shares. The derivation of these values is substantiated by the various metrics used in the IFA's evaluation rather than any specific metric, with clear explanations provided for how these bounds are determined. It should be noted that differences in profitability, cash position and stability of business results are among factors that could impact such valuations. Accordingly, the Recommending Directors, having considered carefully the terms of the Exit Offer and the advice given by the IFA in the IFA Letter, concur with the advice given by the IFA in respect of the Exit Offer as set out in paragraph 15 of the Circular and in Appendix A to the Circular. The Recommending Directors are of the opinion that the proposed Exit Offer is in the best interests of the Shareholders.

- 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?**

Company: Over the past 5 years, the Company's shares were in suspension for a large part of this period. During this time, which largely co-incided with COVID, the Company continued to focus on driving business growth both in China and non China markets to manage concentration risks, while improving internal control and governance in China. While the Group was unable at that time to file for the expansion of the coverage of its existing Direct Selling License due to MOFCOM not accepting applications for direct selling licenses and accepting filings for expansion of the coverage of existing direct selling licenses till date, we continue to prepare for the transition to a direct selling model in China. Most of the internal control recommendations in China have been satisfactorily implemented and the issues that were the causes of the disclaimer and qualified audit opinion from FY2018 to FY2020 have already been resolved in FY2021. The external auditor's opinions since FY2022 have been clean and unqualified. In addition, the Company made 2 acquisitions in Celligenics in 2019 and Pedal Pulses in 2020 respectively, as part of its longer term strategy for the Group's business.

Despite the above efforts, the Company's share price did not improve significantly mainly due to various other factors including but not limited to the uncertainties prevailing in the Chinese market, challenging environment for the Company and its industry, with geopolitical and economic uncertainties persisting from year-to-year.

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?**

Company: In addition to our response above in Q2(i), the Recommending Directors considered, among other things, the advice given by the IFA, the rationale for the proposed Exit Offer, the current financial condition of the Company, the current business and market conditions and near term outlook, and the other options potentially available such as a voluntary general offer (which is more dependent on external third parties) and a scheme of arrangement (which has more legal requirements to be satisfied), and are of the view that the proposed Exit Offer is in the best interests of the Shareholders as the Exit Offer is an opportunity for Eligible Shareholders to realise their investment in the Shares at a premium to historical traded prices of the Shares. Further, the economic and market conditions remain highly uncertain amid continuing geopolitical tensions and there has been concerns of slow economic growth in the major markets that the Company operates in. There is no assurance that these conditions will not deteriorate in 2025 and that the Company's business and financial performance will not be correspondingly affected. The Recommending Directors are therefore of the view that undertaking the proposed Exit Offer at this time is in the best interests of the Company and the Shareholders.

- 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?**

Company: With reference to Paragraph 6 of the Circular, the Company has not carried out any corporate exercise to raise cash funding on the SGX-ST in the past ten years and the Company has no need for access to the Singapore and other capital markets presently and in the foreseeable future. Besides, one of the rationales for the Exit Offer is to dispense with the costs and resources required for regulatory compliance. Therefore, after deliberating the various options including a secondary listing, a delisting is a more viable option as compared to a secondary listing as a secondary listing will entail additional compliance and regulatory costs.

- 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?**

Company: We refer to our response above in Q2(iv). At this time, the Company has no intention of relisting or selling at a 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?**

Company: Given the uncertainty about when the trading of the Company's shares would resume and the circumstances that the world was facing during the Covid-19 period, it was the best option available to provide Shareholders who required short term liquidity with certain liquidity/cash value for their shares in the Company at the time. While the considerations for the delisting announcement was made in November 2021 before the two equal access offers, this Exit Offer of \$2.56 per share was only made possible on 24 June 2024 after all necessary regulatory approvals and financial resources were met. None of the Shareholders were compelled to accept the S\$1.36 per share offer under the equal access scheme.

- 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?**

Company: Should the Selective Capital Reduction be approved by the shareholders and the Court, the remaining shareholders i.e, the Non Participating Shareholders shall decide whether the recommending directors continue to be on the board. Should they decide that the recommending directors remain as directors, the fees will be renegotiated which will be commensurate with the roles and responsibilities as required of an unlisted company.

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.

Lee Sen Choon: I am the managing partner of UHY Lee Seng Chan & Co, Chartered Accountants, a public accounting firm in Singapore. For a large part of my work life I have been an independent auditor, amongst other work and roles. I see no trouble exercising independent thought in whatever work is before me; in fact independence is the cornerstone of the services my firm offers.

I also believe the training I have attended as a member of the Institute of Singapore Chartered Accountants positively reinforces my value systems, resulting in the right behaviour.

In addition, the NC performs an annual review of the independence of each director, adopts the 2018 Code's definition of what constitutes an independent director. Each independent director is required to complete a declaration of independence which is drawn up in accordance with the guidelines set out in the Code and submits the same to the NC for assessment and consideration. The NC has confirmed my continuing independence and I have abstained from this determination by the NC.