

## ARION ENTERTAINMENT SINGAPORE LIMITED

(Incorporated in Singapore)

(Company Registration Number 199407135Z)

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### PROPOSED SUBSCRIPTION OF 311,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF ARION ENTERTAINMENT SINGAPORE LIMITED (THE “COMPANY” TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”) FOR AN AGGREGATE CONSIDERATION OF S\$1,632,750 (THE “PROPOSED SUBSCRIPTION”)

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#### 1. Introduction

1.1 The board of directors of the Company (the “**Board**” or “**Directors**”) wishes to announce the proposed subscription of 311,000,000 new ordinary shares in the capital of the Company (the “**Subscription Shares**”) at S\$0.00525 (the “**Subscription Price**”) for each Subscription Share, amounting to an aggregate amount of S\$1,632,750.

#### 2. The Proposed Subscription

2.1 The Company had on 3 August 2020 entered into four (4) separate subscription agreements (the “**Subscription Agreements**”) with each of Hung Hon Mo, Wilfred Lam Kwok Hing, Lee Chun Ming and Ivy Chan Shui Sheung (each, a “**Subscriber**” and collectively, the “**Subscribers**”), who has agreed to subscribe for the Subscription Shares as set out below and on the terms and conditions as set out in the Subscription Agreements:

	Number of Subscription Shares	% of Total Subscription Shares	Total Amount of Subscription Price Payable (S\$)
Hung Hon Mo	90,000,000	28.94	472,500
Wilfred Lam Kwok Hing	73,000,000	23.47	383,250
Lee Chun Ming	75,000,000	24.12	393,750
Ivy Chan Shui Sheung	73,000,000	23.47	383,250
<b>Total</b>	<b>311,000,000</b>	<b>100.00</b>	<b>1,632,750</b>

2.2 There is no introducer fee or placement commission paid by the Company in connection with the Proposed Subscription.

- 2.3 The aggregate number of Subscription Shares represents 49.92% of the existing issued share capital of the Company (excluding treasury shares) (the “**Shares**”) of 622,951,593 Shares and 33.30% of the Company’s enlarged issued share capital of the Company (excluding treasury shares) of 933,951,593 Shares following the completion of the Proposed Subscription.

The Subscription Price represents a discount of 9.73% over the volume weighted average price of S\$0.005816 per ordinary share of the Company based on the trades done on the Company’s shares on the Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the full market day on 3 August 2020 on which the Subscription Agreements were signed.

The Subscription Price was arrived at on a willing-buyer, willing-seller basis and the discount provided was a commercial decision made by the Company and was made within the requirements of Catalist Rule 811(1). In agreeing to the Subscription Price, the Board has considered the prevailing economic conditions which prompted the Proposed Subscription and the recent trading prices of the existing issued Shares which may, to some extent, reflect the uncertainties surrounding the unprecedented effects of the Covid-19 pandemic on the economy and the stock markets.

- 2.4 The Subscription Shares will be issued pursuant to the general mandate authorising the Directors to issue new shares and convertible securities (the “**General Mandate**”), which was granted by the shareholders of the Company (the “**Shareholders**”) by way of an ordinary resolution at the annual general meeting of the Company held on 30 July 2019 (the “**AGM**”). As at the date of the AGM, the number of issued Shares was 622,940,542. The General Mandate authorizes the Board to issue new Shares not exceeding 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing Shareholders shall not exceed 50% of the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings), after such adjustments as permitted under and as made in accordance with Rule 806(3) of the Listing Manual of the SGX-ST, Section B: Rules of Catalist (“**Catalist Rules**”). No Shares were previously issued under the general mandate prior to the Proposed Subscription. As such, the total number of Shares that may be issued pursuant to the General Mandate other than on a pro-rata basis is 311,470,271 Shares. The proposed allotment and issuance of an aggregate of 311,000,000 Subscription Shares will fall within the limits of the General Mandate.
- 2.5 The Subscription Shares shall be issued free from any form of legal, equitable or security interests or any other encumbrance or condition whatsoever or any other arrangements having similar effect and shall rank *pari passu* in all respects with the then existing issued shares of the Company at the allotment and issue of the Subscription Shares (the “**Allotment Date**”)“ except for any dividends, distributions, or entitlements the record date of which falls on or before the Allotment Date.
- 2.6 The Proposed Subscription is subject to, *inter alia*, the receipt of the listing and quotation notice (the “**LQN**”) from the SGX-ST for the listing and quotation of the Subscription Shares on the Catalist of the SGX-ST. The Company will be making an application to the SGX-ST via its Sponsor for the listing and quotation of the Subscription Shares on the

Catalist of the SGX-ST. An appropriate announcement will be made upon the receipt of the LQN in respect of the Subscription Shares from the SGX-ST.

- 2.7 The Proposed Subscription will be undertaken pursuant to Section 272B of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.

### 3. The Subscribers

- 3.1 Mr Hung Hon Mo is a business man and owned a bakery shop in Hong Kong. Mr Hung is a regular investor in equity for the past twenty years.
- 3.2 Mr Wilfred Lam Kwok Hing is a practicing solicitor in Hong Kong and is the chairman and non-executive director of Chinese Strategic Holdings Limited (“**CSHL**”), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong (“**HKSE**”). Mr Lam is also an independent non-executive director of the Hong Kong Building and Loan Agency Limited. Mr Lam was previously a director of Hong Kong Resources Holdings Company Limited, a company listed on the main board of HKSE from 2011 to June 2019. Mr Lam was the chairman and executive director of Lamtex Holdings Limited, a company listed on the main board of HKSE from June 2015 to March 2016.
- 3.3 Mr Lee Chun Ming is the majority shareholder of Goodwin Consultant Limited, a franchisee of Century 21 Hong Kong Limited (“**C21 HK**”). C21 HK is wholly owned by Mr. Ng Kai Man, Executive Director and Substantial Shareholder of the Company (“**Mr. Ng**”).
- 3.4 Ms Ivy Chan Shui Sheung is the executive director of CSHL and an independent agent of Century 21 Group Limited (“**C21 Group**”). C21 Group is wholly owned by Ms Ng Yan Pui, daughter of Mr Ng. Ms Chan has more than 26 years’ experience in equity investment. Ms Chan currently owns 15,520,900 shares in the issued capital of the Company.
- 3.5 The Subscribers are business associates and personal friends of Mr. Ng.
- 3.6 Each Subscriber has represented, *amongst others*, that:
- (a) it is not an associate (as defined in the Catalist Rules) of the other Subscribers,
  - (b) it is not a person to whom the Company is prohibited from issuing Shares, as provided in Rule 812(1) of the Catalist Rules;
  - (c) except as disclosed in this announcement, it does not directly or indirectly own any Shares as at the date of this announcement; and
  - (d) it has not entered into any arrangement or agreement (formal or informal) to acquire or to otherwise own any Shares other than the Proposed Subscription contemplated herein.
- 3.7 The Proposed Subscription would not result in any transfer of controlling interest in the Company. Please refer to Appendix A of the Announcement for the shareholdings of the

Subscribers upon completion of the Proposed Subscription.

- 3.8 The Subscribers have confirmed that there is no agreement, arrangement or understanding amongst the Subscribers or between any of the Subscribers or any shareholder of the Company to acquire Shares to obtain or consolidate effective control of the Company, and each Subscriber is not a party acting in concert with another Subscriber or with any shareholder of the Company as defined in the Singapore Code on Takeovers and Mergers.

#### **4. Rationale for the Proposed Subscription**

- 4.1 The net proceeds from the Proposed Subscription will provide the Company with working capital, and to provide financial flexibility for future corporate developments which may involve diversifying into new business opportunities as and when they arise. The Group has not identified such new business opportunities as at the date of this announcement. The Company has sufficient working capital to operate as a going concern for the next 12 months. However, in light of the current Covid-19 pandemic, the Company is of the view that it should raise additional funds for working capital.
- 4.2 The Subscribers have subscribed to the Subscription Shares purely for financial investment purposes.

#### **5. Conditions precedent to Completion**

Completion of the Proposed Subscription ("**Completion**") is conditional upon, *inter alia*:-

- (a) the relevant approvals (if required) from the Directors, governmental agencies and/or regulatory bodies as well as the listing and quotation notice in respect of the Subscription Shares on the Catalist of the SGX-ST having been obtained and such approval being in full force and effect; and if obtained subject to conditions, such conditions being reasonably acceptable to the Company and the Subscribers and are timely and satisfactorily fulfilled;
- (b) the issue and subscription of the Subscription Shares not being prohibited by any publicly available law, statute, rule, regulation or code, or order, decree, requirement, judgment or decision of any governmental or regulatory body or authority or court of competent jurisdiction, applicable to the Company or the Subscribers or to the relevant matter(s) contemplated under the Subscription Agreements;
- (c) the representations and warranties of the Company and the Subscribers in the Subscription Agreements being true and accurate and not misleading as at the date of the Subscription Agreements, and remaining true and accurate and not misleading at all times between the date of the Subscription Agreements and Completion; and
- (d) receipt of the aggregate consideration for the Proposed Subscription, being

the Subscription Price multiplied by the Subscription Shares by the Company.

Completion of the Proposed Subscription is to take place on the date falling within five (5) business days from the date on which all the conditions precedent to Completion have been satisfied or waived (the "**Completion Date**"), subject to the satisfaction or waiver of the all conditions precedent by the date falling three (3) calendar months from the date of the Subscription Agreements (or such other date as the Company and the Subscribers may agree in writing).

## 6. Use of Net Proceeds

6.1 The Proposed Subscription will allow the Company to raise estimated net proceeds (the "**Net Proceeds**") of up to approximately S\$1.58 million (after deducting expenses incurred in connection with the Proposed Subscription).

6.2 The Company intends to use the Net Proceeds for

- (i) General working capital purposes to provide financial flexibility for payments to *inter alia*, trade creditors, wages, staff related costs and rental expenses; and
- (ii) for future corporate developments and to tap on new business opportunities as and when they arise. The Company has been on the lookout for new business opportunities but has not identified any as at the date of this announcement. In the event that the new business opportunities materializes, funds will be needed to set up the new business division. In the event that there are no corporate developments or new business opportunities identified by financial year ending 31 March 2021, the Net Proceeds shall be re-allocated towards general working capital of the Group.

For illustrative purposes only, the following table is an estimate of how the Company intends to use the proceeds:

Use of Net Proceeds	Amount (S\$'000)	%
General working capital	1,266	80.0
Future corporate developments and new business opportunities (if any)	317	20.0
<b>Total</b>	<b>1,583</b>	<b>100.0</b>

As noted in paragraphs 4.1 and 9 of this announcement, the Group has sufficient working capital to operate as a going concern over the next 12 months. Notwithstanding the foregoing, in light of the global recession led by the Covid-19 pandemic, the Proposed Subscription presents an opportunity for the Company to raise additional funds to act as a buffer if there is any further deterioration to the economic, business or credit situation. Hence, the Board is of the view that it is prudent to allocate 80% of the Net Proceeds for working capital. The Company will provide the necessary updates to shareholders as set out in paragraph 6.4 below.

- 6.3 Pending deployment of the proceeds from the Proposed Subscription, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Group.
- 6.4 The Company will make periodic announcements on the utilization of the Net Proceeds as and when such funds are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's half and full year financial statements and the Company's annual report. Where the Net Proceeds are used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and the status report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.
- 6.5 Further, as at the date of this announcement, the Company has utilised approximately S\$0.4 million of the net proceeds of approximately S\$1.88 million from the rights issue that was completed in December 2018 (the "**2018 Rights Issue**"), in accordance with the use of proceeds described in the Company's announcement dated 25 December 2018 (the "**Rights Issue Announcement**"). As at the date of this announcement, S\$1.48 million or approximately 78.7% of the net proceeds from the 2018 Rights Issue remain unutilized, of which S\$0.5 million is intended for the development of the Group's publishing operations and the remaining for other general working capital purposes of the Company.

## 7. Financial Effects

Based on the unaudited consolidated financial statements of the Group for the most recently completed financial year ended 31 March 2020, the financial effects of the Proposed Subscription on the Group are set out below purely for illustrative purposes.

The financial effects of the Proposed Subscription on the Group have been prepared based on the following assumptions:-

- (a) the financial impact on the consolidated net tangible assets ("**NTA**") per Share of the Group is computed based on the assumption that the Proposed Subscription was completed on 31 March 2020;
- (b) the financial impact on the consolidated Loss Per Share ("**LPS**") of the Group is computed based on the assumption that the Proposed Subscription was completed on 1 April 2019; and
- (c) transaction costs incurred for the Proposed Subscription are approximately S\$50,000.

<b>S\$'000</b>	<b>Before Proposed Subscription</b>	<b>After Proposed Subscription</b>
NTA (S\$'000)	1,901	3,484
NTA per share (Singapore cents) <sup>(1)</sup>	0.31	0.37
Loss attributable to shareholders (S\$'000)	(1,036)	(1,086)
LPS (Singapore cents) <sup>(2)</sup>	(0.17)	(0.12)
Share capital (\$'000)	144,676	146,259
Issued number of shares ('000)	622,941	933,941

Notes:

- (1) NTA per share before and after the Proposed Subscription is computed based on ordinary shares outstanding of 622,940,542 and 933,940,542, respectively.
- (2) LPS per share before and after the Proposed Subscription is computed based on weighted average number of ordinary shares of 622,940,542 and 933,940,542, respectively.
- (3) The number of ordinary shares used for the computation of NTA per share and LPS per share excludes the 11,051 Shares that were allotted and issued in May 2020 pursuant to the exercise of the W200505 Warrants.

## **8. Directors' and Substantial Shareholders' Interests**

None of the Directors and the substantial shareholders of the Company have any interest (direct or indirect) in the Proposed Subscription (other than through their shareholdings in the Company).

Save as disclosed above, the Board confirms that, to the best of its knowledge, none of the Subscribers have any connection, including business relationship, with the Company, its subsidiaries, its Directors and its substantial shareholders.

Details of the change in shareholding interests of the Directors, substantial shareholders and Subscribers before and after the Proposed Subscription are set out in Appendix A of this announcement.

## **9. Confirmation by Directors**

The Board is of the opinion that after taking into consideration

- (i) the present bank facilities available to the Group, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) the present bank facilities and net proceeds of the Proposed Subscription, the working capital available to the Group is sufficient to meet its present requirements.

The Group does not currently have any banking facilities and notwithstanding that the working capital available to the Group is sufficient to meet its present requirements, the Directors are of the opinion that the Proposed Subscription will provide additional working capital and financial flexibility to fund any future corporate developments and to tap on new business opportunities as and when they arise.

In light of the current COVID-19 pandemic, the Company is of the view that it should raise additional funds for working capital. The Company is closely monitoring and working with its business associates and partners to assess and mitigate the financial impact of this unprecedented outbreak on the Group's business and financial performance, and will update Shareholders in due course if there are any changes to the aforesaid confirmation.

## **10. Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Subscription, the Group and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

## **11. Documents Available for Inspection**

A copy of the Subscription Agreements will be made available for inspection during normal business hours at the Company's registered office address at 138 Robinson Road #08-01 Singapore 068913 for a period of three (3) months commencing from the date of this announcement.



## **12. Trading Caution**

Shareholders and potential investors should exercise caution when trading in the Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

**For and on behalf of the Board**

**Ng Kai Man**

Executive Director

5 August 2020

## Appendix A

The interests of the Directors, substantial shareholders and Subscribers are set out below:

	<b>Before Proposed Subscription</b>		<b>After Proposed Subscription</b>	
	<b>Number of Shares</b>	<b>%</b>	<b>Number of Shares</b>	<b>%</b>
<b>Directors</b>				
Ng Kai Man	92,700,000	14.88	92,700,000	9.92
Chou Kong Seng	600,000	0.10	600,000	0.06
Kesavan Nair	300,000	0.05	300,000	0.03
<b>Substantial shareholders</b>				
Chung Yuen Yee Kathy	70,000,000	11.24	70,000,000	7.50
Lee Ka Chung @ William Lee	31,500,000	5.06	31,500,000	3.37
<b>Subscribers</b>				
Hung Hon Mo	-	-	90,000,000	9.64
Wilfred Lam Kwok Hing	-	-	73,000,000	7.82
Lee Chun Ming	-	-	75,000,000	8.03
Ivy Chan Shui Sheung	15,520,900	2.48	88,520,900	9.48
<b>Other public shareholders</b>	<b>412,330,693</b>	<b>66.19</b>	<b>412,330,693</b>	<b>44.15</b>
<b>Total</b>	<b>622,951,593</b>	<b>100.00</b>	<b>933,951,593</b>	<b>100.00</b>

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*