

Arion Entertainment Singapore Limited

(Company Registration Number: 199407135Z)
(Incorporated in the Republic of Singapore)

RESPONSE TO THE QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The Board of Directors (the “**Board**”) of Arion Entertainment Singapore Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 31 March 2021 (the “**Annual Report**”) (such queries are available for download at SIAS’ website at www.sias.org.sg), and sets out below the Company’s responses as follows:

QUESTION 1

The Group’s revenue derived from the publishing operations in Malaysia was fairly resilient despite a challenging year, slipping less than 2% to S\$857,000 in FY2021. However, “printing and editorial costs” and employee compensation would significantly exceed revenue in both years, making the operations unprofitable.

(i) *What are management’s plans to turn the Malaysian publishing operations profitable?*

The Group’s publishing operations have been profitable as can be seen from the segmental results of the Group on pages 83 to 85 of the Annual Report. The employee compensation on page 45 of the Annual Report comprises the remuneration of the personnel employed by the Company which is classified under the Singapore segment.

(ii) *Can management provide shareholders with greater clarity on the profile of its readers/ subscribers? What is the number of subscribers/ readers of the group’s publications?*

The readership for our Malaysian publications is about 120,000 and majority of the readers (about 70%) are within the age group from 30 years old to 50 years old; 10% comprises readers below 20 years old while the remaining 20% is made up of readers above 60 years old.

(iii) *Has the Group shifted to e-magazines/ online publications?*

As mentioned in the Executive Director’s statement, the Group has plans to shift to digital and online publishing which has yet to be initiated as at 31 March 2021 due to the challenging economic conditions in Malaysia as a consequence of the pandemic. However, our Malaysian publishing operations plan to initiate digital publishing during the financial year ending 31 March 2022.

(iv) *Revenue from advertising dropped from S\$100,000 in FY2021 to S\$57,000 in FY2021. Given the low circulation, high costs and changes to consumer behaviour, has the Board evaluated the sustainability of the Group’s publication business?*

The Board is cognizant of the challenge faced in maintaining profitability of the Group’s publication business due to a changing business landscape. The proposed move to digital publishing is one of the steps being taken to address this challenge. The Board will also announce any other significant initiatives to be undertaken as and when appropriate.

QUESTION 2

At the EGM held on 16 February 2021, the company obtained shareholders' approval for the proposed diversification and expansion of the group's business into property business and moneylending business. The company has stated that it has plans to commence the moneylending business in Hong Kong in the next few months.

The auditors have highlighted the group's going concern as a key audit matter in the report on the audit of the financial statements (page 39). For the financial year ended 31 March 2021, the group reported net loss of \$(699,000) and as at that date, total cash and cash equivalents decreased by \$689,000 due to outflows of cash from operating activities.

With proceeds from the issue of new shares amounting to \$1.63 million, the group ended the year with \$3.05 million.

(i) Can management elaborate further on the due diligence it carried out for the moneylending business in Hong Kong?

Our Executive Director, Mr Ng Kai Man, has more than 30 years' experience in the banking and real estate business in Hong Kong. Mr Ng, with the assistance of consultants who possess the relevant expertise in the industry has identified a specific market in the moneylending business in Hong Kong that the Group could potentially enter into.

(ii) What is the market entry strategy/niche of the group? How does the group intend to compete against the incumbents?

Mr Ng notes that there is a constant need in the Hong Kong market for mortgage and personal loans from alternative sources other than banks. With Mr Ng's network in the banking and real estate industry, the Group intends to focus on property related loans initially. We will over time engage a team of personnel who are experienced in managing the operations of a money lending company.

(iii) Has the group obtained the prerequisite Money Lenders License that is issued by the Licensing Court of Hong Kong pursuant to the Money Lenders Ordinance and Money Lenders Regulations to carry out lending businesses in Hong Kong? How familiar is management with the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong)?

The Group has yet to obtain the Money Lenders License in Hong Kong and will be engaging the relevant consultants to assist the Group on this matter.

(iv) Does the Group have sufficient capital to fund the moneylending business?

As mentioned in the circular to shareholders dated 1 February 2021 (the "Circular") in relation to the property business and the money lending business (the "Proposed New Businesses"), the Group may tap into the capital markets and explore secondary fund-raising exercises such as rights issues, share placements and/or issuance of debt instruments to fund the Proposed New Businesses to the extent that funds generated from operations and internal funds have been exhausted and subject to the then market conditions and financial consideration.

(v) In addition, has the board set up an effective risk management framework to manage/mitigate the risks in the moneylending business? How does the group address the possible concentration risks from its borrowers given the relatively small capital pool?

The Board has set up a working committee comprising Mr Ng Kai Man as the Chairman and the members of the Audit Committee from time to time as members (the "Working Committee").

The Working Committee will be tasked with the responsibility of overseeing the risk management activities and internal controls of the Group in relation to the Proposed New Businesses.

Please refer to the Circular for details of the Working Committee.

QUESTION 3

At the annual general meeting scheduled to be held on 30 July 2021, Mr Chou Kong Seng, an independent director of the company, will retire pursuant to Article 107 of the company's constitution and will be seeking his re-election.

Mr Kesavan Nair, along with Mr Chou Kong Seng, would also be seeking a two-tier vote by shareholders for their continued appointment as independent directors.

Mr Chou Kong Seng and Mr Kesavan Nair were first appointed on 14 August 2012 and 14 February 2013 respectively. The profiles of the directors can be found on pages 4 and 5 of the Annual Report. Additional information on directors seeking their re-election and continued appointment as independent directors can be found on pages 24 to 31 of the Annual Report.

- (i) ***How was the rigorous review of the independence of the long-tenured non executive directors carried out given that Mr Kesavan Nair chairs the nominating committee while Mr Chou Kong Seng is a member of the NC?***
The third member of the NC is Mr Lee Keng Mun, an independent director.

Mr Nair and Mr Chou abstained from the deliberations in respect of the assessment of their own independence.

- (ii) ***How effective was the NC in discharging its key responsibilities, including the review of directors' independence?***

The Nominating Committee ("NC") believes that they have been effective in discharging its key responsibilities, including the review of the director's independence, through the evaluation of independence by assessing all the relevant factors that might impair independence and the declaration of independence completed by each Independent Non-Executive Director.

The NC and Board are satisfied with Mr Nair's and Mr Chou's continued independence in character and judgment in discharging their responsibilities as a director of the Company and have found no evidence to indicate that the length of service has in any way affected their independence. With the concurrence of the NC, the Board is of the view that Mr Nair and Mr Chou have demonstrated strong independent character and judgment over the years in discharging their duties and responsibilities as Independent Non-Executive Directors of the Company with the utmost commitment in upholding the interests of the minority shareholders. Mr Nair and Mr Chou have expressed individual viewpoints, debated issues and objectively scrutinised and challenged the management of the Company. They have also sought clarification and amplification as deemed necessary, including through direct access to the management.

- (iii) ***Can the directors help shareholders understand their contributions to the group, especially in enhancing long term shareholders value? The group's 5-year financial highlight (page 6) is reproduced for reference.***

Year	Revenue* S\$'000	Loss Attributable to Shareholders S\$'000	Loss Per Share Singapore Cents
FY 2017	1,596 ^	(7,305)	(0.26)
FY 2018	1,208 ^	(890)	(0.02)
FY 2019	1,007	(1,314)	(0.09)
FY 2020	897	(1,036)	(0.17)
FY 2021	857	(699)	(0.09)

* Including other gains and excluding discontinued operations

^ Excluding gain/ (loss) on disposal of subsidiary corporations

(Source: Company's Annual Report FY2021)

In fact, the group has been loss making for several years prior to FY2017:

Year	Revenue* (S\$'000)	Loss Attributable to Shareholders (S\$'000)	Loss Per Share (Singapore Cents)
FY 2013	9,455	(3,422)	(0.09)
FY 2014	7,320	(2,863)	(0.28)
FY 2015	7,924	(2,793)	(0.44)
FY 2016	2,859	(6,320)	(0.44)
FY 2017	1,596[^]	(7,305)	(0.26)

* Including other income and excluding discontinued operations

[^] Excluding loss on disposal of subsidiary corporations (refer to Note 24 to the Financial Statements)

(Source: Company's Annual Report FY2017)

The Board has always been evaluating the Group's business operations as can be seen from the disposal of Elektromotive Limited in 2017. The Board has been seeking new business opportunities for the Group in the past few years but the various proposed acquisitions did not materialise for reasons as explained in the respective SGXNet announcements. Please refer to the respective announcements dated 4 November 2016, 25 November 2016 and 17 November 2017 for details of these proposed acquisitions.

(iv) Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

The NC is of the view that the current Board size of four Directors is appropriate considering the scope and extent of the Group's operations. The current Directors are experienced and possess a broad range of expertise relevant to the Group's businesses and strategy, including accounting, finance, business management, strategic planning and regional business experience. However, in view of the Group's intention to expand into the Proposed New Businesses and other new business opportunities (necessary approvals will be sought pursuant to applicable Catalist Rules, where required), the Company is looking at expanding its current board composition to cater for the proposed planned expansion.

(v) What are the plans for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?

Board membership is refreshed progressively and in an orderly manner, to ensure good corporate governance and to maintain relevance to the business as well as changing needs of the Company, bearing in mind the contributions from long-standing directors who have developed an understanding and insight into the Group's businesses over time. As mentioned in the response to Question 3(iv) above, the Company is looking into expanding its current board composition to cater for the proposed expansion plan.

By Order of the Board

Ng Kai Man
Executive Director
29 July 2021

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and 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 Foo Jien Jieng, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.