

**ARION ENTERTAINMENT SINGAPORE LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration Number 199407135Z)

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**RESPONSES TO SGX QUERIES IN RELATION TO THE COMPANY'S ANNOUNCEMENTS OF 21 MARCH 2023 AND 29 MARCH 2023 ON THE PROPOSED SALE OF SHARES BY A SUBSTANTIAL SHAREHOLDER AND ACQUISITION OF BACUI ELITIST TECHNOLOGY LIMITED**

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The board of directors (the "**Board**" or the "**Directors**") of Arion Entertainment Singapore Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Singapore Exchange Securities Trading Limited ("**SGX-ST**") raised queries on 10 April 2023 ("**SGX Queries**") in relation to the following announcements made by the Company:

1. dated 21 March 2023 in relation to the proposed sale of shares in the capital of the Company by substantial shareholder and director ("**21 March Announcement**"); and
2. dated 29 March 2023 in relation to the acquisition of the entire issued and paid-up share capital of Bacui Elitist Technology Limited ("**29 March Announcement**").

Unless otherwise herein defined, capitalised terms shall have the same meanings ascribed to them in the 21 March Announcement and 29 March Announcement.

The Board would like to provide the Company's responses to the SGX Queries (the "**Company's Responses**") as follows:-

A. in relation to the Acquisition:

No.	SGX's Question	Company's Response
1.	<p>It is stated that "The structure containing this minority interest was initially put in place by the Principal to enable offshore ownership of the Operating Companies, whilst being in compliance with PRC laws and regulations which regulate foreign investment/ownership and PRC resident ownership of PRC companies."</p> <p>Please explain:</p> <p>(a) Has the Company obtained legal opinion on such structure. If yes, please provide the legal advisor's information.</p>	<p>(a) Yes, the Company had obtained a legal opinion on the structure of the PRC-incorporated Target Group issued by King &amp; Wood Mallesons of PRC ("<b>KWM</b>"). KWM is part of a global law firm headquartered in Asia, able to practice PRC (China Mainland), Hong Kong SAR, Australian, English, the US and a significant range of European laws. Mr. Wang Jianxue is the Partner-in-charge of this engagement. For more information on Mr Wang, please visit <a href="https://www.kwm.com/cn/en/people/wang-jianxue.html">https://www.kwm.com/cn/en/people/wang-jianxue.html</a>.</p>

No.	SGX's Question	Company's Response
	<p>(b) Has the Company assessed risk of the PRC government clamping down on such structure?</p> <p>(c) How will the economic benefits from the Target group flow to the Company?</p>	<p>(b) Yes, the Company had engaged KWM to perform legal due diligence on the PRC-incorporated Target Group to assess such risk.</p> <p>(c) With the acquisition of the Target Group, the Company will receive benefits by way of upstream dividend distributions to the Company by the Operating Companies from time to time, where appropriate.</p>
2.	<p>In terms of valuation of the Target:</p> <p>(a) Has the Company engaged any independent valuer to perform a valuation? If yes, please identify the valuer and the key valuation assumptions and value ascribed. If no, please explain how the consideration was arrived at.</p> <p>(b) It is stated that the discount to the net tangible assets of the Operating Companies was agreed on a willing-buyer-willing seller basis having regard to the margin of safety demanded by the Company as part of prudent capital allocation. How did the Company reached amount of the margin of safety?</p> <p>(c) It is stated that the Company had relied on an undertaking from the Principal where the Operating Companies will not for the financial year ended 31 December 2022, register audited operating losses by virtue of the undertaking from the Principal to make good the difference to the Company. What did the Company consider in assessing the Principal's ability to fulfill such undertaking?</p>	<p>(a) No. Despite the Operating Companies being profitable, the magnitude of their net operating profit after tax are not significant. As a result, the parties to the SPA agreed to base the Consideration on the net tangible assets ("<b>NTA</b>") of the Operating Companies rather than their price-to-earnings ratio or cash flow.</p> <p>(b) The Company believed that an approximately 60% discount to NTA based on the audited consolidated financials of the Operating Companies for the financial year ended 31 December 2021 and unaudited consolidated financials for the financial year ended 31 December 2022 ("<b>FY2022</b>") was a reasonable margin of safety taking into consideration the insignificant net profits of the Operating Companies and a reasonable level of dilution to existing shareholders in view of the fact that the Consideration is intended to be satisfied by the issuance of Shares, and therefore anchored negotiations with the same. The Company's request was accepted by the Vendor. Additionally, the Board took comfort from the fact that the Principal undertook that the NTA of the audited consolidated financials for FY2022 for the Operating Companies shall not be less than S\$1.8 million.</p>

No.	SGX's Question	Company's Response
		<p>The Principal provided documentations including bank statements to support his financial abilities. The Company was satisfied of the same.</p>
3.	<p>For the Conditions Precedent stated in section 4.4</p> <p>(a) What due diligence has the Company performed so far?</p> <p>(b) What is the track record of the Operating Companies? How long are they in the human resources and labour outsourcing related services?</p> <p>(c) When does the Company target to complete due diligence?</p> <p>(d) Who has the Company appointed to conduce financial, accounting, legal, tax and business due diligence on the Target Group?</p>	<p>(a) The Company had:</p> <p>(i) engaged KWM to perform legal due diligence in accordance with the laws, regulations, statues, rules, decrees, notices, orders, circulars and supreme court's judicial interpretations currently in force and publicly available in the PRC.</p> <p>Further, KWM had obtained confirmation from authorised PRC government authorities for no record of violation of PRC law or regulations on market supervision, human resources services, tax, social security, or housing provident funds.</p> <p>(ii) reviewed:</p> <p>(A) the unaudited financial information and management accounts of the Operating Companies for the years ended 31 December 2020 and 31 December 2022; and</p> <p>(B) the latest audited financial statements of the Operating Companies for the year ended 31 December 2021 ("FY2021") issued by Moore Stephens CPA Limited of Hong Kong ("<b>Moore Stephens</b>") prepared in accordance with the International Financial Reporting Standards ("<b>IFRs</b>"); and</p>

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		<p>(iii) performed background checks (via Dow Jones and Refinitiv world checks), legal searches, PRC searches (relating to business credit, profile, registration and public record) on the Operating Companies, its key personnel and shareholders.</p> <p>(iv) Mr Ng Kai Man, Executive Director, has had a discussion with representative of the Vendor to understand the Target Group better.</p> <p>(b) The Operating Companies were established in 2010 and have been in the human resources and labour outsourcing related services in Guangzhou, PRC for over 13 years.</p> <p>(c) The legal due diligence was completed by KWM on 27 March 2023.</p> <p>(d) Please refer to our response at item 3(a) above. Apart from KWM, the Company relied on FY2021 audited financial statements prepared by Moore Stephens.</p>
4.	<p>It is stated that "The Operating Companies undertake human resources and labour outsourcing related services in the Guangdong Province of the PRC."</p> <p>(a) Has the Company assessed if the transaction is amounting to diversification in view of different nature between the Target's business and the Company's existing business of advertisements, publishing and exhibitions, events and money lending.</p> <p>(b) Does the Company have any experience in the Target's business?</p> <p>(c) What's the Company plan post acquisition?</p>	<p>(a) The investment cost by the Company in the Operating Companies is not significant relative to the market capitalisation of the Company. The Company, having consulted its legal advisor, is of the view that the investment does not change the risk profile of the Group for the reasons listed in paragraph 3 of the 29 March Announcement and therefore does not amount to a diversification.</p>

No.	SGX's Question	Company's Response
		<p>(b) No, the Company is reliant on the Target's existing talent and staff to run and operate the Target's business.</p> <p>(c) It is operationally status quo for the Operating Companies. The Company does not discount allocating capital to the Operating Companies to grow or pursue other synergistic M&amp;As. All options are on the table to create long term value. The Company will make the necessary announcement(s) or seek shareholders' approval, if applicable in compliance with applicable Catalist Rules, should there be any firm transaction(s).</p> <p>As for the Group's existing businesses, operations will continue as usual in the interim while the Company may from time to time explore potential opportunities for a strategic disposal of the Group's existing businesses.</p>
5.	Please provide the Board of Directors' confirmation on whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.	The Board of Directors confirms that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner. The basis being, all material information in connection with the Acquisition has been disclosed.

B. in relation to the Proposed Sale:

No.	SGX's Question	Company's Responses
1.	<p>It is stated that "The Proposed Sale would result in the Vendor ceasing to be a Shareholder, while, to the best of the knowledge of the Company, the Purchaser will become the single largest controlling Shareholder of the Company immediately upon the completion of the Proposed Sale."</p> <p>What are the Purchaser's plans for the Company?</p>	<p>The Company is not privy to the Purchaser's plans, which may change from time to time.</p> <p>To the best of the Company's knowledge as at the date of this response, (1) the Purchaser treats the purchase as a financial investment and there is no immediate plans to participate in management of the Company and (2) the request by the Purchaser for one Board seat is mainly to protect its investment interest.</p>
2.	<p>It is stated that "in the event the Company contemplates a disposal of its existing subsidiaries, the Vendor (ie, Mr Ng Kai Man), will use reasonable endeavours to procure potential third party purchasers". Please elaborate on the plans in relation to the existing subsidiaries and business of the Group.</p>	<p>While the Company may from time to time explore any potential opportunities for a strategic disposal of the Group's existing businesses, operations for the Group's existing businesses will continue as usual in the interim.</p> <p>Publishing operations in Malaysia have always been cash flow positive.</p> <p>As for the money lending operations in Hong Kong, management is prudent in disbursing new loans due to challenging economic conditions in recent months and limited financial resources.</p>
3.	<p>It is stated that "The Purchaser was introduced to the Vendor through an independent licensed securities dealer in Singapore." Please provide the securities dealer's information and the context of the introduction.</p>	<p>We understand from the Vendor that a licensed representative of Maybank Securities Pte Ltd connected the Purchaser and Vendor. The licensed representative is acquainted with both the Purchaser (who shared its intentions to invest in Singapore) and the Vendor (who shared its intentions to divest), which led to the Proposed Sale.</p>
4.	<p>The disposal consideration is approximately 2 times higher than the prevailing market price. How was the purchase consideration determined? Are there other conditions tied to the transaction?</p>	<p>We were informed by the Vendor that as the Purchaser will become the single largest shareholder upon completion of the Proposed Sale, they are thus willing to pay a premium for a large block of shares instead of buying from</p>

		<p>the open market which will involve more uncertainty and might involve higher trading fees as acquisition of such size would probably be done potentially via many transactions over a longer period of time considering the illiquidity of the Company's shares.</p> <p>We understand from the Vendor that there are no other conditions tied to the transaction save as disclosed in the 21 March Announcement.</p>
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**BY ORDER OF THE BOARD**

Mr. Ng Kai Man  
Executive Director  
12 April 2023

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Ms Foo Jien Jieng, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.*