

ARION ENTERTAINMENT SINGAPORE LIMITED

(Incorporated in Singapore)

(Company Registration Number 199407135Z)

**RESPONSE TO THE QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31
MARCH 2023**

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 2023 (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

Just prior to the end of the financial year, the company completed the acquisition of Bacui Elitist Technology Limited (“Bacui”) on 29 March 2023. This led to the group reporting a profit attributable to shareholders \$0.44 million for FY2023 due to the \$1.85 million gain on bargain purchase arising from the acquisition of Bacui.

Bacui primarily engages in the provision of human resources, labor outsourcing-related services, infrastructure management services, and food distribution services.

- (i) **Can the company provide information regarding its relationship, if any, with Mr Mark Ng, who facilitated the introduction of Bacui and Mr Yang Ran (the principal) for the acquisition?**

Mr Mark Ng is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants as well as a Certified Practising Accountant of CPA Australia. Mr Mark Ng is a business contact of Mr Ng Kai Man, Executive Director of the Company, who introduced Bacui and the Principal to the Company.

To the best of the Company’s knowledge, neither Mr. Mark Ng nor his associates have any interest in or business relationships with the Company. Save as disclosed above, the Company does not have any relationships with Mr Mark Ng or his associates.

Based on the audited financial statements of Bacui Group prepared in accordance with International Financial Reporting Standards for the financial year ended 31 December 2022 (“FY2022”), Bacui has net tangible assets of RMB13.89 million (approximately \$2.6 million) and reported profits after tax of RMB1.34 million.

As indicated on page 115 of the annual report, had Bacui been acquired from 1 April 2022, the consolidated revenue and consolidated profit after tax attributable to shareholders for the financial year ended 31 March 2023 would have been \$49,711,000 and \$350,000 respectively.

- (ii) **Can management clearly state Bacui’s revenue for the FY2022? How much of the revenue could be linked to COVID-related demand?**

Based on FY2022 audited financial statements prepared in accordance with International Financial Reporting Standards, the revenue of Bacui Group was RMB261 million (equivalent to approximately S\$48.9 million, based on the exchange rate of RMB1.00 = S\$0.18738).

Bacui Group’s revenue stream is derived from service contracts. The contracts do not specifically limit the type (nature/function) and location (area/site) of work for the contract staff. Workers are deployed by customers based on their needs and job requirements. As such, Bacui Group is unable to quantify and account for the revenue derived from Covid-related services since Bacui is unaware of the final location or venue where the contract staff are eventually deployed to.

Bacui Group’s customers include government departments, banks and state-owned enterprises.

(iii) For the benefit of shareholders, can management provide insights into the prevailing sentiments in China, specifically in the Guangdong Province?

From statistics, China's (including Guangdong Province) economy picked up shortly after the pandemic, although various recent public data showed that the economic growth is slowing down (Source: <https://www.ceicdata.com/en/indicator/china/market-capitalization>, <https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?locations=CN>).

Guangdong Province's economy is currently the largest of provincial-level division in China, with a GDP of RMB12.9 trillion (equivalent to approximately S\$2.4 trillion, based on the exchange rate of RMB1.00 = S\$0.18738) contributing more than 10% of the total economic output of China (Source: <https://en.wikipedia.org/wiki/Guangdong>). Bacui Group's headquarter and operations are located in Guangdong Province. As evidenced by existing customers contracts that Bacui Group has and enquiries received, there is sufficient and adequate customers' demand in Guangdong Province. Bacui Group is cautiously optimistic on the market sentiments in China.

(iv) What are the key growth drivers of Bacui's businesses?

Geographical expansion is the key growth driver of Bacui Group's business and Bacui Group is actively developing new customers bases in other provinces such as Guangxi and Guizhou Provinces.

QUESTION 2

On 21 March 2023, Dong Ling Electrical Group Co Ltd ("Dong Ling") became a controlling shareholder after acquiring 193,799,000 shares or 20.75% ownership stake in the company. However, due to the issuance of consideration shares for the Bacui acquisition, Dong Ling's stake has been diluted to 17.79%. Nevertheless, Dong Ling remains as the largest individual shareholder of the company.

(i) Has the board initiated discussions with the new controlling shareholder to understand their goals for the group?

As stated in the announcement released by the Company on 21 March 2023, Dong Ling is a financial investor and has acquired the shares in the Company for a long-term capital return. Dong Ling has regular discussions with Mr. Ng Kai Man ("Mr Ng"), Executive Director of the Company, relating to the Group's operations, targets and potential business and growth opportunities.

(ii) Has Dong Ling requested for board representation?

Under the terms and conditions of the sale and purchase agreement entered into between Mr Ng and Dong Ling, Dong Ling has the right to nominate a person on the Board with effect from the completion date. Dong Ling has not made such nomination as at the date of this announcement.

(iii) In addition, the board has not appointed a chairman. What criteria is the nominating committee using to identify and appoint a board chairman who can provide effective leadership to guide the group?

The Board has not had a Chairman in the past due to the size and simple nature of its then operations. With the acquisition of the Bacui Group on 29 March 2023, the Nominating Committee ("NC") will take into consideration the Group's additional operations and may appoint a Chairman to the Board if deem fit. Further, with the recent resignations of the members of the NC, Audit Committee and Remuneration Committee, the Board is in the midst of re-constituting the board committees and will announce the composition of the board committees when they are formalised.

QUESTION 3

At the annual general meeting scheduled to be held on 31 July 2023, Mr Ng Kai Man will be retiring pursuant to Regulation 107 of the company's constitution and will be seeking his re-election.

In 2022, Mr Ng Kai Man and two other substantial shareholders entered into an agreement to sell 27.44% of the shares of the company at a share price of \$0.0117 per share for a total consideration of \$3 million. The proposed sale represented the entire shareholding interests of

the sellers. The agreement was eventually terminated, with the seller retaining the \$1 million cash deposit and the buyer keeping the 85.44 million shares, being the share deposit.

On 21 March 2023, Mr Ng Kai Man again entered into an agreement to sell his stake in the company, now 193.8 million shares or approximately 20.75%, for a consideration of \$2,894,947, or \$0.01494 per share.

As SGX RegCo has pointed out, Mr Ng Kai Man disposed his holdings in the company at a consideration that is approximately two times higher than the prevailing market price.

(i) Can the director clarify his roles and responsibilities in the group?

Mr Ng Kai Man has been the sole executive director of the Company since 2016 and is responsible for the Group's business development and strategic directions. He will remain the sole executive director until such time when the NC identifies and appoints new leadership in view of the proposed change of core business for the Company, subject to shareholders' approval at the extraordinary general meeting to be held on 31 July 2023.

(ii) Given that Mr Ng Kai Man is seeking his re-election, can the director help shareholders understand his commitment to the group when he has disposed of his shares, after two attempts, netting himself prices that are approximately two times higher than the prevailing market price?

Ng Kai Man is an experienced businessman with working experiences in several listed companies in Hong Kong as set out in the Annual Report. Mr Ng is committed to and will continue to devote his time and effort to the Company despite the shares disposal, until such time when new leadership is found and the Board takes the view that his service is no longer required.

By Order of the Board

Ng Kai Man
Executive Director
26 July 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.

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