



TRAVELITE HOLDINGS LTD.

(Incorporated in Singapore)

(Company Registration Number: 200511089K)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE PROPOSED DIVERSIFICATION OF BUSINESS AND PROPOSED ACQUISITION OF 40% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE CAPITAL OF FUNKIE MONKIES VENTURES PTE. LTD.

Unless otherwise defined or the context otherwise requires, all capitalised terms used herein bear the same meanings as in the Announcement (as defined below).

The Board of Directors (the “**Board**” or “**Directors**”) of Travelite Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 24 March 2023 (the “**Announcement**”) relating to the proposed diversification of business and proposed acquisition of 40% of the total number of issued shares in the capital of Funkie Monkeys Ventures Pte. Ltd.. The Company sets out its response to the SGX-ST’s queries below.

Query 1

With reference to Section 2.2(a), please disclose how the New Business would be an additional and recurrent revenue stream if the Target is to be held as an associated company and will be equity accounted. Please disclose if the Target has been consistently paying dividends annually and quantify and substantiate how the New Business will be additional and recurrent revenue stream.

Response

The New Business would be an additional and recurrent **income** stream based on equity method. Save for FM Pop Music School Pte. Ltd. (“**FMPMS**”) which has declared a final dividend of S\$200,000 in respect of the financial year ended 31 December 2017, the Target and the Subsidiaries have not declared any dividends since incorporation. One of the Subsidiaries, The Songwriter Music College Pte. Ltd. (“**TSMC**”) has in March 2023 attained the EduTrust Provisional award issued by the Committee for Private Education. The EduTrust Certification Scheme is a licensing regime under the Private Education Act 2009 which is required for any private education institution to enrol international students for its courses. The recent attainment of the award allows TSMC to enrol international students for its full-time diploma courses. It is envisioned that this would be a significant revenue stream for the Target Group in its operations.

Query 2

The Company stated that “the artist management arm of the New Business will be able to onboard artists from its student pool”.

- a. Please describe in further detail the business activities of the artist management arm of the New Business.
- b. Please describe the revenue model for the artist management arm of the New Business and whether this is an existing business of the Target.
- c. Please state the number of artists that have been “onboarded” from the New Business’s student pool to-date.
- d. Please state the number of artists that the Target Group has managed thus far and disclose the names of key artists that the Target Group has managed.

Response

- a. The artist management arm is operated under Funkie Monkeys Entertainment Pte. Ltd. ("**FME**") and is currently headed by one of the Vendors, Eric Ng Tien Lin and run by its artist management team. FME signs artist contracts ("**Artist Contracts**") with its artists to whom FME pays a commission, under which FME:
 - (i) decides on the strategy and artist and repertoire ("**A&R**") direction of its signed artists;
 - (ii) assists in the production and distribution of original music by the signed artists; and
 - (iii) acquires paid gigs and advertising opportunities for the artists.
- b. The main revenue stream of FME comes from the payment from (i) third parties for the services of the artists; and (ii) master recording royalties from the original music of such artists. FME maintains the individual artist's profit and loss statements ("**Artist P&L**") and pays a commission to the artists based on the type of revenue generated by the artists depending on their Artist Contracts according to the Artist P&L. It is an existing business of the Target Group.
- c. The Target Group has to-date, onboarded five (5) artists from its student pool.
- d. The total number of artists that the Target Group has managed thus far is six (6) and the key artists are Ben Hum, Lim Sherman and Jaspers Lai.

Query 3

The Company stated that the Target is an investment holding company incorporated since 29 October 2018. Prior to the Restructuring, the Target is not a shareholder of any of the Subsidiaries.

- a. Please state the existing subsidiaries under the Target (excluding the Subsidiaries) and describe their business activities.
- b. What will happen to these subsidiaries post-Restructuring and after the Proposed Acquisition?
- c. What is the latest NTA of the Target pre-Restructuring?

Response

- a. The Target does not have any existing subsidiaries or operations prior to the Restructuring.
- b. Please see response to query 3(a) above.
- c. The latest NTA of the Target pre-Restructuring is S\$5,366.

Query 4

The Company stated that the Target Group operates a "music education business providing diploma and enrichment courses". Please disclose the number of teachers and students that the Target Group currently have.

Response

The Target Group runs its diploma courses under TSMC and its enrichment courses under FMPMS. The number of teachers and students for each school as at 9 April 2023 are as follows:

School	Students	Teachers
TSMC	28	25 (23 engaged on contract basis)
FMPMS	65	8 (all engaged on contract basis)

Query 5

The Company stated that “The Target Group currently manages 3 artists including Ben Hum, Lim Sherman and Jaspers Lai (as a collaboration with King Kong Media)”. Please disclose the commencement dates of the artist management arrangements with Ben Hum, Lim Sherman and Jaspers Lai and the track record of these persons under the Target Group’s management. Please also elaborate on the collaboration with King Kong Media and the role of each of the collaborators.

Response

Artist	Commencement Date	Track Record
Ben Hum	12 April 2021	<ul style="list-style-type: none">- Featured on “SG:SW I Write the Songs” songwriting festivals by Ocean Butterfly Social Campaigns and Finals show day- First Singaporean to sing in a Warner Brothers’ movie, DC League of Super-Pets- Featured on Puma nationwide campaign alongside other national brands including Tosh Rock, Sonia Chew, Alfred Sim and many others- Monthly feature on iShopChangi social campaigns- Only Singaporean musician representing Singapore in the TikTok Music Festival 2021- Performed at the Downstairs Fest 2022
Lim Sherman	1 July 2022	<ul style="list-style-type: none">- Wrote and performed theme song for Golden Horse nominated movie “Geylang” 《芽籠》- Performed original tunes at The Esplanade Concourse- Performed at a Singapore X China Livestream performance during COVID19 lockdown- Performed 《蝴蝶 - (芽籠) 主題曲》 during movie gala at Cineleisure- Partner artiste (with Ben Hum) as part of MCC International Pte. Ltd.’s Livestream platform launch: Solivee’s Chinese New Year Event
Jaspers Lai	25 November 2021	<ul style="list-style-type: none">- Wrote and released 《等你回来》 with music video, which was featured on over 20 radio stations across Singapore and Malaysia- Featured on national television programme by Mediacorp: The Sheng Shiong Show to perform 《等你回来》- Wrote and released 《Yes I Do》 with music video, with over 250,000 views across Facebook and Instagram

Collaboration with King Kong Media for Jaspers Lai: Galaxy Entertainment (S) Pte Ltd, a subsidiary of King Kong Media Production Pte Ltd, is the artiste manager for Jaspers Lai, who is both a social media personality and a music artiste. Under the collaboration, the Target Group manages Jaspers Lai’s music A&R and music distribution for a commission over music-related revenue generated by Jaspers Lai. Save for the aforesaid, all other artiste management duties relating to Jaspers Lai are not within the purview of the Target Group.

Query 6

Please provide the revenue, gross profit/loss, profit/loss before tax, and Net Tangible Assets (“NTA”) for the latest complete financial year and the 11-month period from 1 April 2022 to 28 February 2023 of the following:

- a. The Songwriter Music College Pte. Ltd.
- b. FM Pop Music School Pte. Ltd.
- c. Funkie Monkeys Entertainment Pte. Ltd.
- d. Target
- e. Target Group

Response

Subject to the Company’s due diligence review, the unaudited revenue, gross profit/loss, profit/loss before tax, and NTA/Net Tangible Liabilities (“NTL”) based on the management accounts are as follow.

Entity	Period	Revenue (S\$)	Gross profit (S\$)	Profit / (Loss) before tax (S\$)	NTA / (NTL) (S\$)
TSMC (Financial year end is 31 March)	1 April 2021 to 31 March 2022	153,413	114,058	(210,569)	(574,618)
	1 April 2022 to 28 February 2023	207,913	143,681	(194,046)	(336,813)
FMPMS (Financial year end is 31 March)	1 April 2021 to 31 March 2022	282,696	129,029	(8,649)	222,410
	1 April 2022 to 28 February 2023	229,196	142,500	(80,013)	142,396
FME (Incorporated on 1 June 2022 with financial year end on 31 March)	1 June 2022 to 28 February 2023	64,200	20,165	17,512	18,512
Target (Financial year end is 30 September)	1 October 2021 to 30 September 2022	500	500	(860)	5,965
	1 October 2022 to 28 February 2023	-	-	(599)	5,366
Proforma Group	1 April 2021 to 31 March 2022	435,609	242,587	(220,123)	(346,243)
	1 April 2022 to 28 February 2023	498,537	305,023	(257,522)	(170,539)

Query 7

With respect to the Purchase Consideration:

- a. Please disclose the Price-Earnings Ratio of the Purchase Consideration.
- b. How is the minimum and maximum Purchase Consideration of \$688,000 and \$2.4 million respectively determined?
- c. Please robustly justify why the Purchase Consideration is significantly higher than the NTA of the Target Group of S\$166,274, the basis for the valuation of the Purchase Consideration and the basis of the Board's views that the Acquisition is in the best interest of the Group.
- d. Please also disclose whether the Board has engaged any adviser in respect to the Acquisition and if so, please disclose a summary of the advice rendered.

Response

- a. The price-earnings ratio of the Purchase Consideration is 8 times. It was fixed with a general reference to the education industry.
- b. The Maximum Consideration is calculated based on the targeted after-tax earnings of S\$1,500,000 for two financial years ending 31 March 2024 and 2025. At a price-earnings ratio of 8 times on the average targeted after-tax earnings of S\$750,000, the Target Group is valued at S\$6,000,000, and the share of 40% is S\$2,400,000. The Minimum Consideration is reached on arm's length negotiations between the Vendors and the Company, after taking into account (i) the attainment of EduTrust Provisional award by TSMC; (ii) the reputation and experience of the Vendors in the music industry; and (iii) the expected influx of foreign students to pursue better education in Singapore with the opening of border controls.
- c. The Target Group's operations were previously affected by the COVID-19 pandemic, which hampered its intended growth plan between 2019 to 2021 resulting in a reduction in its NTA. Post-pandemic in 2022, the Target Group was able to make positive progress in its growth plan, including TSMC's undergoing of the EduTrust audit in 2022, which led to the attaining of the EduTrust Provisional award in March 2023. This award enables TSMC to apply for student passes for foreign students, opening it to new markets in the region. TSMC is poised to undergo a further audit in 2023 and if successful, TSMC would be able to attain the EduTrust four (4)-Year award, which would enable TSMC to partner notable overseas music colleges to offer pathway programmes and external degree programmes to its students, further expanding its market.

The Target Group also holds a unique pedagogy in song writing and contemporary music education for which its renowned international songwriter founders have led in creating. These intellectual property assets are not reflected in the NAV of the Target Group. The Target Group also has access to a pool of industry professionals in its academic teams.

For the above reasons, the Board is of the view that the Purchase Consideration (including the earnout mechanism) is fair and in the best interest of the Group.

- d. The Board has not engaged any adviser in respect of the Proposed Acquisition.

Query 8

The Company stated that the Purchase Consideration was arrived at “taking into account, inter alia, the valuation of the Target Group”. In accordance with Listing Rule 1010(5), please disclose the valuation of the Target Group and assets to be acquired i.e. Sale Shares, the identity of the Valuer, the date of valuation and the valuation methodology. In accordance with Listing Rule 1011, the Company is also required to provide a copy of the valuation report for inspection during normal business hours at the issuer’s registered office for 3 months from the date of the announcement.

Response

It was an internal valuation and the Company is in the process of appointing a professional independent valuer to carry out a formal valuation on the Target Group for disclosure in the shareholders’ circular to be issued by the Company in due course.

By Order of the Board

Thang Teck Jong
Executive Chairman
13 April 2023