



**TRAVELITE HOLDINGS LTD.**

(Incorporated in Singapore)

(Company Registration Number: 200511089K)

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**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.**

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*Unless otherwise defined or the context otherwise requires, all capitalised terms used herein bear the same meanings as in the Announcements (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 announcements dated 24 March 2023, 11 April 2023, 13 April 2023 and 16 May 2023 (the “**Announcements**”) 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 further queries below.

**Query 1**

In relation to the Company’s response to Query 4, how did the Board and Audit Committee determine that a Price-Earnings Ratio of 8x is appropriate considering the Target Group is loss-making whereas the selected companies are generating profits and significantly more profitable than the Target Group?

**Response**

The Company noted the Target Group is loss-making as its operations and growth plans had been hampered by the COVID-19 situation. Hence, in the negotiation process for a fair price, the Company took into account the business prospects and future potential of the Target Group and made general reference to the price-earnings ratios of the education industry while the Vendors took into account the earnings projection of the Target Group to reach an agreement on pricing. As there is no close peer comparison in the local market, the companies selected, including 2 from the Asian markets, are the closest to the business model of the Target Group.

**Query 2**

With reference to the Company’s responses to queries 5(a) and 5(c), the Company has not provided any figures and detailed computations to show how the qualitative assumptions lead to the earnings projection and to the Minimum Consideration as requested. In the Company’s response dated 13 April 2023, it also stated that the Purchase Consideration was based on an internal valuation of the Target Group and the Minimum Consideration was reached after taking into account items (i) to (iii) in Query 5(c), yet the Company stated in its response to Query 5(c) that items are intangible benefits that cannot be quantified in economic terms. Please provide the requested figures and detailed computations that give rise to the earnings projection and Minimum Consideration.

**Response**

The Minimum Consideration was arrived after several rounds of negotiation taking into account the factors as mentioned in the response to Query 7(b) of the Company’s announcement dated 13 April 2023.

Based on the Target Group's projections for FY2024 and FY2025, the after-tax earnings are S\$243,000 and S\$1,354,000, respectively, assuming that the student enrolment number for FY2024 and FY2025 is 170 (TSMC: 50, FMPMS: 120) and 290 (TSMC: 125, FMPMS: 165) respectively (94 for FY2023: TSMC: 26, FMPMS: 68 and comprising local students only). The enrolment includes diploma courses and enrichment courses such as Lyrics Writing, Advanced Lyrics Writing, Melody Composing and Advanced Melody Composing. The Company has not straight out accepted the earnings projection presented by the Target Group. Instead, the Company proposed an adjustment provision for the Purchase Consideration based on the earnout mechanism with targeted after-tax earnings of S\$1,500,000 for FY2024 and FY2025 to safeguard the Company's interest.

### **Query 3**

Please disclose whether the Purchase Consideration will be adjusted or lowered if the independent valuation does not support the current Purchase Consideration of S\$688,000 to S\$2.4 million. If not, please justify how the Board has safeguarded the interest of the Company and its shareholders.

### **Response**

The Purchase Consideration will not be adjusted downwards or lowered if, and solely for the reason that, the independent valuation does not support the current Purchase Consideration of S\$688,000 to S\$2.4 million. The Purchase Consideration is instead based on the earnout mechanism and will be determined based on the Net Profit Amount. Please refer to paragraph 3.3 of the Company's announcement dated 24 March 2023 for further details relating to the determination of Purchase Consideration.

Nevertheless, the Company will be entitled to rescind the SPA with full refund of the Deposit if any of the conditions precedent set out in paragraph 3.4.1 of the Company's announcement dated 24 March 2023, are not fulfilled or waived at the Company's discretion.

### **Query 4**

In its response to Query 5(c), the Company provided general trends relating to enrolment of students in private education institutions.

- a. Please disclose what are the certifications or courses offered by the Target Group and the duration of each of these certification or courses, the reason(s) why the Board is of the view that with the EduTrust certification, the Target Group will see a surge in foreign student enrolment and that the Target Group will reverse its current losses of S\$257,000 to a share of profit of \$86,000 which is used to arrive at a consideration of \$688,000 based on a Price-Earnings ratio of 8 times.
- b. Please explain how the trends of growth rate in the private education sector cited by the Company relate to foreign student enrolments in music schools in Singapore. If not, please provide relevant information relating to foreign students enrolling in the types of course offered by the Target Group to justify the Board's view that it will be able to reverse the current loss of the Target Group from S\$257,000 to a share of profit of \$86,000 in the financial year ending 31 March 2024.

### **Response**

- (a) The EduTrust Provisional award is attained by TSMC and the details of the courses offered by TSMC are as follows:

Course Name	Duration	Course Fee	
		Singapore Citizen / Permanent Resident	International
Diploma in Songwriting and Music Production	12-month full time course	S\$20,800 (inclusive of GST)	S\$22,800 (inclusive of GST)
Diploma in Songwriting and Music Performance	24-month part time course (Only for Singapore Citizen and Permanent Resident)		

TSMC is only allowed to enrol international students for its full-time diploma courses after attaining the EduTrust Provisional award in March 2023. Since then, TSMC is working with external recruitment agents in China, Malaysia, Indonesia and Thailand to market its courses through events and roadshows. TSMC is also 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. With the aforesaid factors coupled with the reputation and experience of the Vendors in the music industry, and having attained the EduTrust Provisional award, the Board is of the view that the Target Group will see a surge in foreign student enrolment.

- (b) The trends of growth rate in the private education sector indicates that Singapore remains a popular destination for foreign students. Please refer to response to Query 4(a) above for the Board's view.

#### **Query 5**

Please confirm whether the payment of the Purchase Consideration will be based on the Target Group receiving an unqualified audit opinion.

#### **Response**

Post-Restructuring, the Target Group qualifies as a "small group" and is exempted from audit requirements pursuant to the Companies Act 1967 of Singapore. As such, the payment of the Minimum Consideration will not be based on the Target Group receiving any unqualified audit opinion. Post-Completion, the Target Group will be required to perform audit on its annual financial statements starting from FY2024.

#### **Query 6**

Please disclose the name of the introducer to the deal and the person who introduced the Vendor to the Board or management of the Company.

#### **Response**

There is no introducer to the deal. Mr Thang Teck Jong, the Executive Chairman of the Company, was acquainted with Mr Eric Ng Tien Lin, one of the Vendors, at a business network event about a year ago.

By Order of the Board

Thang Teck Jong  
Executive Chairman  
29 May 2023