

vividthree
VIVIDTHREE HOLDINGS LTD.
(Incorporated in the Republic of Singapore on 7 April 2018)
(Company Registration Number: 201811828R)

PLACEMENT OF 51,800,000 NEW ORDINARY SHARES IN THE CAPITAL OF VIVIDTHREE HOLDINGS LTD. (THE “PLACEMENT SHARES”) AT S\$0.25 FOR EACH PLACEMENT SHARE, PAYABLE IN FULL ON APPLICATION (THE “PLACEMENT”)

Prior to making a decision to subscribe for and/or purchase the Placement Shares, you should carefully consider all the information contained in the offer document dated 17 September 2018 issued by Vividthree Holdings Ltd. (the “Company” and together with its subsidiaries, the “Group”) in respect of the Placement (the “Offer Document”). This Product Highlights Sheet should be read in conjunction with the Offer Document. You will be subject to various risks and uncertainties, including the potential loss of your entire principal amount invested. If you are in doubt as to investing in the Placement Shares, you should consult your legal, financial, tax or other professional adviser.

This Product Highlights Sheet¹ is an important document.

- It highlights the key information and risks relating to the Placement contained in the Offer Document. It complements the Offer Document.
- You should **not** subscribe for the Placement Shares if you do not understand the nature of this investment in our ordinary shares, our business or are not comfortable with the accompanying risks.
- If you wish to subscribe for and/or purchase the Placement Shares, you will need to make an application in the manner set out in the Offer Document. If you do not have a copy of the Offer Document, please contact us to ask for one².

Issuer	Vividthree Holdings Ltd.	Place of incorporation	Singapore
Details of this Placement	51,800,000 Placement Shares	Total amount to be raised in this Placement	Gross proceeds of S\$12.95 million and net proceeds of approximately S\$11.18 million
Placement Price	S\$0.25 for each Placement Share	Listing status of Issuer and the Securities	An application has been made to the SGX-ST for permission to deal in, and for quotation of, all of our Shares that are already issued, the New Shares and the Award Shares on Catalist. The Shares are expected to be listed on 25 September 2018.
Sponsor, Issue Manager and Placement Agent	Hong Leong Finance Limited		

¹ This Product Highlights Sheet does not constitute, or form any part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities in the Company nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. This Product Highlights Sheet shall be read in conjunction with the Offer Document. The information in this Product Highlights Sheet is based on information found in the Offer Document registered by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) acting as agent on behalf of the Monetary Authority of Singapore (the “Authority”). Any decision to subscribe for securities must be made solely on the basis of information contained in the Offer Document. Capitalised terms used in this Product Highlights Sheet, unless otherwise defined, shall bear the meanings as defined in the Offer Document.

² The Offer Document has been registered by the SGX-ST acting as agent on behalf of the Authority on 17 September 2018, and copies of the Offer Document and the application forms may be obtained on request, subject to availability, during office hours from Hong Leong Finance Limited at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, or accessible on the SGX-ST’s website at <http://www.sgx.com>.

OVERVIEW

WHO ARE WE AND WHAT DO WE DO?

Our Company was incorporated in Singapore on 7 April 2018 under the Companies Act as a private company limited by shares under the name of “Vividthree Holdings Pte. Ltd.”. On 28 August 2018, our Company was converted into a public company limited by shares and our name was changed to “Vividthree Holdings Ltd.”. Our company registration number is 201811828R.

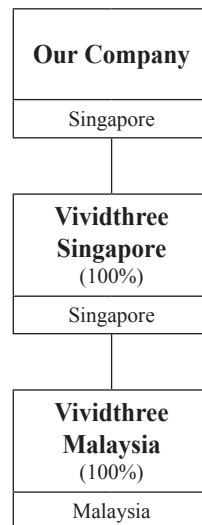
Our Business

We are a virtual reality, visual effects and computer-generated imagery studio that develops and creates digital intellectual property assets that primarily consists of storylines with accompanying characters and visual elements. We develop or acquire digital intellectual property assets to produce virtual reality products such as thematic tour shows.

In the course of our business, we will acquire the rights to use intellectual property assets owned by third parties to create and develop suitable virtual reality products. We will license these products for use by third parties or sell to them on an outright basis, according to parties’ requirements from time to time. In addition, we provide post-production services mainly in visual effects, computer-generated imagery services and other post-production services for our clients, such as film producers, corporate clients and advertising agencies.

Our visual effects and computer-generated imagery works were used by our clients in the movie industry for the films ‘*Ah Boys to Men*’, ‘*Ah Boys to Men II*’ and ‘*Ah Boys to Men 3 – Frogmen*’. We were also involved in a large-scale 360-degree dome projection mapping project, ‘*The Future of Us*’, a futuristic multi-sensory experiential exhibition which depicted the way Singaporeans could live, work and play in the future.

The structure of our Group as at the date of the Offer Document is as follows:



Refer to the “General Information on our Group – Business Overview” section of the Offer Document on pages 67 to 70 for more information on our background and business.

Refer to the “Group Structure” section of the Offer Document on page 52 for the structure of our Group.

WHO ARE OUR DIRECTORS AND EXECUTIVE OFFICER?

Our Board of Directors comprise:

- Dr Ho Choon Hou (Independent Director and Chairman)
- Yeo Eng Pu, Charles (Managing Director) (“**Charles Yeo**”)
- Hong Wei Chien (Executive Director (Visual Effects Director)) (“**Jay Hong**”)
- Wong Kim Soon Royson (Independent Director)
- Chang Long Jong (Non-Executive Director)
- Er Song Ngueng (Non-Executive Director)

Our Executive Officers are:

- Mok Wai Yin, Jed (Chief Executive Officer)
- Lee Hoon Hwee (Chief Operations Officer)
- Kok Pooi Wai (Financial Controller)

Refer to the “Directors, Executive Officers and Staff” section on pages 83 to 102 of the Offer Document for more information on our Directors and Executive Officers.

WHO ARE OUR CONTROLLING SHAREHOLDERS?

Immediately before the Placement, our Controlling Shareholders, namely, mm2 Asia Ltd., Charles Yeo and Jay Hong each held approximately 49.15%, 15.59% and 15.58% of our Company's total pre-Placement share capital.

Immediately after the Placement, mm2 Asia Ltd., Charles Yeo and Jay Hong are each expected to hold approximately 41.53%, 13.17% and 13.17% of our Company's total post-Placement share capital, respectively. Accordingly, only mm2 Asia Ltd. will remain as a Controlling Shareholder after the Placement, while Charles Yeo and Jay Hong will be substantial shareholders of the Company.

Refer to the "Shareholders" section on page 44 of the Offer Document for more information on our Controlling Shareholders.

HOW WAS OUR HISTORICAL FINANCIAL PERFORMANCE AND WHAT IS OUR CURRENT FINANCIAL POSITION?

Selected items from the Combined Statements of Comprehensive Income⁽¹⁾

	← Audited →			Unaudited Pro Forma
	FY2016 (S\$)	FY2017 (S\$)	FY2018 (S\$)	
Revenue	3,956,197	5,288,245	7,057,059	7,057,059
Gross profit	2,828,748	3,116,026	4,604,453	4,604,453
Profit before tax	1,518,510	1,396,477	3,225,196	3,394,033
Profit after tax	1,413,811	1,319,967	2,710,199	2,879,036
Net profit attributable to equity holders of the Company	1,413,811	1,319,967	2,710,199	2,879,036
Pre-Placement EPS (cents)⁽²⁾	0.50	0.47	0.96	1.02
Post-Placement EPS (cents)⁽³⁾	0.42	0.40	0.81	0.86

Refer to the "Offer Document Summary – Financial Highlights" section on page 24, "Summary of Our Financial Information" section on pages 53 to 54 and "Management's Discussion and Analysis of Results of Operations and Financial Position" section on pages 55 to 64 of the Offer Document for more information on our historical performance and financial position.

Selected items from the Combined Statements of Financial Position⁽⁴⁾

	Audited as at 31 March 2018 (S\$)	Unaudited Pro Forma as at 31 March 2018 (S\$)
Non-current assets	3,197,932	3,197,932
Current assets	6,946,645	9,234,462
Total assets	10,144,577	12,432,394
Non-current liabilities	100,777	100,777
Current liabilities	1,629,270	1,548,250
Total liabilities	1,730,047	1,649,027
NAV	8,414,530	10,783,367
NAV attributable to equity holders of the Company	8,414,530	10,783,367
NAV per Share (cents)⁽⁵⁾	2.98	3.82

Notes:

- (1) Our combined statements of comprehensive income for the Period Under Review have been prepared on the basis that our Group had been in existence throughout the Period Under Review.
- (2) For comparative purposes, the pre-Placement EPS for the Period Under Review has been computed based on the net profit attributable to the equity holders of our Company and our pre-Placement share capital of 282,211,764 Shares.
- (3) For comparative purposes, the post-Placement EPS for the Period Under Review has been computed based on the net profit attributable to the equity holders of our Company and our post-Placement share capital of 334,011,764 Shares.
- (4) Our combined statements of financial position have been prepared on the basis that our Group has been in existence on this date.
- (5) The NAV per Share has been computed based on the NAV attributable to the equity holders of our Company and our pre-Placement share capital of 282,211,764 shares.

Selected items of our Statements of Cash Flow

	← Audited →		
	FY2016	FY2017	FY2018
	(S\$)	(S\$)	(S\$)
Net cash inflows generated from operating activities	1,373,915	489,678	2,072,704
Net cash outflows generated from investing activities	(880,398)	(305,159)	(145,968)
Net cash inflows/(outflows) generated from financing activities	9,765	(88,767)	(172,031)
Net cash increase in cash and cash equivalents	503,282	95,752	1,754,705
At the beginning of financial year	–	503,282	599,034
Net cash and bank balances at end of financial year	<u>503,282</u>	<u>599,034</u>	<u>2,353,739</u>

The most significant factors contributing to our financial performance in FY2018 as compared to FY2017 were as follows:

- Our Group’s revenue increased by S\$1.77 million or 33.5%, from S\$5.29 million in FY2017 to S\$7.06 million in FY2018. This was mainly attributable from our two (2) types of revenue:
 - (i) Post-production service generated revenue of S\$2.86 million in FY2018 compared to S\$5.29 million in FY2017 and represented 40.5% of our total revenue. Our Group recorded lower revenue in FY2018 due to more emphasis being placed on content production, which provides a higher gross margin; and
 - (ii) Content production generated revenue of S\$4.2 million and represented 59.5% of our total revenue in FY2018. The content production in FY2018 consists of one (1) completed project and non-refundable fees from our VR show.
- Our gross profit margin increased by approximately 6.3% from 59.0% in FY2017 to 65.3% in FY2018 due to higher gross margin from work associated with content production.
- We recorded a profit before tax of S\$3.23 million in FY2018 compared to S\$1.40 million in FY2017, due to higher revenue, better profit margins and lower administrative and finance expenses.
- In FY2018, we generated cash inflows from operating activities before movement in working capital of approximately S\$3.49 million with net changes in working capital outflow of S\$1.42 million.
- As at 31 March 2018, our shareholders’ equity amounted to S\$8.41 million comprising mainly paid up share capital of S\$0.05 million, retained earnings of S\$5.44 million and merger reserves of S\$2.92 million.

The above factors are not the only factors contributing to our financial performance in FY2016, FY2017 and FY2018. Please refer to the other factors set out in the “Management’s Discussion and Analysis of Results of Operations and Financial Position” section on pages 56 to 65 of the Offer Document.

INVESTMENT HIGHLIGHTS

WHAT ARE OUR BUSINESS STRATEGIES AND FUTURE PLANS?

Building up our digital intellectual property through development of virtual reality products and other immersive experiences. We have starting conceptualising, designing and developing valuable intellectual property for production of virtual reality products such as thematic theme shows. This allows users to experience the virtual environment in a realistic manner through the use of virtual reality technologies, including incorporating different stimuli to enhance the user’s immersive experience in these thematic tour shows. Since 2016, we have started developing digital intellectual property assets based on themes that we design and conceptualise, and we have sold these digital intellectual property assets to stakeholders. In addition, we have entered into a binding term sheet with Contents Panda to develop a virtual reality thematic tour show based on the film ‘Train to Busan’. We aim to build up our digital intellectual property through additional development of virtual reality products and other immersive experiences, which include thematic tour shows, educational materials and video games. We may also exploit our intellectual property assets in any other form we deem suitable, including merchandising of the animated characters conceptualised and developed by us through licensing and retail.

Refer to “Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans” section of the Offer Document on page 82 for more information on our business strategies and future plans.

Expansion of our presence overseas and strategic acquisitions. Our Group may consider expanding our business through strategic acquisitions of companies or joint ventures with parties who will add value to our existing business. Through such strategic acquisitions or joint ventures, we aim to strengthen our market presence, expand our local and global network, as well as penetrate into new business opportunities complementary to our existing businesses. We believe that by achieving the status as a publicly listed company, our Group will be positioned advantageously with a greater prospect for expansion. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders, Sponsor and/or the relevant authorities in accordance with the requirements of the applicable laws and regulations. We also intend to build up a larger team of employees both in Singapore and Malaysia to support our business expansion plans.

Strategic acquisitions of intellectual property. We may also expand our business through strategic acquisitions of intellectual property assets or rights which are complementary to our business or which will allow further expansion of our market presence. Such expansion efforts may also include obtaining licences to use intellectual property assets. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders, Sponsor and/or the relevant authorities in accordance with the requirements of the applicable laws and regulations. We entered into a binding term sheet to develop a virtual reality thematic tour show based on the film ‘Train to Busan’.

WHAT ARE THE KEY TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS WHICH ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON US?

For the current FY2019, our Directors have observed the following trends based on the revenue and operations of our Group as at the Latest Practicable Date:

- (a) The demand for virtual reality products and immersive experiences based on well-established and newly created intellectual property is growing. Hence, our Directors believe that there is potential to grow and expand our business as we continue to leverage on our competitive strengths as a group of companies of mm2 Asia to secure highly sought-after intellectual property with strong followings and at the same time, widening our market reach, for example, by developing and exploiting our own virtual reality immersive content. This will attract both customers who seek new forms of entertainment and businesses that are keen on sponsoring through this new medium.
- (b) In tandem with the increase in business activities, our operating costs and expenses are expected to increase accordingly which is mainly attributable to (i) the increase in employee compensation, (ii) continuing listing expenses, and (iii) the increase in rental expenses as a result of setting up new offices overseas.

Refer to the “Prospects, Business Strategies and Future Plans - Trend Information” section on page 81, and “Use of Proceeds and Listing Expenses” section on pages 34 to 35 of the Offer Document for more information.

The above are not the only trends, uncertainties, demands, commitments or events that could affect us. Please refer to the other factors set out in the “Risk Factors” section on pages 26 to 33, the “Management’s Discussion and Analysis of Results of Operations and Financial Position” section on pages 56 to 65, the “Prospects, Business Strategies and Future Plans” section on pages 81 to 83 and the Audited Combined Financial Statements and Unaudited Pro Forma Combined Financial Information set out in Appendices A and B respectively of the Offer Document.

WHAT ARE THE KEY RISKS WHICH HAD MATERIALLY AFFECTED OR COULD MATERIALLY AFFECT US AND YOUR INVESTMENT IN OUR SECURITIES?

We consider the following to be the most important key risks which had materially affected or could materially affect our business, operations, reputation, prospects, financial position and/or financial results, and your investment in our Shares.

- **We may be adversely affected by the uncertain global economic outlook**

Uncertainty in the global economy has contributed to fears and uncertainties in the global markets. It is difficult to predict how long these situations will last and how our markets and businesses may be affected. Accordingly, these situations could potentially present risks to our Group, including increase in interest expenses on future bank borrowings or restrict the amount of banking facilities that may be available to us, thereby materially and adversely affecting our business operations and future financial performance. Given the uncertainties as to the future economic outlook, we cannot give any assurance that we will be able to maintain or continue to grow our revenue and profits, or that we will be able to react promptly to any change in economic conditions. In the event that we fail to react promptly to the changing economic conditions, our performance and profitability could be adversely affected.
- **Our business is dependent on the goodwill in our “Vividthree Productions” brand**

Our business is dependent on the goodwill of our “Vividthree Productions” brand. Maintaining our brand reputation for supplying quality services is essential to enable us to maintain our existing client base and attract new clients. Any negative publicity about our “Vividthree Productions” brand may arise from time to time and may tarnish the goodwill in our brand. Negative comments about our services, our business operation and management may appear in internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity of a more serious nature will not arise in the future. Any such negative publicity, regardless of veracity, may have a material adverse effect on our business and sales revenue. As at the Latest Practicable Date, to the best of the Directors’ knowledge, there has not been negative publicity on our “Vividthree Productions” brand which adversely affected our sales.
- **Our expansion into the business of producing virtual reality products such as thematic tour shows may expose us to new challenges and new risks**

As we venture into exploiting our intellectual property assets to produce virtual reality products such as thematic tour shows using virtual reality, animated movies and series, we may be exposed to new challenges and risks as we have no past track record in producing such virtual reality products. As we are currently using third party software to produce the virtual reality products, we are dependent on their software in producing the virtual reality products. Additionally, we cannot guarantee the success of our virtual reality products as this will depend on various factors which may not be within our control, including: availability and costs of the hardware equipment which are necessary for the virtual reality products.

While the virtual reality thematic tour shows based on our virtual reality products will be operated and run by third party venue owners and show promoters, we may nevertheless be exposed to the risk of potential claims or litigation for any injuries or accidents that occur at these virtual reality thematic tour shows. As the virtual reality thematic tour shows would involve players putting on certain equipment such as backpacks and helmets which contribute to the virtual reality experience by vibrations which simulate the scenes in the show, we are exposed to the risk of potential claims or litigation, whether with or without merit, in connection with any injuries sustained by players in the course of participating in these virtual reality thematic tour shows. If such claims or litigation are brought against us, whether with or without merit, we may be required to spend a significant amount of time and resources to defend or attend to such matters. As a result, the success of our virtual reality products may be hampered and our reputation, business and financial performance may be adversely affected.

Additionally, as we will be required to work with various external partners, including promoters, for the production of thematic tour shows, there is no assurance that the external partners we work with will be able to fulfill their obligations to us or that they will be able to meet the sales targets for the thematic tour shows. In the event that our external partners fail to fulfill their obligations to us or do not meet the sales targets for the thematic tour shows, our business and financial performance may be adversely affected. In addition, this may also harm our business reputation and affect the demand for future thematic tour shows.

- **We may not be able to compete successfully against current and future competitors**

We face competition in the market for our current services, and we expect competition to continue to intensify in the future. Increased competition may result in downward pressure on our service fees or a decrease in our market share, any of which could negatively affect our ability to retain existing clients and attract new clients, our future financial and operating results, and our ability to grow our business. A number of competitive factors could cause us to lose potential service fees, including: New free software tools that may be developed in the future which allow our clients and potential clients to carry out some of the services that we render by themselves, or aggressive pricing policies of our competitors

In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our business and our operating and financial results could be adversely affected.

- **We may need to fund cost overruns or issue variation orders for our projects, which may not be accepted by our clients**

In our business as a visual effects and computer-generated imagery studio, we are subject to various uncertainties which may be beyond our control, such as increased expenditure due to technical difficulties, talent availability and suitability, shortages of necessary equipment accidents, damage to film negatives and recordings, adverse weather conditions or natural disasters. Such unforeseeable events may result in increased costs in completion of our clients' projects. In the event that a project exceeds its budget for these reasons, we may be required to fund the cost overrun ourselves. We may have to seek additional financing from other sources and we cannot guarantee that we will be able to obtain such funding on commercially acceptable terms, or at all. In addition, we may not be able to recoup these additional costs and our business reputation and ability to secure new projects may also be jeopardised. Where our clients require additional work to be done which were not within the original project scope, we generally issue variation orders for such additional work. There is no guarantee that our clients will accept the terms in our variation orders, including the additional fees, or that they will make prompt payment of our fees after the project has been completed. In the event that such payment is not forthcoming from our clients, our financial performance may be adversely affected. As at the Latest Practicable Date, our Group has not experienced significant cost overrun for our projects which had a material adverse impact on our business and financial performance.

The above are not the only risk factors that had a material effect or could have a material effect on our business operations, reputation, prospects, financial position and/or financial results, and our Shares. Please refer to the “Risk Factors” section on pages 26 to 33 of the Offer Document for a discussion on other risk factors and for more information on the above risk factors. Prior to making a decision to subscribe for the Placement Shares, you should consider all the information contained in the Offer Document.

WHAT ARE THE RIGHTS ATTACHED TO THE SECURITIES OFFERED?

As at the date of the Offer Document, the issued and paid up share capital of our Company is S\$2,231,815 comprising 282,211,764 Shares. Upon the allotment and issue of the Placement Shares which are the subject of the Placement, the resultant issued and paid-up share capital of our Company will be S\$ 15,181,815 comprising 334,011,764 Shares.

We have only one class of shares, being ordinary shares. The Placement Shares will, upon issue and allotment, rank pari passu in all respects with the existing issued Shares. All dividends are paid pro-rata amongst our shareholders in proportion to the amount paid up on each shareholder’s Shares, unless the rights attaching to an issue of any Shares provide otherwise. There is no restriction on the transfer of fully paid Shares except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed.

Refer to the “Share Capital” section on pages 40 to 43, and the “Appendix D - Description of our Shares” section on pages D1 to D4 of the Offer Document for more information on the Placement Shares.

HOW WILL THE PROCEEDS OF THE OFFER BE USED?

The estimated net proceeds to be raised from the Placement Shares, after deducting the estimated expenses of approximately S\$1.77 million, are approximately S\$11.18 million.

The allocation of each principal intended use of proceeds from the issue of the Placement Shares and the estimated listing expenses are set out below:

	S\$'000	As a Percentage of Gross Proceeds from the Placement (%)
Use of proceeds from the Placement		
General working capital purposes, including production of virtual reality content and immersive media	7,825	60.43
Expansion through:	3,354	25.90
<ul style="list-style-type: none"> • development and/or acquisition of intellectual property • acquisition, joint ventures and/or strategic alliances 		
Net proceeds from the Placement	11,179	86.33
Estimated listing expenses		
Listing and processing fees	40	0.31
Professional fees and expenses	1,157	8.93
Placement commission	453	3.50
Miscellaneous expenses	121	0.93
Gross proceeds from the Placement	12,950	100.0

Refer to the “Use of Proceeds and Listing Expenses” section on page 34 of the Offer Document for more information on our use of proceeds.

WILL WE BE PAYING DIVIDENDS AFTER THE OFFER?

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares will depend on our earnings, financial position, results of operations, cash flow, capital needs, general business condition, the terms of the borrowing arrangements (if any), plans for expansion and other factors which our Directors may deem appropriate (“**Dividend Factors**”). Subject to our Constitution and in accordance with the Companies Act, our Company may declare an annual dividend subject to the approval of our Shareholders in a general meeting but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to our Constitution and in accordance with the Companies Act, our Directors may also from time to time declare an interim dividend without the approval of our Shareholders. In making their recommendations, our Directors will consider, *inter alia*, our retained earnings and expected future earnings, operations, cash flow, capital requirements and general financing condition, as well as general business conditions and other factors which our Directors may deem appropriate. Our Company may pay all dividends out of our profits.

Refer to the “Dividend Policy” section on page 39 of the Offer Document for more information on our dividend policy.

CONTACT INFORMATION

WHO CAN YOU CONTACT IF YOU HAVE ENQUIRIES RELATING TO OUR OFFER?

HOW DO YOU CONTACT US?

The Company	Vividthree Holdings Ltd.
Registered Office Address	1093 Lower Delta Road, #05-10, Singapore 169204
Telephone Number	+65 6270 0818
Facsimile Number	+65 6270 0838
Website	www.vividthree.com
Sponsor, Issue Manager and Placement Agent	Hong Leong Finance Limited
Address of Sponsor, Issue Manager and Placement Agent	16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581
Telephone Number	+65 6415 9433

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