VIVIDTHREE HOLDINGS LTD.
Registration No. 201811828R
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2020

The following questions were received from Securities Investors Association (Singapore) ("SIAS") in relation to Vividthree Holdings Ltd's (the "Company" or "Vividthree", and together with its subsidiaries, the "Group") Annual Report for the financial year ended 31 March 2020 ("FY2020"). Response from the Company is appended below:

Q1 (i) Can management elaborate further on the impact of the pandemic on the Group's post-production segment?

The COVID-19 pandemic has disrupted many business operations around the world, and as a result, a number of our projects in the Content Production segment have been deferred. In comparison, the impact of the pandemic on the Group's Post-Production segment is to a lesser extent, as the Group's Post-Production segment derives revenue from a variety of sources including, commercial advertisements, digital & online content, and related works. In addition, the Group was able to secure and deliver projects in 4QFY2020 despite the outbreak of the pandemic in 4QFY2020. Resultantly, our Post-Production revenue grew about 38% year-on-year to S$3.52 million in FY2020.

(ii) In particular, how much of its revenue is related to motion pictures? How is the group managing the negative impact on the post-production segment arising from the closure of cinemas and the delay/cancellation of movie launches?

A portion of Vividthree's revenue was derived from motion pictures, which were already in production prior to the closure of cinemas across the region. Vividthree recognises revenue once it delivers its post-production work (such as visual effects, sound, offline editing, online editing, and grading) to the film production houses. Revenue recognition is not dependent on the release of the movies in cinemas or the box office. In addition to motion pictures, animation, and commercial advertisement projects, Vividthree also provides B2B services, digital training content, online content and immersive projects in the Post-Production segment.

(iii) How does the group secure new projects in the post-production segment? Since its listing, has the group been able to expand its client base?

With 14 years of operational track record, Vividthree has established itself as one of the leading post-production companies in Singapore, with a pool of longstanding customers. Coupled with its affiliation with its parent company, mm2 Asia, one of the leading core production companies in the region, Vividthree is well-positioned to secure a stable stream of projects. For FY2020, Vividthree has secured projects from mm2's related companies, representing about 10.2% of the Group's total Post-Production revenue.

Since its listing, the Group has been tapping on all its network to secure higher value projects, which typically requires more creative and state of the art technologies.

Strategic alliance is another way we are growing our customer base. Recently, the Group has formed a joint venture company, V&N Entertainment Pte. Ltd. ("V&N"), with Quebec Leisure International Pte. Ltd. which is a subsidiary of NTUC Club. V&N is set up to jointly develop, curate, bid for and produce thematic experiential content and event projects in Singapore and around the region in the future.

Q2 Would management provide shareholders with better clarity on the group's business model? Specifically:

(i) Immersive shows: What is the typical investment amount required to develop an immersive VR show, such as the Train to Busan VR tour show, from scratch? With crowd control and social distancing measures implemented by governments to combat the spread of COVID-19, how will the business model be affected?

Vividthree owns a portfolio of IPs and secured licenses for Train to Busan, Doraemon and others, which we have developed and adapted to various immersive/conceptual shows for investors and venue owners, based on the requested specifications. Depending on the complexity and size of the project, the investment amount may range from S$0.5 million to S$3.0 million. For example, an immersive presentation of the Train to Busan VR show comes in four main modules and our customers can select the module to fit to its show site.

With COVID-19, many of our potential customers including theme parks and amusement center operators have postponed their investment in new attractions. However, immersive experiences can be applied to other areas, beyond entertainment, like education and training. We are currently working to develop contents in these areas.

(ii) ComicVid: Can management elaborate further on the strategic value of ComicVid?

ComicVid is an initiative which Vividthree has been researching and developing for a period of time, as the Group recognises the importance of digital and online content. The rationale to venture into this segment was validated with the outbreak of the pandemic, as demand for online content has risen tremendously as more people are home bounded or feel unsafe to get out. The Group has seen an acceleration in user base over the past few months, as ComicVid now has more than 70,000 users as of April 2020 from 10,000 in February 2020.

The Group will continue to explore ways to monetise the platform and source for new IPs to boost our content portfolio. Following the recent acquisition of Silent Horror, a popular supernatural horror webcomic which has amassed over 90 million views online, the popularity of Silent Horror has also increased the number of users of our ComicVid app. We believe the Silent Horror IP holds strong potential given its strong following, and plans to monetise the IP, including merchandising and media production spinoffs are in progress.

(iii) **XMI: On 25 June 2019, the company entered into a legally binding term sheet with XMI Group Pte. Ltd. ("XMI") to subscribe up to $1.5 million in convertible notes in XMI. What is the level of influence and oversight by management on the operational and strategic matters of XMI?**

The Group was given the option to subscribe up to S$1.5 million convertible notes in XMI. To-date, Vividthree has subscribed for S$0.5 million convertible notes in XMI.

The rationale of the investment was to allow Vividthree to capitalize on the various technological skillsets of XMI, which the Group can adopt to enhance the delivery of its post-production and content production projects.

As the Group's investment in XMI is only via convertible notes, and pending conversion, Vividthree is not a shareholder of XMI. As such, the Group does not exercise any control over the management of XMI. Nevertheless, the Group holds regular meetings and briefings with XMI on its developments.

(iv) **Unquoted securities: As shown in Note 16 (page 85 – Financial assets, at FVPL), the group has $1.7 million invested in unquoted securities. Would management clarify the nature of such investments? What are the underlying securities?**

The unquoted securities consist of investments in the form of small equity stakes or convertible bonds in a portfolio of digital technology companies. The rationale of these investments was to allow Vividthree to build a network of state-of-the-art technical know-hows companies to enhance our core competency to enable the Group to remain at the forefront of our industry.

Q3 **On 12 February 2020, the company announced a proposed placement of up to 15.88 million new ordinary shares in the capital of the company at a placement price of at least $0.126 for each placement share to raise up to $1.88 million in net proceeds.**

As stated in the company's announcement, the proposed placement was taken to strengthen the group's financial and working capital position and to fund acquisitions of intellectual properties and business assets as and when such opportunities arise.

Given that the company was listed at 25 cents in September 2018, what were the deliberations by the board to propose a placement at 12.6 cents? Had the board/management evaluated other sources of funding to support the group's growth without causing undue dilution to shareholders?

The proposed placement was a result of indicative interests from parties looking to invest in the Company.

The Board and management had considered the following factors in relation to the proposed placement:

- It will provide additional funds for the Company's digital and online initiatives, which the management believes that it will be value accretive to shareholders in the long term. The potential funds to be raised from the proposed placement was intended to be utilised to enhance and strengthen the Group's content IP portfolio; and

- The general lending conditions then were not favourable, especially when it is to fund development work, which left the Company with little borrowing options within the acceptable interest rates.

In light of the pandemic outbreak, which has affected the general market sentiments and impacted the Company's share price, the Board and management are of the view that the proposed placement at current valuation would not be in the best interests of the Company and shareholders, and hence decided not to proceed with the proposed placement. The Group presently still has sufficient working capital from additional bank facilities and from the collection of receivables to meet its present requirements.

Q4 **What is the group's capacity to make investments and to grow through acquisitions given its current financial position?**

With the pandemic significantly affecting the group's live thematic experience/immersive show segment, what adjustments have the board made to the group's long-term plans?

Under the Government budget initiatives, the Group has access to secured bank loans of up to S$5 million, subsequent to FY2020, which the Group can utilise to make investments and execute its expansion plans when the opportunities arise.

The Group's collection of receivables and servicing have not been disrupted, as we continue to generate positive net cash from operating activities in FY2020.

The Group's ongoing Post-Production business, with added digital initiatives and partnerships such as with Quebec International should see us through the digital and technology driven new normal and well prepare us for the post COVID-19 economic recovery that we all remain hopeful of.