Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Vividthree Holdings Ltd.

Stock code: OMK

Meeting details:
Date: 28 July 2022
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide greater clarity on the following operational and strategic matters? Specifically:

(i) **Content production: Does management see any silver lining in the content production segment?** No revenue was recognised in FY2022 while just $41,640 was recorded in FY2021. The segment revenue was as high as $3.52 million in FY2020. **What is management's strategy to revitalise the segment? Is there any visibility on the demand for content production by its customers?**

(ii) **Blockchain gaming:** The group expanded into blockchain gaming industry by investing in GammaR Pte Ltd during the financial year. **What is the basis of the company venturing into blockchain technology space and its belief that blockchain technology will redefine the future of gaming? What is GammaR's competitive advantage? Is GammaR already profitable? If not, what is the expected gestation period?**

(iii) **ComicVid:** On Google Play, ComicVid has 100+k downloads. The number of downloads is not shown on Apple's App Store although the app has a 5.0 score based on 3 ratings. **Can management share some of the milestones achieved by ComicVid, including the number of active users and the volume/pace of content creation?**

(iv) **Digital infrastructure: How much capital is the group committing to the joint development partnership with JVS Management Holding Pte. Ltd for Filecoin mining? Has the board carried out a risk assessment of the mining of digital assets/cryptocurrency? Given the current turmoil in the crypto-related segment, is management reviewing its collaboration with JVS? Moving forward, what are the risks and how will management be mitigating the risks?**

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Q2. Amortisation of acquired rights increased substantially from $943,972 in FY2021 to $3,150,996 in FY2022, significantly contributing to the group's loss for the financial year. In addition, amortisation of intangible assets also nearly doubled from $171,925 in FY2021 to $321,037.

The segment information on the two operating segments is shown on page 114 and reproduced below:

The segment information provided to the CODM for the reportable segments are as follows:

	Content production		Post-production		Total	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Revenue						
– External parties	–	41,640	2,861,015	1,985,573	2,861,015	2,027,213
Other material non-cash expenses						
– Reversal of/(allowance for) expected credit loss on financial assets – net	–	(1,169,500)	29,564	(135,218)	29,564	(1,304,718)
Unallocated expenses						
– Loss on fair value changes in financial assets, at FVPL – net					(1,341)	(80,550)
Loss before interest, tax, depreciation and amortisation					**(1,755,690)**	**(2,626,126)**
Depreciation of plant and equipment					(277,274)	(403,937)
Depreciation of right-of-use assets					(201,828)	(219,734)
Amortisation of acquired rights					(3,150,996)	(943,972)
Amortisation of intangible assets					(321,037)	(171,925)
Interest expense					(223,317)	(185,520)
Loss before income tax					**(5,930,142)**	**(4,551,214)**
Income tax credit					97,017	45,423
Net loss for the financial year					**(5,833,125)**	**(4,505,791)**

(Source: company annual report; emphasis added)

(i) **Would the audit committee (AC) consider how it could work with management to better allocate the amortisation costs to the relevant operating segments?**

As noted in the independent auditor's report (page 56; Key audit matters), the recoverable amount of acquired rights and intangible assets were determined based on the projected cash flows over the remaining useful life.

In Note 22 (page 98; Acquired rights), it can be seen that there were additions of $2.62 million in FY2022 while the amortisation charge for the year was $3.15 million.

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22 ACQUIRED RIGHTS

	Group	
	2022	2021
	$	$
Cost		
Beginning of financial year	8,755,775	2,126,280
Additions	2,618,960	6,586,052
Currency translation differences	215,307	43,443
End of financial year	11,590,042	8,755,775
Accumulated amortisation		
Beginning of financial year	1,137,230	176,455
Amortisation charge for the year (Note 7)	3,150,996	943,972
Currency translation differences	70,264	16,803
End of financial year	4,358,490	1,137,230
Carrying amount		
End of financial year	7,231,552	7,618,545

(Source: company annual report)

(ii) **What are the reasons for the large increase in amortisation charge for acquired rights? What is the amortisation schedule?**

(iii) **What are the useful lives (years) of the acquired rights? Was there a change in the length of useful lives?**

Q3. On 31 May 2022, the company announced the appointment of Mr Zhang Weiquan, Jonathan as the deputy chief executive officer of the company with effect from 1 Jun 2022.

As noted in the announcement of appointment[1], Mr Zhang Weiquan, Jonathan has other principal commitments in SkyArk Chronicles Pte Ltd (as co-founder and CEO) and GammaR Pte Ltd (as director). It was also disclosed that Mr Zhang Weiquan, Jonathan has conflict of interests as SkyArk Chronicles and GammaR are customers of the company.

Based on his biography (page 18), Mr Zhang Weiquan, Jonathan, following his appointment as deputy CEO on 1 June 2022, is responsible for overseeing the strategic direction and operational goals of the company.

[1] https://links.sgx.com/1.0.0/corporate-announcements/KBNX3X5AOQACHACK/569a70e26332cfc4cf601baa7e1d98c7d4698b16d6153199074b1d05a4133489

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(i) **Can the board/nominating committee (NC) help the stakeholders better understand if there is a potential conflict of interests in view of Mr Zhang Weiquan, Jonathan's commitment in SkyArk and his director role in GammaR? What are the governance structures put in place to mitigate the risks?**

(ii) **Is the appointment of Mr Zhang Weiquan, Jonathan as deputy CEO on a part-time basis? How much time does Mr Zhang Weiquan, Jonathan spend outside of the business of the group?**

(iii) **Are SkyArk and GammaR still customers of the company?**

(iv) **With the group subscribing for convertible loans of up to $4.08 million in GammaR, would transactions with GammaR/Mr Zhang Weiquan, Jonathan fall within the scope of Chapter 9 (Interested person transactions) of the Catalist Rules?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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