VIVIDTHREE HOLDINGS LTD. AND ITS SUBSIDIARIES

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018

VIVIDTHREE HOLDINGS LTD.
Statement by Directors
For the Financial Years Ended 31 March 2016, 2017 and 2018

In the opinion of the Directors,

(i) the combined financial statements of the Group as set out on pages A-6 to A-54 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018, and the financial performance, changes in equity and cash flows of the Group for the financial years covered by the combined financial statements, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these combined financial statements for issue.

On behalf of the Directors

....
Yeo Eng Pu, Charles
Director

....
Hong Wei Chien
Director

Singapore
17 September 2018

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 and 2018

17 September 2018

The Board of Directors
Vividthree Holdings Ltd.
1093, Lower Delta Road
#05-10, Singapore
169204

Dear Sirs

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of **VIVIDTHREE HOLDINGS LTD.** (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the combined statements of financial position as at 31 March 2016, 2017 and 2018, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 31 March 2016, 2017 and 2018, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages A-6 to A-54.

In our opinion, the accompanying combined financial statements of the Group are properly drawn up in accordance with the Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the combined financial position of the Group as at 31 March 2016, 2017 and 2018 and of the combined financial performance, combined statements of changes in equity and combined cash flows of the Group for the financial years ended 31 March 2016, 2017 and 2018.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 and 2018 (continued)

Responsibilities of Management and Directors for the Combined Financial Statements

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with the FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 and 2018 (continued)

Auditor's Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Philip Tan Jing Choon

Singapore
17 September 2018

Vividthree Holdings Ltd. and its Subsidiaries
Combined Statements of Comprehensive Income
For the Financial Years Ended 31 March 2016, 2017 and 2018

	Note	2016 $	2017 $	2018 $
Revenue	4	3,956,197	5,288,245	7,057,059
Cost of sales		(1,127,449)	(2,172,219)	(2,452,606)
Gross profit		2,828,748	3,116,026	4,604,453
Other income	5	70,753	135,540	66,674
Other (losses)/gains – net	6	(1,313)	(24,358)	1,481
Expenses				
- Administrative		(1,352,631)	(1,807,418)	(1,432,826)
- Finance	9	(27,047)	(23,313)	(14,586)
		(1,379,678)	(1,830,731)	(1,447,412)
Profit before income tax		1,518,510	1,396,477	3,225,196
Income tax expense	10	(104,699)	(76,510)	(514,997)
Net profit		1,413,811	1,319,967	2,710,199
Other comprehensive loss, net of tax:				
Items that may be reclassified subsequently to profit or loss:				
- Currency translation differences arising from consolidation - losses		–	–	(447)
Total comprehensive income attributable to equity holders of the Company		1,413,811	1,319,967	2,709,752
Earnings per share for profit attributable to equity holders of the Company				
Basic and diluted	11	28.28	26.40	54.20

The accompanying notes form an integral part of these combined financial statements.

Vividthree Holdings Ltd. and its Subsidiaries
Combined Statements of Financial Position
As at 31 March 2016, 2017 and 2018

	Note	2016 $	2017 $	2018 $
ASSETS				
Current assets				
Cash and cash equivalents	12	503,282	599,034	2,353,739
Trade and other receivables	13	1,391,102	2,941,252	3,805,486
Other current assets	14	54,315	42,603	256,315
Work-in-progress	15	144,852	66,357	531,105
Films under production	16	289,555	–	–
		2,383,106	3,649,246	6,946,645
Non-current assets				
Plant and equipment	17	389,479	344,407	284,365
Goodwill arising on consolidation	18	2,851,917	2,851,917	2,851,917
Intangible assets	19	146,760	104,800	61,650
		3,388,156	3,301,124	3,197,932
Total assets		5,771,262	6,950,370	10,144,577
LIABILITIES				
Current liabilities				
Trade and other payables	20	874,301	674,992	829,300
Current income tax liabilities		111,449	100,958	528,036
Progress billing in excess of work-in-progress	15	–	115,371	182,635
Borrowings	21	109,860	158,649	89,299
		1,095,610	1,049,970	1,629,270
Non-current liabilities				
Borrowings	21	244,761	124,837	36,742
Deferred income tax liabilities	22	46,080	70,785	64,035
		290,841	195,622	100,777
Total liabilities		1,386,451	1,245,592	1,730,047
NET ASSETS		4,384,811	5,704,778	8,414,530
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	23	50,000	50,000	50,000
Reserves		2,921,000	2,921,000	2,920,553
Retained profits	24	1,413,811	2,733,778	5,443,977
Total equity		4,384,811	5,704,778	8,414,530

The accompanying notes form an integral part of these combined financial statements.

Vividthree Holdings Ltd. and its Subsidiaries
Combined Statements of Changes in Equity
For the Financial Years Ended 31 March 2016, 2017 and 2018

		Attributable to equity holders of the Company			
	Note	**Share capital**	**Reserves**	**Retained profits** [1]	**Total**
		$	**$**	**$**	**$**
At 1 April 2015		50,000	–	–	50,000
Acquisition of subsidiary under common control	24, 29(c)	–	2,921,000	–	2,921,000
Total comprehensive income for the year		–	–	1,413,811	1,413,811
At 31 March 2016 / 1 April 2016		50,000	2,921,000	1,413,811	4,384,811
Total comprehensive income for the year		–	–	1,319,967	1,319,967
At 31 March 2017 / 1 April 2017		50,000	2,921,000	2,733,778	5,704,778
Profit for the year		–	–	2,710,199	2,710,199
Other comprehensive loss for the year		–	(447)	–	(447)
Total comprehensive income for the year		–	(447)	2,710,199	2,709,752
At 31 March 2018		50,000	2,920,553	5,443,977	8,414,530

[1] The retained profits of the Group are distributable.

The accompanying notes form an integral part of these combined financial statements.

Vividthree Holdings Ltd. and its Subsidiaries
Combined Statements of Cash Flows
For the Financial Years Ended 31 March 2016, 2017 And 2018

	Note	2016 $	2017 $	2018 $
Cash flows from operating activities				
Net profit		1,413,811	1,319,967	2,710,199
Adjustments for:				
- Income tax expense	10	104,699	76,510	514,997
- Amortisation of intangible assets	19	56,188	111,960	43,150
- Depreciation of plant and equipment	17	210,246	262,726	206,010
- Reversal of bad debt written off		(13,910)	–	–
- Plant and equipment written off		–	17,505	–
- Interest expense	9	27,047	23,313	14,586
		1,798,081	1,811,981	3,488,942
Change in working capital:				
- Work-in-progress		(144,852)	78,495	(464,748)
- Trade and other receivables		(480,013)	(1,550,150)	(864,234)
- Films under production		(289,555)	289,555	–
- Other current assets		10,168	11,712	(213,712)
- Progress billing in excess of work-in-progress		–	115,371	67,264
- Trade and other payables		480,086	(204,990)	153,861
Cash generated from operations		1,373,915	551,974	2,167,373
Income tax paid		–	(62,296)	(94,669)
Net cash provided by operating activities		1,373,915	489,678	2,072,704
Cash flows from investing activities				
Acquisition of a subsidiary, net of cash acquired	29(ii)	(600,000)	–	–
Additions to plant and equipment	17	(280,398)	(235,159)	(145,968)
Additions to intangible assets	19	–	(70,000)	–
Net cash used in investing activities		(880,398)	(305,159)	(145,968)
Cash flows from financing activities				
Proceeds from borrowings		120,000	–	–
Repayment of borrowings		(87,721)	(71,135)	(157,445)
Interest paid		(22,514)	(17,632)	(14,586)
Net cash provided by/(used in) financing activities		9,765	(88,767)	(172,031)
Net increase in cash and cash equivalents		503,282	95,752	1,754,705
Cash and cash equivalents				
Beginning of financial year		–	503,282	599,034
End of financial year	12	503,282	599,034	2,353,739

The accompanying notes form an integral part of these combined financial statements.

Vividthree Holdings Ltd. and its Subsidiaries
Combined Statements of Cash Flows
For the Financial Years Ended 31 March 2016, 2017 And 2018

Reconciliation of liabilities arising from financing activities

	1 April 2017 $	Principal and interest payments $	Non-cash changes Interest expense $	31 March 2018 $
Bank borrowings	184,895	(88,768)	11,709	107,836
Loan from ultimate holding company	98,591	(83,263)	2,877	18,205

The accompanying notes form an integral part of these combined financial statements.

These notes form an integral part and should be read in conjunction with the accompanying combined financial statements.

1 Corporate information

1.1 The Company

Vividthree Holdings Ltd. (the "Company") was incorporated in Singapore on 7 April 2018 as a private company limited by shares, under the name of "Vividthree Holdings Pte. Ltd.", to act as the holding company of the Group. At incorporation, the Company's issued and paid-up share capital was $300, comprising 300 ordinary shares. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2).

The Company was converted into a public limited company and the name was changed to "Vividthree Holdings Ltd." on 28 August 2018. The combined financial statements are presented in Singapore Dollar ($) except otherwise indicated.

The combined financial statements of Vividthree Holdings Ltd. and its subsidiaries (collectively, the "Group") have been prepared for the purpose of inclusion in filings associated with the proposed initial public offering of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the SGX-ST.

The address of its registered and principal place of business is located at 1093 Lower Delta Road #05-10 Singapore 169204.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described below.

The immediate holding company of Vividthree Productions Pte. Ltd. prior to the Restructuring Exercise (Note 1.2) is mm2 Entertainment Pte. Ltd., a company incorporated in Singapore. The Company's ultimate holding company is mm2 Asia Ltd. ("mm2 Asia"), a company incorporated in Singapore and listed on Singapore Exchange Securities Trading Limited.

The Group, after restructuring, comprises the Company and the following subsidiaries:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding %
Vividthree Productions Pte. Ltd.	Motion picture, video and television programme post-production activities	Singapore	100
Vividthree Productions Sdn. Bhd.	Motion picture, video and television programme post-production activities	Malaysia	100

1 Corporate information (continued)

1.2 Restructuring exercise

On 8 April 2015, mm2 Entertainment Pte. Ltd. ("mm2 Entertainment"), being a wholly-owned subsidiary of mm2 Asia, entered into a sale and purchase agreement with Yeo Eng Pu Charles, Hong Wei Chien and Lee Hoon Hwee (collectively known as the "Founders") ("SPA") to acquire an aggregate of 25,500 ordinary shares, representing 51% of the issued and fully-paid ordinary share of Vividthree Productions Pte. Ltd. ("Vividthree Productions") for a consideration of $2,913,000.

The Group was formed through the following exercise (the "Restructuring Exercise") which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the Invitation. Pursuant to the Restructuring Exercise, the Company became the holding company of the Group. The Restructuring Exercise involved the following steps:

(a) *Incorporation of the Company*

The Company was incorporated in Singapore on 7 April 2018 under the Companies Act as a private company limited by shares with an issued and paid-up share capital of $300 comprising 300 ordinary shares held by mm2 Asia (153 shares), Lee Hoon Hwee (49 shares), Yeo Eng Pu, Charles (49 shares) and Hong Wei Chien (49 shares) respectively (collectively known as the "Subscriber Shares").

(b) *Acquisition of Vividthree Productions.*

Pursuant to a restructuring agreement dated 27 August 2018 (the "Restructuring Agreement") entered into between our Company and the existing shareholders of Vividthree Productions, namely mm2 Entertainment (51.00%), Charles Yeo (16.17%), Jay Hong (16.17%), Lee Chun Fun (13.00%) and Sky Li (3.66%), the Company acquired the entire issued and paid-up share capital of Vividthree Productions for an aggregate consideration of $50,000, based on the amount of issued and paid-up share capital of Vividthree Productions as at 31 March 2018. The consideration was fully satisfied by the allotment and issuance of 49,700 new Shares (before the subdivision) ("Consideration Shares") credited as fully paid, at the issue price of approximately $1.006 per Consideration Share, by the Company to the existing shareholders of Vividthree Productions as follows:-

Name of shareholder	Number of Consideration Shares issued	Consideration ($)
• mm2 Asia [(1)]	25,347	25,500
• Charles Yeo	8,037	8,085
• Sky Li	8,036	8,085
• Jay Hong	6,461	6,500
• Lee Chun Fun	1,819	1,830
	49,700	50,000

(1) Pursuant to the Restructuring Agreement, mm2 Entertainment, a wholly-owned subsidiary of mm2 Asia, had nominated mm2 Asia to receive the Consideration Shares that mm2 Entertainment was entitled to as consideration for the acquisition of its shareholding in Vividthree Productions.

Upon the completion of the Restructuring Agreement, Vividthree Productions became a wholly-owned subsidiary of the Company.

1 Corporate information (continued)

1.2 Restructuring exercise (continued)

(b) *Subdivision of shares*

On 12 September 2018, 50,000 shares in the issued and paid-up share capital of the Company were subdivided into 272,000,000 shares.

(c) *Conversion of the convertible loan amounting to $2,000,000 extended by R3 Asian Gems to the Company ("Convertible Loan") pursuant to the convertible loan agreement entered into between the Company and R3 Asian Gems ("Convertible Loan Agreement") as described in Note 30*

Pursuant to the Convertible Loan Agreement, R3 Asian Gems loaned an aggregate amount of $2,000,000 to the Company. Under the terms of the Convertible Loan Agreement, 100% of the principal amount in respect of the Convertible Loan shall be converted into such number of new Shares ("Conversion Shares") at the issue price which is equal to 85% of the placement price.

On 12 September 2018, the full sum of the Pre-IPO Convertible Loan was automatically converted into 9,411,764 Conversion Shares which were issued and allotted to R3 Asian Gems.

The Restructuring Exercise involves a combination of entities under common control since the Company and Vividthree Productions are controlled by mm2 Asia. Accordingly, the Restructuring Exercise has been accounted using merger accounting in accordance with Recommended Accounting Practice 12 Merger Accounting for Common Control Combination for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("RAP 12").

The effects of merger accounting under RAP 12 are that:

(i) The acquisition of Vividthree Productions is accounted for in the combined financial statements as if it had been effected since 8 April 2015, the date when Vividthree Productions came under the control of mm2 Asia. Accordingly, the combined statements of comprehensive income include the results of Vividthree Productions from 8 April 2015;

(ii) The assets and liabilities of Vividthree Productions include fair value adjustments, intangible assets and goodwill arising from the acquisition of Vividthree Productions by mm2 Asia on 8 April 2015;

(iii) The difference between the consideration paid by mm2, share capital issued for the acquisition of Vividthree Productions and the carrying amount of the net assets of Vividthree Productions is adjusted against equity; and

(iv) All significant intra-group transactions and balances have been eliminated on combination.

2 Summary of significant accounting policies

2.1 Basis of preparation

These combined financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of combined financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016, 2017 and 2018

On 1 April 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial years ended 31 March 2016, 2017 and 2018. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the financial years ended 31 March 2016, 2017 and 2018 or prior financial years except for the following:

<u>FRS 7 Statement of cash flows</u>

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the consolidated statement of cash flows to the financial statements.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax ("GST"), and rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Rendering of services

Revenue from rendering of services for post-production and content production are recognised in the period in which the relevant services are rendered.

2 Summary of significant accounting policies (continued)

2.3 Other income

Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as "other income".

2.4 Group accounting

(a) *Subsidiary*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the combined financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the combined statements of comprehensive income, combined statements of changes in equity, and combined statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiary (continued)

(ii) Acquisition

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiaries measured at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to Note 2.6 for the subsequent accounting policy on goodwill.

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiary* (continued)

(ii) *Acquisition* (continued)

Acquisitions of entities under common control have been accounted for using the predecessor accounting method. Under this method:

- The combined financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;

- The assets and liabilities are brought into the combined financial statements at their existing carrying amounts from the perspective of the controlling party;

- The combined statements of comprehensive income include the results of the acquired entities since the earliest date the entities are under common control;

- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and

- On consolidation, the difference between the consideration paid, the share capital issued for the acquisition of subsidiary and the carrying amount of the net assets of the subsidiary is taken to merger reserve.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2 Summary of significant accounting policies (continued)

2.5 Plant and equipment

(a) *Measurement*

(i) *Plant and equipment*

All items of plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation on plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office equipments and computers	3 - 5 years
Furniture and fittings	10 years
Renovation	5 years

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated plant and equipment still in use are retained in the combined financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2 Summary of significant accounting policies (continued)

2.6 Goodwill

Goodwill on acquisitions of subsidiaries, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

2.7 Intangible assets

(a) Film and merchandise rights

Film and merchandise rights are stated at cost less accumulated amortisation and accumulated impairment losses. Film and merchandise rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of five (5) years. Additional amortisation and/or impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

(b) Customer relationship

Customer relationship is the identifiable intangible asset recognised on acquisition of subsidiaries which are not recognised as an asset by the subsidiaries because it developed them internally and charged the related costs to profit or loss. Customer relationship is initially recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Customer relationship is amortised over the relationship life of four (4) years. Additional amortisation and/or impairment loss is made if future estimated relationship life is different from the previous estimation.

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Plant and equipment
Intangible assets

Plant and equipment and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

At the end of financial year, the Group does not hold any of the financial assets except loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 13), "other current assets" (Note 14) and "cash and cash equivalents" (Note 12) on the statements of financial position.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(f) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liabilities simultaneously.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

2 Summary of significant accounting policies (continued)

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.14 Leases

When the Group is the lessee

The Group leases office spaces under operating leases from non-related parties.

Lessee – Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.15 Work-in-progress

Post productions under progress

Work-in-progress is measured at cost to date less progress billings and recognised losses. Cost includes all direct material and labour costs, equipment and sub-contracting services, together with appropriate overhead expenses. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

Work-in-progress is included in current assets in the combined statements of financial position for all contracts in which costs incurred exceed progress billings. If progress billings exceed costs incurred, the difference is presented as "progress billings in excess of work-in-progress" and is included in current liabilities in the combined statements of financial position.

2 Summary of significant accounting policies (continued)

2.16 Films under production

Films under production include production costs, costs of services, direct labour costs and facilities in the creation of films. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any accumulated impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 Summary of significant accounting policies (continued)

2.18 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("SGD"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the reporting date are recognised in profit or loss. However, in the combined financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

2 Summary of significant accounting policies (continued)

2.20 Currency translation (continued)

(b) Transactions and balances (continued)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "Finance expense". All other exchange gains and losses impacting profit or loss are presented in profit or loss within "Other (losses)/gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.21 Cash and cash equivalents

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of these assets and where applicable, CGU have been determined based on value-in use calculations. These calculations require the use of estimates (Note 18).

If the management's estimated growth rate used in the value-in-use calculation for this CGU has declined by 24.95%, 52.51% and 13.99% for the financial year ended 31 March 2016, 2017 and 2018 respectively, or the estimated pre-tax discount applied to the discounted cash flows for this CGU had been raised by 24.29%, 35.68% and 26.54% for the financial years ended 31 March 2016, 2017, 2018 respectively, the recoverable amount of the CGU would equal to the carrying amount.

3 Critical accounting estimates, assumptions and judgements (continued)

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable date indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management had made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

At the respective reporting date, management has assessed that no allowance for impairment is required for the receivables. The carrying amounts of trade receivables at the end of financial years ended 31 March 2016, 2017 and 2018 were $1,296,613, $2,870,756 and $3,708,103 respectively.

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all loans and receivables, the allowance for impairment of the Group for the financial years ended 31 March 2016, 2017 and 2018 would have been lower/higher by $61,054, $114,700 and $119,420 respectively.

4 Revenue

	2016	2017	2018
	$	$	$
Post-production services	3,956,197	5,288,245	2,857,059
Content production services	–	–	4,200,000
	3,956,197	5,288,245	7,057,059

5 Other income

	2016	2017	2018
	$	$	$
Government grants	62,753	124,033	66,674
Others	8,000	11,507	–
	70,753	135,540	66,674

Government grants include productive and innovative credit, M-assist grant from Media Development Authority, wages credit scheme, temporary employment credit and special government credit.

6 Other (losses)/gains - net

	2016	2017	2018
	$	$	$
Currency exchange (losses)/gains - net	(1,313)	(6,853)	1,481
Plant and equipment written off	–	(17,505)	–
	(1,313)	(24,358)	1,481

7 Expenses by nature

	2016	2017	2018
	$	$	$
Amortisation of intangible assets (Note 19)	56,188	111,960	43,150
Employees compensation (Note 8)	1,189,321	1,948,617	2,029,403
Depreciation of plant and equipment (Note 17)	210,246	262,726	206,010
Productions expenses	201,504	421,068	284,020
Sub-contractor costs	372,931	633,143	930,860
Rental expense on operating leases	73,005	73,395	94,246
Reversal of bad debts written off in prior years	(13,910)	–	–
Management fees (Note 27(a))	152,769	260,443	–
Others	238,026	268,285	297,743
Total cost of sales and administrative expenses	2,480,080	3,979,637	3,885,432

8 Employees compensation

	2016 $	2017 $	2018 $
Wages and salaries	1,027,304	1,725,394	1,789,070
Employer's contribution to defined contribution plan including Central Provident Fund	134,607	191,857	220,468
Other short-term benefits	27,410	31,366	19,865
	1,189,321	1,948,617	2,029,403

9 Finance expenses

	2016 $	2017 $	2018 $
Interest expenses on:			
Bank borrowings	22,514	17,632	11,709
Amount owing to ultimate holding company	4,533	5,681	2,877
	27,047	23,313	14,586

10 Income tax expense

	2016 $	2017 $	2018 $
Tax expense attributable to profit is made up of:			
- Profit for the financial year:			
Current income tax - Singapore	111,449	95,000	503,971
Deferred income tax (Note 22)	(6,750)	(15,146)	(6,750)
	104,699	79,854	497,221
- (Over)/Under provision in prior financial years:			
Current income tax – Singapore	–	(43,195)	17,776
Deferred income tax (Note 22)	–	39,851	–
	–	(3,344)	17,776
	104,699	76,510	514,997

10 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is as follows:

	2016	2017	2018
	$	$	$
Profit before tax	1,518,510	1,396,477	3,225,196
Tax calculated at Singapore tax rate of 17%	258,147	237,401	548,283
Effects of:			
- Income not subject to tax	(2,365)	(10,095)	(11,335)
- Expenses not deductible for tax purposes	6,147	16,202	4,157
- Tax incentive and enhanced allowance	(119,539)	(114,244)	(7,959)
- Tax exemption and rebates	(45,925)	(35,925)	(35,925)
- (Over)/Under provision in prior financial years	–	(3,344)	17,776
- Others	8,234	(13,485)	–
Total tax expense	104,699	76,510	514,997

11 Earnings per share

For illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the financial years ended 31 March 2016, 2017 and 2018 and 50,000 ordinary shares, representing the amounts of the paid-up share capital of Vividthree Productions Pte. Ltd. and Vividthree Productions Sdn. Bhd..

	2016	2017	2018
	$	$	$
Basic earnings per share	28.28	26.40	54.20

There were no diluted earnings per share for the financial years ended 31 March 2016, 2017 and 2018 as there were no dilutive ordinary shares outstanding.

12 Cash and cash equivalents

	2016	2017	2018
	$	$	$
Cash at banks	503,282	599,034	2,353,739

13 Trade and other receivables

	2016	2017	2018
	$	$	$
Trade receivables			
- Non-related parties	1,013,153	2,443,439	2,379,888
- Immediate holding company	83,460	42,742	91,320
- Related companies	200,000	384,575	535,390
	1,296,613	2,870,756	3,006,598
Other receivables			
- Related companies	94,489	70,496	97,383
Accrued income	–	–	701,505
	1,391,102	2,941,252	3,805,486

Related companies are controlled by the ultimate holding company.

The non-trade amounts due from related companies are unsecured, interest-free and are repayable on demand.

14 Other current assets

	2016	2017	2018
	$	$	$
Prepayments	30,756	18,644	202,056
Deposits	23,559	23,959	54,259
	54,315	42,603	256,315

15 Work-in-progress

	2016	2017	2018
	$	$	$
Work-in-progress			
Aggregate cost incurred	177,852	129,486	561,570
Less: Progress billings	(33,000)	(178,500)	(213,100)
	144,852	(49,014)	348,470
Presented as:			
Work-in-progress	144,852	66,357	531,105
Progress billing in excess of work-in-progress	–	(115,371)	(182,635)
	144,852	(49,014)	348,470

Vividthree Holdings Ltd. and its Subsidiaries
Notes to the Combined Financial Statements
For the Financial Years Ended 31 March 2016, 2017 and 2018

16 Films under production

	2016 $	2017 $	2018 $
Films under production			
Beginning of financial year	–	289,555	–
Additions	289,555	–	–
Disposal	–	(289,555)	–
End of financial year	289,555	–	–

17 Plant and equipment

	Office equipment and computers $	Furniture and fittings $	Renovation $	Total $
2016				
Cost				
Beginning of financial year	–	–	–	–
Acquisition of a subsidiary (Note 29)	285,285	15,100	18,942	319,327
Additions	273,163	–	7,235	280,398
End of financial year	558,448	15,100	26,177	599,725
Accumulated depreciation				
Beginning of financial year	–	–	–	–
Depreciation charge	198,858	1,671	9,717	210,246
End of financial year	198,858	1,671	9,717	210,246
Net book value				
End of financial year	359,590	13,429	16,460	389,479

17 Plant and equipment (continued)

	Office equipment and computers	Furniture and fittings	Renovation	Total
	$	$	$	$
2017				
Cost				
Beginning of financial year	558,448	15,100	26,177	599,725
Additions	195,928	8,031	31,200	235,159
Written off	(37,375)	(4,657)	–	(42,032)
End of financial year	717,001	18,474	57,377	792,852
Accumulated depreciation				
Beginning of financial year	198,858	1,671	9,717	210,246
Depreciation charge	246,016	2,297	14,413	262,726
Written off	(23,650)	(877)	–	(24,527)
End of financial year	421,224	3,091	24,130	448,445
Net book value				
End of financial year	295,777	15,383	33,247	344,407
2018				
Cost				
Beginning of financial year	717,001	18,474	57,377	792,852
Additions	145,968	–	–	145,968
End of financial year	862,969	18,474	57,377	938,820
Accumulated depreciation				
Beginning of financial year	421,224	3,091	24,130	448,445
Depreciation charge	190,566	1,958	13,486	206,010
End of financial year	611,790	5,049	37,616	654,455
Net book value				
End of financial year	251,179	13,425	19,761	284,365

18 Goodwill arising on consolidation

	2016	2017	2018
	$	$	$
Cost			
Beginning of financial year	–	2,851,917	2,851,917
Acquisition of a subsidiary (Note 29)	2,851,917	–	–
End of financial year	2,851,917	2,851,917	2,851,917
Accumulated impairment			
Beginning and end of financial year	–	–	–
Carrying amount			
End of financial year	2,851,917	2,851,917	2,851,917

Impairment test for goodwill

In assessing whether impairment is required, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use. The value-in-use is determined based on financial budgets approved by management covering a five-year period using the growth rates stated below. Cash flows beyond the five-year period were extrapolated with assumption of zero growth. These cash flows were discounted using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The key assumptions for the value-in-use are those regarding the discount rate and growth rate during the financial period. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on past performance and expectations on market development.

18 Goodwill arising on consolidation (continued)

Impairment test for goodwill (continued)

Key assumptions used for value-in-use calculations:

	2016	2017	2018
	%	%	%
Growth rate(1)	5	3	15
Discount rate(2)	14	12	16

(1) Revenue growth rate used for extrapolation of future revenue for the five-year period.

(2) Pre-tax discount rate applied to pre-tax cash flow projection

If the management's estimated growth rate used in the value-in-use calculation for this CGU for the financial years ended 31 March 2016, 2017 and 2018 has declined by 24.95%, 52.51% and 13.99% respectively, or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU for the financial years ended 31 March 2016, 2017 and 2018 had been raised by 24.29%, 35.68% and 26.54% respectively, the recoverable amount of the CGU would equal to the carrying amount.

19 Intangible assets

	Film and merchandise right	Customer relationship	Total
	$	$	$
2016			
Cost			
Beginning of financial year	–	–	–
Acquisition of a subsidiary (Note 29)	39,948	163,000	202,948
End of financial year	39,948	163,000	202,948
Accumulated amortisation			
Beginning of financial year	–	–	–
Amortisation charge	15,438	40,750	56,188
End of financial year	15,438	40,750	56,188
Net book value			
End of financial year	24,510	122,250	146,760

19 Intangible assets (continued)

	Film and merchandise right	Customer relationship	Total
	$	$	$
2017			
Cost			
Beginning of financial year	39,948	163,000	202,948
Additions	70,000	–	70,000
End of financial year	109,948	163,000	272,948
Accumulated amortisation			
Beginning of financial year	15,438	40,750	56,188
Amortisation charge	71,210	40,750	111,960
End of financial year	86,648	81,500	168,148
Net book value			
End of financial year	23,300	81,500	104,800
2018			
Cost			
Beginning of financial year and end of financial year	109,948	163,000	272,948
Accumulated amortisation			
Beginning of financial year	86,648	81,500	168,148
Amortisation charge	2,400	40,750	43,150
End of financial year	89,048	122,250	211,298
Net book value			
End of financial year	20,900	40,750	61,650

Included within additions for the financial year ended 31 March 2017 are film and merchandise right acquired from a related company amounting to $70,000.

20 Trade and other payables

	2016	2017	2018
	$	$	$
Trade payables			
- Non-related parties	19,165	657	229,126
Other payables			
- Non-related parties	–	–	18,999
- Ultimate holding company	138,446	363,892	238,892
- Immediate holding company	–	–	2,167
- Related companies	–	368	52,779
- Directors	24,930	59,885	–
	163,376	424,145	312,837
Accruals	12,000	20,751	136,301
Deposits received	4,800	–	–
Dividend payables	658,020	176,065	–
GST payables	16,940	53,374	151,036
	874,301	674,992	829,300

Non-trade amounts due to ultimate holding company, immediate holding company, related companies and directors are unsecured, interest-free and repayable on demand.

21 Borrowings

	2016	2017	2018
	$	$	$
Current			
Bank borrowings	71,069	78,263	71,094
Ultimate holding company	38,791	80,386	18,205
	109,860	158,649	89,299
Non-current			
Bank borrowings	184,961	106,632	36,742
Ultimate holding company	59,800	18,205	–
	244,761	124,837	36,742
Total borrowings	354,621	283,486	126,041

Borrowing from ultimate holding company is unsecured and repayable in full by 31 March 2019. Interest is fixed at 7% per annum.

21 Borrowings (continued)

The exposure of the borrowings of the Group to interest rate changes and contractual repricing dates at the reporting date are as follows:

	2016	2017	2018
	$	$	$
6 months or less	34,779	37,554	40,616
6 – 12 months	36,139	39,028	30,480
2 – 5 years	185,112	108,313	36,740
	256,030	184,895	107,836

(a) Security granted

Bank loan are secured by personal guarantee given by the directors.

Borrowing from ultimate holding company is unsecured.

(b) Fair value of non-current borrowings

	2016	2017	2018
	$	$	$
Bank borrowings	163,779	93,982	35,778
Loan from ultimate holding company	55,444	17,810	–

The fair values are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the reporting date which the directors expect to be available to the Company as follows:

	2016	2017	2018
	%	%	%
Bank borrowings	5.35	5.28	5.33
Loan from ultimate holding company	5.35	5.28	5.33

The fair values are within level 2 of the fair value hierarchy.

22 Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the combined statements of financial position as follows:

	2016	2017	2018
	$	$	$
Deferred income tax liabilities			
- to be settled after one year	46,080	70,785	64,035

Movement in deferred income tax account is as follows:

	2016	2017	2018
	$	$	$
Beginning of financial year	–	46,080	70,785
Acquisition of a subsidiary (Note 29)	52,830	–	–
(Credited)/charged to profit or loss (Note 10)	(6,750)	24,705	(6,750)
End of financial year	46,080	70,785	64,035

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax assets

	Unabsorbed capital allowance
	$
2016	
Beginning of financial year	–
Acquisition of a subsidiary	(15,115)
End of financial year	(15,115)
2017	
Beginning of financial year	(15,115)
Charged to profit or loss	15,115
End of financial year	–
2018	
Beginning and end of financial year	–

22 Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows: (continued)

Deferred income tax liabilities

	Accelerated tax depreciation	Intangible assets	Total
	$	$	$
2016			
Beginning of financial year	–	–	–
Acquisition of a subsidiary	40,945	27,000	67,945
Credited to profit or loss	–	(6,750)	(6,750)
End of financial year	40,945	20,250	61,195
2017			
Beginning of financial year	40,945	20,250	61,195
Charged/(Credited) to profit or loss	16,340	(6,750)	9,590
End of financial year	57,285	13,500	70,785
2018			
Beginning of financial year	57,285	13,500	70,785
Credited to profit or loss	–	(6,750)	(6,750)
End of financial year	57,285	6,750	64,035

23 Share capital

For the purpose of the preparation of the combined financial statements, the issued share capital represents the paid-up capital of Vividthree Productions Pte. Ltd. and Vividthree Productions Sdn. Bhd..

	2016	2017	2018
No. of ordinary shares			
Beginning and end of financial year	50,000	50,000	50,000

	2016	2017	2018
	$	$	$
Amount			
Beginning and end of financial year	50,000	50,000	50,000

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

The newly issued shares rank pari passu with the previously issued shares.

24 Reserves

	2016	2017	2018
	$	$	$
Composition:			
- Merger reserve	2,921,000	2,921,000	2,921,000
- Translation reserve	–	–	(447)
	2,921,000	2,921,000	2,920,553

The merger reserve represents the difference between the consideration paid by mm2 Asia, share capital issued for the acquisition and the carrying amount of the net assets of the subsidiary acquired under common control as described in Note 1.2.

The movement of reserves are as follows:

(i) Merger reserve

	2016	2017	2018
	$	$	$
Beginning of financial year	–	2,921,000	2,921,000
Acquisition of subsidiary under common control (Note 29 (c))	2,921,000	–	–
End of financial year	2,921,000	2,921,000	2,921,000

(ii) Translation reserve

	2016	2017	2018
	$	$	$
Beginning of financial year	–	–	–
Translation differences recognised during the year	–	–	(447)
End of financial year	–	–	(447)

Reserves are non-distributable.

25 Commitments

Operating lease commitments – where the Group is a lessee

The Company leases office spaces from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	2016	2017	2018
	$	$	$
Not later than one year	72,675	72,675	142,647
Between one and five years	118,072	45,397	126,195
	190,747	118,072	268,842

26 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Board of Directors. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) Currency risk

The Group has no significant concentration on currency risk since majority of the commercial transactions are in Singapore Dollar which is the functional currency of the Company.

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

26 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated in the respective operating entities' functional currencies and there are natural hedges as the Group's collections are mainly in its respective operating entities' functional currencies. If the interest rates had increased/decreased by 1% in the respective financial years ended 31 March 2016, 2017 and 2018 with all other variables including tax rate being held constant, the impact to profit after tax as a result of higher/lower interest expense on these borrowings is not significant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by the Board of Directors based on continuous credit evaluation. The counterparty's payment pattern and credit exposure are regularly monitored by the Board of Directors.

As the Group does not hold any collateral, the maximum exposure to credit for each class of financial instruments is the carrying amount of that class of financial instruments presented on the combined statements of financial position.

As at 31 March 2016, 2017 and 2018, the trade receivables are largely corporate companies and comprise 3 debtors, 3 debtors and 5 debtors respectively that individually represented 8% - 39% of trade receivables.

26 Financial risk management (continued)

(b) Credit risk (continued)

The credit risk of trade receivables based on the information provided to key management is as follows:

	2016	**2017**	**2018**
	$	**$**	**$**
By geographical areas			
Singapore	753,593	1,156,229	1,093,578
People's Republic of China ("PRC")	–	1,170,000	1,259,000
Hong Kong Special Administrative Region of the PRC	200,000	201,507	200,000
Republic of China, Taiwan	343,020	343,020	133,020
Malaysia	–	–	321,000
	1,296,613	2,870,756	3,006,598

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and are not re-negotiated.

(ii) Financial assets that are past due and/ or impaired

There is no other class of financial assets that is past due and/ or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	2016	**2017**	**2018**
	$	**$**	**$**
Past due less than 3 months	166,019	202,989	302,671
Past due over 3 months	444,516	944,014	891,529
	610,535	1,147,003	1,194,200

At the respective reporting date, management has assessed that no allowance for impairment is required for the receivables.

26 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the reporting date, assets held by the Group for managing liquidity risk included cash and cash equivalents as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents (Note 12) of the Group on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Board of Directors. These limits vary by location to take into account the liquidity of the market in which the entity operates.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	$	$	$
2016			
Trade and other payables	857,361	–	–
Borrowings	109,860	133,255	125,687
	967,221	133,255	125,687
2017			
Trade and other payables	621,618	–	–
Borrowings	158,649	94,148	31,538
	780,267	94,148	31,538
2018			
Trade and other payables	678,264	–	–
Borrowings	89,299	36,742	126,041
	767,563	36,742	126,041

26 Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the gearing ratio which the Board of Directors monitors on a periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	2016	**2017**	**2018**
	$	**$**	**$**
Net debt/(cash)	725,640	359,444	(1,356,198)
Total equity	4,384,811	5,704,778	8,414,530
Total capital	5,110,451	6,064,222	7,058,332
Gearing ratio	**0.14**	**0.06**	*

* Not meaningful

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2016, 2017 and 2018.

(e) Fair value measurements

The carrying amount of financial assets and financial liabilities recorded in the combined financial statements approximates their fair values. The fair value of current borrowings approximates their carrying values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the combined statements of financial position, except for the following:

	2016	**2017**	**2018**
	$	**$**	**$**
Loans and receivables	1,917,943	3,564,245	6,213,484
Financial liabilities at amortised cost	1,211,982	905,104	804,305

27 Related party transactions

Related companies comprise of mainly companies which are controlled by the ultimate holding company.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of services

	2016	2017	2018
	$	$	$
Rendering of services to			
Immediate holding company	209,800	139,200	265,400
Related companies	200,000	419,850	541,450
Purchase of services from			
Related company	40,699	74,921	22,513
Entertainment expenses paid/payable to			
Ultimate holding company	–	–	2,086
Related companies	–	3,824	3,475
Management fee paid/payable to			
Ultimate holding company	129,388	210,698	–
Related company	23,381	49,745	–
	152,769	260,443	–
Interest expenses on borrowing payable to			
Ultimate holding company	4,533	5,681	2,877
Sponsorship income paid/payable by/(to)			
Immediate holding company	8,000	–	(10,000)

Outstanding balances at 31 March 2016, 2017 and 2018, arising from sales/purchases of services, are unsecured and receivable/payable within 12 months from reporting date and are disclosed in Note 13 and Note 20 to the financial statements respectively.

(b) Key management personnel compensation

	2016	2017	2018
	$	$	$
Directors			
Wages and salaries	391,800	391,800	385,850
Employer's contribution to defined contribution plan, including Central Provident Fund	21,420	24,566	24,548
	413,220	416,366	410,398

28 Segment information

The Group's chief operating decision-maker ("CODM") comprises of the Chief Executive Officer, the Chief Operating Officer, the Financial Controller, and the heads of each business within the operating segment. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources, and assess performance.

At 31 March 2016, 2017 and 2018, the Group was organised single operating segment. This is based on the Group's internal organisation and management structure and the primary way in which the CODM is provided with the financial information.

Whilst revenue is classified into two business streams, as described below, the Group's results, the cost and combined statements of financial position are only analysed by one operating segment.

(i) Post-production services

Post-production services refer to revenue generated from provision of services in visual effects and immersive media works for feature films and commercials. They are mainly related to motion picture, video and television programme post-production activities.

(ii) Content production services

Content production services refer to revenue generated from production of virtual reality with incorporate immersive experience.

Geographical information

In presenting the geographical location, revenue is based on the geographical locations of the customers which the revenue is derived from:

	2016	2017	2018
	$	$	$
Singapore	3,375,092	2,881,345	4,503,925
Malaysia	1,605	12,100	300,000
Taiwan	346,500	271,000	–
China	–	1,421,650	2,250,000
Hong Kong	233,000	700,350	3,134
Other	–	1,800	–
	3,956,197	5,288,245	7,057,059

Information of major customer

Revenue of $3,016,238, $3,500,065 and $4,319,956 are derived from 9, 6 and 6 external customers for the financial years ended 2016, 2017 and 2018, respectively.

29 Business combinations

On 8 April 2015, mm2 Entertainment, being a wholly-owned subsidiary of mm2 Asia, entered into a SPA to acquire an aggregate of 25,500 ordinary shares, representing 51% of the issued and fully-paid ordinary share of Vividthree Productions Pte. Ltd. ("Vividthree Productions") for a consideration of $2,913,000.

The Restructuring Exercise as described in Note 1.2(b) involves a combination of entities under common control since the Company and Vividthree Productions are controlled by mm2 Asia. Accordingly, the Restructuring Exercise has been accounted using merger accounting in accordance with Recommended Accounting Practice 12 Merger Accounting for Common Control Combination for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("RAP 12").

The effects of merger accounting under RAP 12 are that:

(a) The acquisition of Vividthree Productions is accounted for in the combined financial statements as if it had been effected since 8 April 2015, the date when Vividthree Productions came under the control of mm2 Asia. Accordingly, the combined statements of comprehensive income include the results of Vividthree Productions from 8 April 2015;

(b) The assets and liabilities of Vividthree Productions include fair value adjustments, intangible assets and goodwill arising from the acquisition of Vividthree Productions by mm2 Asia on 8 April 2015;

(c) The difference between the consideration paid by mm2, share capital issued for the acquisition of Vividthree Productions and the carrying amount of the net assets of Vividthree Productions is adjusted against equity; and

(d) All significant intra-group transactions and balances have been eliminated on combination.

Details of the consideration paid and the assets acquired and liabilities assumed, and the non-controlling interests recognised and the effects on the cash flow of mm2 Asia Ltd, at the acquisition date, are as follows:

(i) Purchase consideration

	$
Cash paid by mm2 Asia Ltd.	600,000
Deferred consideration in mm2 Asia Ltd. (Note 29(iv))	2,313,000
Total purchase consideration by mm2 Asia Ltd.	2,913,000

(ii) Effect on cash flows

	$
Cash paid by mm2 Asia Ltd. (as above)	(600,000)
Less: cash and cash equivalents of subsidiary acquired	760,149
Add: other payable due to the Founders	(760,149)
Cash outflow on acquisition	(600,000)

29 Business combinations (continued)

Details of the consideration paid and the assets acquired and liabilities assumed, and the non-controlling interests recognised and the effects on the cash flow of mm2 Asia Ltd., at the acquisition date, are as follows: (continued)

(iii) Identifiable assets acquired and liabilities assumed

	At fair value
	$
Property, plant and equipment (Note 17)	319,327
Intangible assets (Note 19)	202,948
Cash and cash equivalents	760,149
Trade and other receivables	897,179
Other current assets	64,483
Total assets	2,244,086
Trade and other payables	(405,078)
Dividend and other payable due to the Founders (Note 29(v))	(1,344,064)
Borrowings	(322,342)
Deferred income tax liabilities (Note 22)	(52,830)
Total liabilities	(2,124,314)
Total identifiable net assets	119,772
Less: The Founders' proportion of the net fair value of identifiable net assets	(58,689)
Add: Goodwill (Note 18)	2,851,917
Total purchase consideration	2,913,000

(iv) Deferred consideration

Based on the sales and purchase agreement ("SPA"), in the event of Vividthree's net profit for the period from 1 April 2015 to 31 May 2016 is equal or exceeds $2,000,000, the fair value of the deferred consideration is approximately $2,313,000 as at acquisition date recorded in mm2 Asia Ltd.

The deferred consideration of mm2 Asia Ltd. as at 31 March 2016 increased by $147,000 to $2,460,000 due to unwinding of discount.

The deferred consideration was settled by mm2 Asia Ltd. as at 31 March 2017.

(v) Dividend and other payable due to the Founders

Dividend and other payable consists of certain assets and liabilities identified at date of acquisition. In accordance to the SPA, these items are payable to the Founders.

(vi) Goodwill

The goodwill of $2,851,917 arising from the acquisition is attributable to the synergies such as Vividthree's complementary business areas within the film production value chain and Vividthree's 3D animation services as an enhancement to the Company's competitive edge.

30 Events occurring after reporting date

On 23 April 2018, the Company entered into a redeemable convertible loan agreement ("Convertible Loan Agreement") with R3 Asian Gems (the "Pre-IPO Investor"). The Pre-IPO Investor loaned an aggregate amount of S$2,000,000 to the Company ("Pre-IPO Convertible Loan"). Should the Company be successfully listed on the Catalist Board before maturity, the Pre-IPO Convertible Loan shall be converted into ordinary shares in the Company ("Pre-IPO Shares") at a 15% discount to the IPO price. In the event the Company's listing does not materialise within 2 years, the investor shall be given interest payment amounting to 2% per annum at maturity.

31 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2018 and which the Group has not early adopted:

<u>Effective for annual periods beginning on or after 1 January 2018</u>

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 40 Transfer of Investment Property
- Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions
- Amendment to FRS 115 Clarification to FRS 115 Revenue from Contracts with Customers
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvement to FRSs (December 2016)
  - Amendments to FRS 28 Investments in Associates and Joint Ventures
  - Amendments to FRS 101 First-Time Adoption of Financial Reporting Standards

<u>Effective for annual periods beginning on or after 1 January 2019</u>

- FRS 116 Leases

<u>Effective date to be determined</u>

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

31 New or revised accounting standards and interpretations (continued)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

FRS 109 Financial Instruments

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets of the Group would appear to satisfy the conditions for classification as amortised cost and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. There will be no impact on the Group's accounting as the Group does not have any such hedging instrument.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment on how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

31 New or revised accounting standards and interpretations (continued)

FRS 115 Revenue from Contracts and Customers

This is the converged standard on revenue recognition. It replaces FRS11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a goods or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

FRS 116 Leases Illustrative Examples and Amendments to Guidance on Other Standards

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 March 2016, 2017 and 2018, the Group has non-cancellable operating lease commitments of $190,747, $118,072 and $268,842 respectively (Note 25). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

32 Adoption of SFRS(I)

Singapore incorporated companies listed on the Singapore Exchange are required to apply Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by the Accounting Standards Council. SFRS (I) is a new reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 April 2018.

The Group has performed an assessment on the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 31.

Reconciliation between FRS and SFRS(I)

In line with the requirements of the Amendment of Part IX of Fifth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) (Amendments) Regulations 2017, the Group is required to present a reconciliation of its net assets and net profit after tax for the financial year ended 31 March 2018 prepared in accordance with FRS to SFRS(I).

Other than the effects of the adoption of new standards that are effective for financial year beginning 1 April 2018, the Group has assessed that there are no material reconciliation required to its net assets and net profit after tax for the financial year ended 31 March 2018 and accordingly, no such reconciliation has been presented.

33 Authorisation of financial statements

These combined financial statements for the financial years ended 31 March 2016, 2017 and 2018 have been prepared for inclusion in the Offer Document of the Company and were authorised for issue by the Board of Directors on 17 September 2018.