

VIVIDTHREE HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration No. 201811828R)

PROPOSED INVESTMENT IN ELLIOT COMMUNICATIONS PTE. LTD.

1. INTRODUCTION

- 1.1 The board of directors (the "**Board**" and each a "**Director**") of Vividthree Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 15 December 2022 (the "**Memorandum of Understanding Announcement**"). Capitalised terms not defined in this announcement have the meanings ascribed to them in the Memorandum of Understanding Announcement.
- 1.2 The Board wishes to announce that the Company had on 26 March 2023 entered into a definitive conditional sale and purchase agreement (the "**SPA**") with Quin Yeo Chow In (the "**Co-founder**") and Foo Jinzhong Jeremy (the "**Vendor**") for the investment by the Company into Elliot Communications Pte. Ltd. (the "**Target Company**", and, together with its subsidiaries, the "**Target Group**" and each of its subsidiaries an "**Operating Company**") (the "**Proposed Transaction**").
- 1.3 Under the terms of the SPA, subject to the fulfilment of the conditions precedent set out in paragraph 4.3:
- (a) the Company will acquire 1,000 ordinary shares from the Vendor for a consideration of S\$308,000 (the "**Vendor Shares**", and, together with the New Shares, the "**Tranche 1 Shares**"); and
 - (b) the Company will subscribe for 2,858 new ordinary shares in the Target Company (the "**New Shares**") for a consideration of S\$467,393.
- 1.4 The completion of the Proposed Transaction ("**Completion**") is expected to take place no later than 30 April 2023 (the "**Completion Date**") and is subject to and conditional upon the satisfaction of condition precedents as set out in paragraph 4.3.
- 1.5 Upon completion of the Proposed Transaction, the Company will have a 30% interest in the issued and paid-up share capital of the Target Company.
- 1.6 The Proposed Transaction constitutes a "major transaction" under Chapter 10 of the Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), and accordingly, is subject to the approval of the Company's shareholders (the "**Shareholders**") being obtained at an extraordinary general meeting to be convened ("**EGM**"). For further details on the relative figures in respect of the Proposed Transaction computed on the bases set out in Rule 1006 of the Catalist Rules, please refer to paragraph 5 of this announcement.
- 1.7 In connection with the Proposed Transaction, the Board will also be seeking the approval of Shareholders for a proposed diversification of the business of the Group to include the business of the Target Company (the "**Proposed Diversification**") at the EGM.

2. INFORMATION ON THE TARGET GROUP

2.1 The Vendor

The Vendor is the sole shareholder and director of the Target Company, and, together with the Co-Founder, established the Target Group's business in 2016.

2.2 The Target Company

The Target Company is a company incorporated in 2022 in Singapore and is the holding company of the following Operating Companies:

- (a) Prospr Communications Pte. Ltd.
- (b) Prospr Consulting Pte. Ltd.
- (c) Prospr Consulting Sdn. Bhd.
- (d) PT Prospr Consulting Indonesia.

The Target Group is in the principal business of providing public relations services. The Vendor, who is part of an emerging wave of young, innovative founders in the local public relations scene, established the Target Group in 2017 with the Co-Founder. Since then, the Target Company has gone on to serve over 1,000 clients, including the likes of Capitaland, Diageo and Singapura Finance, and has been recognised in leading industry publications, most notably, as one of the top 40 PR agencies in the Asia Pacific region by PRWeek in 2021. The Vendor is supported by a team of diverse and experienced communications professionals based in Singapore, Malaysia and Indonesia. The Target Group rebranded in 2020 and operates under the trade name "Elliot & Co".

The Vendor (being the director and substantial shareholder of the Target Company) and Co-Founder do not have any shareholding interest, direct or indirect, in the Company and are not related to any of the Company's directors, chief executive officer or controlling shareholder, or their respective associates.

2.3 Tranche 1 Shares

Based on the aggregated unaudited financial statements of the Operating Companies for the financial year ended 31 December 2021 as provided by the Vendor, the book value of the Tranche 1 Shares is approximately S\$723,500, the net tangible assets value of the Tranche 1 Shares is approximately S\$723,500 and the net profits attributable to the Tranche 1 Shares is S\$430,700.

3. RATIONALE FOR THE PROPOSED TRANSACTION

- 3.1 It has been a part of the Company's growth strategy to increase the Company's footprint across multiple industries that are synergistic and complementary to the Company's core business. The Board believes that the Target Group's business complements the Company's core business of digital content and post-production as the companies would be able to collaborate to create more comprehensive and effective marketing and communications strategies.

- 3.2 The Proposed Transaction, if approved by Shareholders, would also allow the Group to provide a more complete suite of services to its existing clients, which would in turn facilitate the Group's ability to attract new clients and retain existing clients. In addition, it would also enable the Group to leverage on the Target Company's existing client network and expertise to enter new markets and capitalise on emerging opportunities in Southeast Asia.

4. PRINCIPAL TERMS OF THE SPA

4.1 Consideration

The consideration payable for the Vendor Shares is S\$308,000 and for the New Shares, S\$467,393. The consideration was arrived at after arm's length negotiations with the Vendor on a willing-buyer willing-seller basis, and is based on valuing the Operating Companies at a 6x multiple of the aggregate net profit recorded by each Operating Company in its unaudited financial statements for the financial year ended 31 December 2021, which was in turn arrived at after taking into consideration (i) valuations achieved by comparable companies in the same industry; and (ii) the Vendor's experience and expertise in the communications industry.

Prior to Completion, the Company will be engaging an independent valuer to prepare a valuation report on the Target Company and the key findings of such valuation report will be disclosed in the circular to be despatched to Shareholders in connection with the EGM.

The parties have agreed on a payment schedule in relation to the Company's payment of the consideration:

No.	Date	Event
1.	No later than the 14 th day after Completion Date (the " First Payment Date ")	The Company shall pay to the Vendor S\$154,000 in cash via telegraphic transfer.
2.	No later than the date falling 1 month after the date of the First Payment Date	The Company shall pay to the Vendor S\$154,000 in cash via telegraphic transfer.
3.	No later than the date falling 2 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,898 in cash via telegraphic transfer.
4.	No later than the date falling 3 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,898 in cash via telegraphic transfer.
5.	No later than the date falling 4 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,898 in cash via telegraphic transfer.
6.	No later than the date falling 5 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,898 in cash via telegraphic transfer.
7.	No later than the date falling 6 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,898 in cash via telegraphic transfer.
8.	No later than the date falling 7 months after the date of the First Payment Date	The Company shall pay to the Target Company S\$77,903 in cash via telegraphic transfer.

4.2 Call Option

4.2.1 Call Option Shares

Under the terms of the SPA, the Vendor and the Target Company have also granted the Company the option to acquire an additional 21% stake in the issued and paid-up share capital of the Target Company (the "**Call Option**") through:

- (a) the Company's purchase of 1,000 existing ordinary shares from the Vendor (the "**Vendor Call Option Shares**") for a consideration of S\$918,000; and
- (b) the Company's subscription for 3,469 new ordinary shares in the Target Company (the "**New Call Option Shares**" and, together with the Vendor Call Option Shares the "**Call Option Shares**") for a consideration of the Call Option Consideration (as defined below) less S\$918,000.

Upon the exercise of the Call Option, the Company will have an interest in 51.0% of the issued and paid-up share capital of the Target Company.

4.2.2 Consideration payable under the Call Option

The consideration payable by the Company upon the exercise of the call option (the "**Call Option Consideration**") is determined by the formula below:

$$\text{Call Option Consideration} = (51.0\% \times \text{six (6)} \times \text{the aggregate net profit recorded by each Operating Company in the Relevant FY}) - \text{S\$775,393}$$

4.2.3 Call Option Period

The Call Option may only be exercised at the option of the Company in the event the Operating Companies achieve an aggregate profit after tax of not less than S\$900,000 for any financial year between the financial year ending 31 December 2023 ("**FY2023**") and the financial year ending 31 December 2025 ("**FY2025**", each financial year a "**Relevant FY**"). The Company shall exercise the Call Option by notice in writing to the Vendor and the Target Company during the sixty-day period after a Relevant FY (the "**Call Option Period**").

4.2.4 Special dividend

Upon the exercise of the Call Option, the Target Company shall pay to the Vendor an amount equal to the aggregate net profit recorded by the Operating Companies for any Relevant FY less S\$1,000,000 whether by way of special dividend or otherwise Provided That the aggregate net profit recorded by the Operating Companies is not less than S\$1,000,000.

4.2.5 Termination of the Call Option

The Call Option shall be terminated upon the occurrence of the following:

- (a) in the event the Company becomes entitled to exercise the Call Option and the Call option is not exercised during the Call Option Period; or
- (b) a change in the identity of the Company's nominee director on the board of directors of the Target Company to a person that is not an existing member of the Company's management team without the consent of the Vendor prior to the exercise of the Call Option,

in which case the Vendor shall be entitled by notice in writing to rescind the Agreement, upon which (a) the Vendor shall have the right to acquire from the Company the Vendor Shares at the consideration paid by the Company to the Vendor; and (b) the parties agree to procure that the Target Company shall, to the extent permissible under applicable laws, effect a buy back or a selective capital reduction with the result of returning the subscription monies paid by the Company for, and cancelling, the New Shares, and the parties agree that the unwinding of this Agreement shall be completed no later than 90 calendar days from the end of the Call Option Period.

4.3 Conditions Precedent

Completion of the Proposed Transaction is conditional upon, *inter alia*, the satisfaction of certain conditions precedent, including:-

- 4.3.1 the Vendor and the Co-Founder (the "**Warrantors**") having restructured the Operating Companies, on such terms as may be acceptable to the Company, such that they are all owned legally and beneficially as to 100% by the Target Company, which will in turn be legally and beneficially owned as to 100% by the Vendor. As at the date of this Announcement, this restructuring has been completed;
- 4.3.2 the approval of Shareholders having been obtained for the entry into the SPA and the transactions contemplated herein;
- 4.3.3 the Vendor and the Target Company having entered into the shareholders' agreement between the Company, the Vendor and the Target Company (the "**SHA**");
- 4.3.4 the satisfactory completion of a legal, financial and business due diligence review by the Company in respect of the operations, business, management and affairs of the Target Group and the provision by the Company to the Warrantors confirming the same;
- 4.3.5 the warranties in the SPA being true, complete and accurate in all respects as at the Completion Date;
- 4.3.6 there having been no material adverse change (as determined by the Company) in respect of:-
 - (a) the prospects, operations and/or financial condition of the Target Group (or any member thereof);
 - (b) the economic, political and investment environment in Singapore and/or the other countries in which the Target Group carries on business;

4.3.7 the Vendor having entered into a service agreement with the Target Company on terms mutually acceptable; and

4.3.8 all necessary governmental or regulatory filings, permits or approvals (including from the SGX-ST) having been made or obtained in connection with the SPA and the transactions contemplated herein.

4.4 Pre-completion dividend

Under the terms of the SPA, the parties have agreed that prior to Completion, the Target Company shall declare and pay a one-time dividend such that the Target Company's cash position as at Completion shall be no less than the amount owed by the Target Company to its financiers (excluding interest) as at Completion (the "**Pre-completion Dividend**").

4.5 Completion

Completion shall now take place no later than 30 April 2023 unless failure to complete arises as a result of delays relating to the Company's EGM. In such an event, parties will agree to a reasonable extension of the long-stop date.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE PROPOSED TRANSACTION

Based on the latest announced consolidated financial statements of the Group for a full financial year (being the consolidated financial statements for the period from 1 October 2021 to 30 September 2022 (twelve months financial performance)), the relative figures for the Proposed Transaction computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:-

Rule 1006	Bases of calculation	Relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. Not applicable to an acquisition of assets	Not applicable ⁽¹⁾
(b)	The net profit attributable to the assets acquired, compared with the Group's net loss ⁽²⁾	-11.8% ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	20.6% ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable ⁽⁶⁾

Notes

- (1) This basis is not applicable to an acquisition of assets.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined as profits/(loss) before income tax, minority interest and extraordinary items.
- (3) The Group recorded a net loss of S\$5,413,316 for the financial period ended 30 September 2022. The net profit attributable to the Operating Companies for the twelve-month period ended 31 December 2022 is S\$637,271.
- (4) the aggregate consideration payable by the Group (assuming (i) the Company's exercise of the Call Option; and (ii) the Operating Companies achieving an aggregate net profit of not less than S\$900,000 in the Relevant FY) is approximately S\$2,754,000. The market capitalisation of the Company is approximately S\$13,374,424 as at 24 March 2023 (based on 371,511,764 ordinary shares in issue and excluding treasury shares).
- (5) The Proposed Transaction does not involve the Company issuing any equity securities as consideration.
- (6) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. The Company is not a mineral, oil and gas company.

As indicated above, the applicable relative figures calculated in accordance with Rules 1006(b) and 1006(c) of the Catalist Rules exceed 5.0% but are less than 75.0%. However, as the Proposed Transaction involves a loss-making issuer, pursuant to paragraph 4.3(b) of the Practice Note 10A of the Catalist Rules, as the absolute relative figure under Rule 1006(c) exceeds 5% and the net profit attributable to the asset to be acquired amounts to more than 5% of the consolidated net loss of the issuer (taking into account only the absolute value), Rule 1014 shall apply to the Proposed Transaction and the Proposed Transaction will constitute a "major transaction" as defined in Chapter 10 of the Catalist Rules. The Company will be seeking Shareholders' approval for the Proposed Transaction as a major transaction under Chapter 10 of the Catalist Rules at the EGM to be convened.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The financial effects of the Proposed Transaction are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Transaction.

The financial effects of the Proposed Transaction are computed based on the latest audited consolidated financial statements of the Group for financial year ended 31 March 2022, Target Group's unaudited financial statements for financial year ended 31 December 2022 (being 12 months period ended) and the following assumptions:

- (a) that the Target Group's unaudited net assets and net tangible assets are approximately S\$885,014 and S\$885,014 respectively for the financial year ended 31 December 2022;
- (b) that the Target Group will declare and pay a Pre-completion Dividend amounting to S\$500,000 prior to Completion, being an estimate of the aggregate cash position of the Operating Companies as at Completion in excess of the amounts that will be owed by the Operating Companies to its financiers (excluding interest) as at Completion;
- (c) the exercise of Call Option by the Company following the Operating Companies achieving the aggregated net profits of not less than S\$900,000 in the relevant FY;

- (d) the total consideration payable by the Group for the Proposed Transaction (including the exercise of Call Option by Company) is S\$2,754,000;
- (e) no fair value adjustments on the Target Group would be required under the Singapore Financial Reporting Standards International ("SFRS(I)", if any; and
- (f) the Target Company was incorporated on 1 January 2022.

6.1 Net tangible asset ("NTA") per share

Assuming that the Proposed Transaction (including the Call Option) had been completed on 31 March 2022, the NTA per share of the Group would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction (including the Call Option)
Current assets (S\$)	7,323,805	8,301,746
Non-current assets (S\$)	16,451,225	18,256,497
Current liabilities (S\$)	4,157,399	4,624,117
Non-current liabilities (S\$)	3,117,830	4,496,948
Net assets (S\$)	16,499,801	17,437,178
Less: goodwill & intangible assets (S\$)	(3,580,670)	(5,359,033)
NTA (S\$)	12,919,131	12,078,145
Number of issued shares	371,511,764	371,511,764
NTA per share (cents)	3.48	3.25

6.2 Earnings per share ("EPS")

Assuming that the Proposed Transaction (including the Call Option) had been completed on 1 April 2021, the EPS of the Group would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction (including the Call Option)
Net (loss)/profit attributable to shareholders (S\$)	(5,838,015)	(5,513,006)
Net (loss)/profit attributable to non-controlling interest (S\$)	4,890	317,153
Total (loss)/profit after tax (S\$) of the Group	(5,833,125)	(5,195,853)
Weighted average number of shares	345,004,915	345,004,915
EPS (cents) ⁽¹⁾	(1.69)	(1.60)

⁽¹⁾ *EPS is Net (loss)/profit attributable to shareholders divided by weighted average number of shares*

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of the Directors, save as disclosed in this announcement, none of the Directors or controlling shareholders has any interest, directly or indirectly, in the Proposed Transaction, save for their interest arising by way of their shareholdings and/or directorships (as the case may be).

8. AUDIT COMMITTEE'S STATEMENT

Having considered the Proposed Transaction, as well as the rationale for the Proposed Transaction, the Audit Committee of the Company is of the view that the Proposed Transaction is on normal commercial terms and negotiated on an arm's length basis and is not prejudicial to the interests of the Company and its minority shareholders.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the SHA will be available for inspection during normal business hours at the Company's registered office at 1093 Lower Delta Road, #05-10, Singapore 169204, for a period of three (3) months following the date of this announcement.

10. SERVICE CONTRACT

No person is proposed to be appointed as a Director in connection with the Proposed Transaction. Accordingly, no service contract will be entered into between the Company and any such person.

11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

12. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Proposed Transaction is subject to the relevant conditions precedents being fulfilled and there is no certainty or assurance that the Proposed Transaction will be completed or that no changes will be made to the terms of the Proposed Transaction. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants, and/or other professional advisers if they are in doubt about the actions that they should take.

13. FURTHER ANNOUNCEMENTS

The Company will make further announcements where necessary as and when there any material developments in relation to the Proposed Transaction.

BY ORDER OF THE BOARD

Zhang Weiquan, Jonathan
Chief Executive Officer
27 March 2023

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. ("**Sponsor**") for compliance with the relevant rules of the SGX-ST.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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