



MARKET ANNOUNCEMENT

21 February 2017, Vista Group International Ltd, Auckland, New Zealand

VISTA GROUP FINALISES RECOGNITION OF CHINA TRANSACTION

This release is made in advance of the full year results announcement scheduled for Friday 24 February 2017. The Board makes this information available due to the complex nature of the accounting treatment for the transaction to provide increased transparency and understanding on the reporting of the China transaction within the FY2016 results.

Vista Group International Limited (VGL) has finalised with its auditors the treatment and values associated with the recognition of the transaction with Beijing Weying Technology Co. Ltd (WePiao) in which Vista Group sold 60.5% of its former subsidiary Vista Entertainment Solutions Shanghai Limited (Vista China). The transaction provides two material impacts to the financial results for Vista Group in 2016:

- a one off increase to 2016 profit for the year due to the recognition of a capital gain on the sale of shares in Vista China
- an increase in recognised revenue and operating profit, as a result of the release of fees due under the reseller agreement with Vista China.

The components of the transaction are as follows:

1. Sale of Shares in Vista China
 - Vista Entertainment Solutions Limited (VES) sold shares in Vista China to WePiao and WePiao subscribed for new capital in Vista China
 - The sale of shares to WePiao has resulted in a one off capital gain on sale of \$41.1m that will be reported in the 2016 financial year
 - As result of the sale and the issue of new shares VES retains a 39.5% of Vista China post the transaction and ceases to recognise Vista China as a subsidiary. Effective 01 September 2016 this entity is an Associate and has been equity accounted
 - The recognition of Vista China as an investment in Associate with a carrying value of \$28.6m.
2. Initial fees for the ten year reseller rights and localisation of the software
 - The fees associated with providing the 10 year exclusive reseller agreement and the localisation of the 5 software products (Vista Cinema, Veezi, Movio, MACCS and Numero) are forecast to be recognised over the first 3 years of the new venture
 - The first tranche of these fees has been invoiced in 2016 (RMB ¥40m – NZD \$8.3m) and recorded as a trade receivable in the Statement of Financial Position of which \$2.7m is recognised as revenue related to the allocation of the exclusive reseller rights and localisation fees. The remaining \$5.6m relates to localisation, is reported as



deferred revenue, and will be released over the next 3 years as the localisation projects are completed

- The second tranche of these fees (RMB ¥30m – NZD \$6.2m) is due to be invoiced in September 2017. These fees relate to localisation and are forecast to be released over the next 3 years as the localisation projects are completed.

3. Annual maintenance fees

- The reseller agreement required the first three years (36 months) of annual maintenance to be invoiced in advance with annual fees due from year four
- The fee for the first three years was invoiced in 2016 (RMB ¥27m – NZD \$5.6m) and is recorded as a trade receivable in the Statement of Financial Position of which \$0.7m (4 months) is recognised as maintenance revenue in FY2016
- Maintenance fees are recognised on a monthly allocation over the maintenance period. The remainder of the fees will be recognised over the remaining 32 months.

4. Cash Flows and Balance Sheet Treatment

- WePiao has completed the payments for new equity issued in Vista China and the new shares issued in VGL during 2016
- The payments due to VES for the sale of the shares in Vista China, have gained approval by the necessary Chinese regulatory bodies, but are currently held in China due to restrictions on bank capital flows by individual banks
- The first of the payments due to Vista Group under the reseller agreement have now obtained the necessary Chinese regulatory approval for payment and have been submitted for payment
- VGL and WePiao are working together to ensure the release of the payments from China through the banking system.

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