MM2 ASIA LTD.

(Incorporated in Singapore)
(Registration No. 201424372N)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of mm2 Asia Ltd. (the "**Company**" or "**mm2**", together with its subsidiaries, the "**Group**") has received the following questions from a shareholder after the cut-off date of 10.00 a.m. on 21 July 2022, in advance of the Company's Annual General Meeting to be held on 29 July 2022, at 10.00 a.m.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as ascribed thereto in the Company's annual report for the financial year ended 31 March 2022.

In addition, the Company has made editorial amendments to some of the questions received to ensure that they are clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions received by the Company.

The Company's responses to the questions received from the Shareholders are set out in Appendix A.

By Order of the Board

Melvin Ang Wee Chye
Executive Chairman
28 July 2022

Appendix A

Questions from Shareholders

1. SINGAPORE CINEMA

I note that the company has closed its cinema at "The Cathay - Handy Road". This year, its Singapore cinema business has dropped from 64 screens in 8 locations to 53 screens in 7 locations.

(i) Are there plans to further reduce the number of cinemas it operates in Singapore, so as to right-size its cinema business?

What, in the company's view, is the optimal number of cinemas it should hold in its Singapore portfolio?

There are no further plans to reduce the number of cinemas we operate in Singapore.

The decision to close The Cathay Cineplex was based on several considerations, with the main consideration being, the ROI or Revenue vs Cost of its operation.

We believe that the seven cinemas in the Cathay Cineplexes chain reflects the right size, based on current market conditions.

(ii) Does the company regularly compare its operating metrics with its competitors, such as GV, Shaw etc.?

In comparison with its competitors, such as GV, Shaw etc. how have the company's cinema business performed in terms of the occupancy rate?

In comparison with its competitors, such as GV, Shaw etc. how have the company's cinema business performed in terms of the revenue per customer?

We do not have access to competitor’s operating metrics, but we do monitor based on internal benchmark estimates.

We have access to third party aggregation services which advises on box office collections for individual films, but not for individual cinema or cinema chains.

2. MALAYSIA CINEMA

This year, its Malaysia cinema business has changed from 103 screens in 11 locations to 90 screens in 12 locations.

In last year's annual report FY2021, the number of cinema locations in Malaysia was erroneously reported as 11 locations. The correct number of cinema locations should be 13 locations. We acknowledge and apologize for the error in the report.

To reiterate, the Malaysia cinema business went from 103 screens in 13 locations to 90 screens in 12 locations.

(i) Did we increase the number of cinema locations we operate in Malaysia?

Where is the additional cinema located in?

What is the rationale and attractiveness of the (additional) location that spurred the company to open the new cinema?

There have been no additional locations in Malaysia since the last year's annual report.

(ii) What, in the company's view, is the optimal number of cinemas it should hold in its Malaysia portfolio?

Similar to the situation in Singapore, the optimal number of cinemas in Malaysia is dependent on the market conditions which are still evolving.

Our consideration for the growth of the cinema market in Malaysia are (1) the unserved geography of the market, (2) the increased availability of relevant Malay-language content, and (3) the Capex contribution from the landlord. We believe that there is still potential for further expansion in Malaysia.

(iii) Does the company regularly compare its operating metrics with its competitors, such as GSC, TGV etc.?

In comparison with its competitors, such as GSC, TGV etc. how has the company's cinema business performed in terms of the occupancy rate?

In comparison with its competitors, such as GSC, TGV etc. how have the company's cinema business performed in terms of the revenue per customer?

We do not have access to competitor's operating metrics, but we do monitor based on internal benchmark estimates.

While unlike in Singapore, we do have access to box office data for individual cinema operators, it is difficult to make meaningful comparisons of the business performances, as the fixed costs differs significantly across different locations – i.e. between States, and between city and town locations.

3. 16TH JUNE 2022 ANNOUNCEMENT

On 16th June, the company announced a deal consisting of a "S$54 million exchangeable bond with detachable warrants, including a S$5 million cash earnest deposit." and that the "Group's cinema business has attracted a long-term regional strategic investor, facilitated by UOB Kay Hian"

(i) Please indicate the identity of the long-term strategic investor.

We are unable to disclose the identity of the long-term strategic investor (at this time), due to the confidentiality term of the agreement as stipulated by the investor.

(ii) The issuance of 250 million warrants, when exercised, would dilute the interest of existing shareholders.

Please explain the rationale of a bond cum warrant issuance.

The Exchangeable Bond ("Bond") will address the upcoming due-in-December 2022, Convertible Securities. Furthermore, this Bond is for a period of 3 years and as such would allow the Company added time to repay the bond further down the road. The warrant is pegged at 8.9% to the volume weighted average trading price of our shares as at 16 June 2022. We see it as highly positive to have investors who will subscribe to our shares for a premium, notwithstanding the mathematically implied dilution.

(iii) Specifically, why did the company choose to conduct a "bond cum warrant issue" instead of conducting another round of "rights issue"?

The Board came to the conclusion that the success of second round of Rights Issue was uncertain, and there was no guarantee to ensure that we would be able to raise the total amount needed.

Further, a further Rights Issue may not be well received by all shareholders and investors; and would trigger unnecessary weakness to our share price.

The Bond on the other hand, has greater certainty and we believe, would be much better received by our shareholders and investors.

(iv) Have the company considered the dilutive impact of a warrant issue (if the warrants are converted to shares)?

Yes, we have considered that.

Should the warrant be exercised with the attached premium, it would mean that the Company's market value would be significantly higher, in spite of the dilution.

The market value (if exercised) would be $197.6 million (3.04 billion shares x $0.065 per share) as compared to $145.1 million (2.79 billion x $0.052 per share) as at 26 July 2022.

(v) Another round of "rights issue" would allow existing shareholders to participate and maintain their percentage of shareholding in the company - why was this option not considered? Or if it was considered, why was it not chosen?

We have stated the rationale above.

4. ZERO COVID POLICY

I note that the company's exposure to ZERO COVID POLICY countries (namely China, HK and Taiwan) has increased from approximately 20% in FY2020 to approximately 50% in FY 2022.

(i) How has the ZERO COVID POLICY in China impact our business and operations in China? Positively? Negatively? How? Please elaborate

China has slowed down in terms of domestic production, hence there is shortage of quality content in the market. In addition, many recent Hollywood blockbusters were not released in China. In fact, this presents a new opportunity for co-productions, to produce China content for the China market in other markets which mm2 operate in, e.g. Singapore, Malaysia, Hong Kong and Taiwan.

As we're all aware, China still promotes 1 Country, 2 Systems policy. The Zero Covid policy was not identical in China and Hong Kong, for example, the quarantine requirements. During the Covid-19 period, mm2 continued to produce Hong Kong and Taiwan movies, and had maintained a strong working pipeline.

(ii) How has the ZERO COVID POLICY in Hong Kong impact our business and operations in Hong Kong? Positively? Negatively? How? Please elaborate.

Hong Kong domestic market remained active in FY2022 and we are able to complete our Hong Kong movie production by abiding to local covid guidelines. While cinemas were closed for a few months for 2021, the box office numbers are recovering.

(iii) How has the ZERO COVID POLICY in Taiwan impact our business and operations in Taiwan? Positively? Negatively? How? Please elaborate.

Taiwan has never actively promoted a zero-COVID policy. In fact, amongst all markets that we operate in, Taiwan has remained the most active as a market, except to restrict entry to foreign nationals at its borders.

In fact, since COVID-19 started, our business in Taiwan has been the strongest producer of Chinese language content for the international streaming platforms. The number of productions has also increased with strong project development continuing in the market.

5. GOING CONCERN & COMPANY's FINANCIALS/OPERATIONS

(i) It is regrettable that (once again) due to the current liabilities being more than the current assets, i.e., current ratio less than 1, that the auditor has flagged the company as a going concern.

I note that there are significant repayments due in the next 12 months.

How confident is the company in its ability to pay off these borrowings due in the near future?

What is the company's plan to pay off these borrowings due in the near future?

Management believes there are no current issues and/or concerns on the Company's ability to operate as a going concern. The Reports remains unqualified as the Independent Auditor has considered both the adequacy of the disclosure made in the financial statements and management's use of the going concern basis of accounting in preparation of the financial statements, which remain appropriate.

The management has taken the steps to address the going concern, including repayment of debt/liabilities in the next twelve months. The steps are including the following:

- Completion of issuing of new ordinary shares of the Company amounted to $19.5 million;
- Completion of issuing of new convertible bonds of the Company's subsidiary's, mm Connect Pte. Ltd., amounted to $12.0 million with tenure of 2 anniversary of the respective bonds' issue dates.
- Proposed issue of exchangeable bonds coupled with detachable warrants by the Company with total gross proceeds of $70.25 million. The proposed issuance is still in progress as of this date of announcement.
- The Company has obtained approval from our financial institution for deferment of its total principal repayments of $21.93 million to more than 12 months.
- Management will continue to implement comprehensive cost-containment measures, including but not limited to re-negotiation of the lease terms with lessors.

The details of the four (4) steps above are further discussed in the Note 4 to Annual Report 2022 (page 99) and our Press Release on 13 July 2022.

(ii) I note that interest rates are rising not just in Singapore but in many other countries globally.

- **How would the rising interest rates affect the company ability to service its debt?**
- **How would the rising interest rates affect the company ability to refinance its debt?**
- **What is the company's strategy to manage the rising interest rate environment?**

The Group has generated cash flow from its operating activities that amounted to $26.2 million in FY2022, as well as successfully negotiated with the lenders in past and the current financial year.
The Group is cautiously optimistic that the various lenders will continue to support the Group in the upcoming financial years.

(iii) **I note that energy costs are rising not just in Singapore but in many other countries globally. Inflation is affecting many countries.**

How has the rising energy costs affected the company?

What is the company's strategy for dealing with rising energy costs, especially given the fact that cinemas require constant air-conditioning and use a lot of electricity?

Even prior to COVID-19, the cinema operations (which we assumed management control in FY2018) has embarked on improving operating efficiency via increased use of technology and process re-engineering.

These efforts were curtailed during the COVID-19 lockdowns and restriction over the last two years. Since April 2022 and with the lifting of the COVID-19 restrictions, we have restarted our efforts on these initiatives.

(iv) **What is the company's strategy for dealing with rising inflation costs?**

Is the company able to pass on these rising inflation costs to its customers?

We have increased ticket prices, and thus far, there has not been any negative impact.

(v) **Is the company able to raise ticket prices without losing market share?**

Our competitors have also increased their ticket prices. There is no visible impact to our market share.

(vi) **Is the company able to raise prices of its cinema popcorn without causing popcorn sales to drop?**

Historically, F&B sales have been relatively price inelastic; that is, demand remains relatively unchanged even if the price changes. However, there are limits to our ability to continually increase our F&B prices without affecting sales.

We believe that reducing the overall cost aspect of our F&B offerings by re-engineering our processes, would be more effective to improve profitability.

(vii) **When does the company envisage that it would return back to profitability?**

We are unable to share any forecast without infringing statutory requirements. We can only say that the level of support shown by all stakeholders to date give indications to all round confidence that the worst is over for the Group.

6. NEW INVESTORS

I note that the company has managed to attract several interesting new investors such as Mr Goi Seng Hui, Mr Oei Hong Leong. As a matter of fact, the percentage stake of these new investors such as Mr Goi Seng Hui, Mr Oei Hong Leong are more than our old shareholder StarHub.

Would these new investors be joining, or have they already requested to join the Board of mm2 Asia?

Given StarHub's diminished stake and (reduced confidence in the company), should StarHub relinquish its Board seat in favour of these new investors?

Both Mr Goi and Mr Oei have not requested to be on our Board. Notwithstanding StarHub's diminished stake in the Company, we still greatly value and are privileged to have Mr Dennis Chia, who is the CFO of Starhub, with his wide experience and expertise, serving on our Board.