



MM2 ASIA LTD.

(Company Registration No. 201424372N)

(Incorporated in Singapore)

(the “**Company**”)

**RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND
SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

The board of directors (the “**Board**”) of mm2 Asia Ltd. (the “**Company**” or “**mm2**”, together with its subsidiaries, the “**Group**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 31 July 2024 at 1.30 p.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 2024.

The Company’s responses to the questions received from the SIAS are set out in **Appendix A**.

It is important to note that these questions and responses should be read in conjunction with the Company’s FY2024 Annual Report and along with the Company’s previous announcements.

BY ORDER OF THE BOARD

Melvin Ang Wee Chye
Executive Chairman

30 July 2024

Appendix A

Questions from SIAS

Query 1

Group's strategy for coming year

- (i) The group has borrowings of \$229.05 million and cash and cash equivalents of \$7.78 million as at 31 March 2024 (page 157). Total equity amounted to \$114 million. With a net debt of \$221.26 million, the net-debt to equity ratio is 1.94 times. As shown in Note 30 Borrowings (page 134), \$92.1 in bank borrowings and \$26.9 million in convertible securities are due by 31 March 2025. Can management elaborate on how it will be able to meet these obligations?
- (ii) Content: What are the capital requirements for expanding the content business? How does the company plan to ensure sufficient working capital to support the development and growth of a robust content pipeline?

Company's Response

As disclosed in Note 4(c) in the financial statements, The following sources of funding are expected to be available to the Group for the next 12 months from the date of the financial statements:

- The Group is currently engaged in continuous discussions with various lenders to obtain letters of waiver for certain compliance requirements stipulated in the facility agreements, refinance existing loans and/or extend the tenure of existing loans. Subsequent to the financial year ending 31 March 2024, one of the financial institutions of the Group and the Company has specifically agreed in principle to defer the loan principal repayments, totaling \$70,150,000 which are due at the end of the financial year ending 31 March 2025. In connection with the refinancing activity disclosed above, the Group has also obtained support from existing and one new financial institution, with fresh funds of up to \$10,000,000, and negotiations with other lenders are ongoing. The Group will kick start the process of refinancing its remaining current borrowings amounting to \$51,661,000 once the approval in principle to refinance \$70,150,000 has been formalised. Based on past practices, the Group has managed to successfully refinance these borrowings as the Group has always paid the interest arising from these borrowings on a timely basis. Furthermore, based on the Group's cash flow forecast for the next 12 months, management is of the view that the Group will be able to have sufficient cash flow to service these borrowings. These refinancing activities are crucial for the Group to maintain sufficient working capital. Based on the Group's successful negotiations with lenders in both previous and current financial years, there is cautious optimism that these stakeholders will continue their support in the coming financial years.
- The Group is exploring the possibility for the sale of certain assets, with expected proceeds ranging between \$20,000,000 to \$36,000,000. As of the date of this report, these negotiations are ongoing with the interested parties.
- The Group is also exploring different avenues to raise funds and is currently in advanced negotiations with several strategic investors to raise further fundings for the Group, with proceeds amounting up to \$40,000,000. This fund-raising exercise is expected to be completed by September 2024.

Arising from the fund-raising exercises described above, the Group, as was assisted by supportive financial institutions, has a positive outlook of raising total proceeds between \$60,000,000 to \$70,000,000 within the next 12 months from the financial year ended 31 March 2024. Consequently, this puts the Group in a better position to engage with its lenders to review the terms and conditions of its existing credit facilities and compliance with loan covenants.

Content Business: The Content business generally does not require high working capital as each project will be funded by investors and internally generated cashflow from ongoing projects. We will have bridging facilities to bridge the timing of initial outflow and subsequent inflow.

- (iii) What specific mechanisms and governance structures does management use to align the strategic priorities across the group's listed entities, such as in the concert (UnUsUaL) and family entertainment businesses (Vividthree)? How are potential conflicts of interest and divergent goals between different boards and management teams addressed?**

Company's Response

The three companies are independent listed companies, run by three separate boards with independent business goals - content creation, MICE and digital family entertainment, and concerts. When opportunities arise, these businesses may form strategic workgroups to explore them, the same as any third party.

- (iv) From the consolidated statement of comprehensive income (page 67), it can be seen that net loss attributable to owners of the company remained significant at \$(5.65 million) in FY2024 (FY2023: \$(119.7) million). Note 37 Accumulated losses (page 146) shows that accumulated losses have reached \$(233.9) million as at 31 March 2024. In the previous financial year, the group impaired the goodwill of cinema operations totalling \$117.7 million. Has the board re-evaluated its risk management and investment strategies in light of these losses? How has the board ensured accountability within both its ranks and management?**

Company's Response

While we have not reached full profitability this financial year, this year's financial results have demonstrated that the Group is on the road to recovery. Revenue from the Core Content business continues its growing trend with a 14% YoY increase from \$100.7 million to \$115.2 million. Revenue from the Concert and Event business recorded a remarkable contribution of \$74.4 million, a 155% YoY increase, driven by the increase in demand for live entertainment across the region.

The cinema operations have been weighing down the profitability of the Group. This year they incurred \$11.7 million in losses, which if excluded, the Group would have achieved a profit attributable to owners of the Company of \$6.1 million.

Compared to the other segments of the Group, the post-COVID recovery of the cinema operations has been slower due to the lack of content from Hollywood Studios. However non-Hollywood studios' contents has performed well for the last two years.

As part of the Group's overall risk management, the Group is intensifying its focus on the cinema segment with cost-cutting measures(right sizing) and strategic reassessments.

The Group will continue its commitment to implementing strategic changes for long-term sustainability and value creation for our shareholders

Furthermore, accountability is a cornerstone value for the Group. Regular assessment against key performance indicators (KPIs) reinforces our focus on results and creates a collaborative environment where everyone contributes meaningfully to the Group's success.

Query 2

CINEMAS BUSINESS AND IPO UPDATES

- (i) **Can the board provide detailed clarification on the extent of the group’s control and influence over mm Connect Group, given the deconsolidation and reclassification as an associated company? Can the company still consider itself a key cinema operator in Malaysia and Singapore given the deconsolidation?**

Company’s Response

As disclosed in note 42(a) of the financial statements, after the completion of the Exchangeable Bond Subscription (“EB”) agreement and the EB holders now have 60% board representation in mmConnect Pte Ltd. Hence, in accordance of the accounting standards, mm2 determined that mm2 has lost control of mmConnect Pte Ltd. Hence the Company was deconsolidated in its annual filings and reclassified as an associated company.

However, mm2 still retains the operational management control of the cinema business under mm2 Connect Group.

- (ii) **Can management provide a comprehensive breakdown of the total investments made in the cinema business since 2015, including capital expenditures, acquisitions, and other significant financial commitments? How does this investment compare with the current carrying value of \$79.9 million as at 31 March 2024?**

Company’s Response

A comprehensive breakdown of the total investments made in the cinema business since 2015:

	\$ in million
Investment Cost in mmConnect Pte Ltd (net of current translation differences) up to deconsolidation in FY2023	277.2
Less: Accumulated losses including impairment losses up to deconsolidation in FY2023	(233.5)
Add: Financial guarantee provided by mm2 to mm Connect Group (Note 20 (b) and 27*)	14.5
Add: Gain on deconsolidation of a subsidiary in FY2023 (Note 42 (a) (i)*)	31.8
Less: Share of losses in FY2024 (Note 21*)	(11.7)
Add: Settlement of borrowings on behalf (Note 20 (b) and 21 (a)*)	1.6
	<u>79.9</u>

- (1) Total capital expenditures of the Cinema business since the date of acquisition amounting to approximately \$15 million; and
(2) Financial support provided by mm2 to mm Connect Group amounting to approximately \$12 million (Note 39(c)).

* Please refer to the corresponding notes in the Annual Report - Financial Statement (FY2024) unless otherwise stated.

- (iii) Can management update shareholders on the status of the proposed initial public offering (IPO) for mm Connect Pte. Ltd? What are the key milestones achieved so far, and what are the anticipated timelines for the remaining steps towards the IPO?**

Company's Response

IPO of mm Connect is always on the agenda. A successful IPO depends on the performance of the business and the market readiness. The cinema business has not recovered as quickly as expected. Our ongoing priority is in the rightsizing strategy, that the business will stand a chance to regain profitability if executed well. We will continue to explore the IPO option or divestment, and when the business is ready, we will announce our exact intent.

Additionally, following the completion of the Exchangeable Bond Subscription ("EB") agreement and the EB holders now have 60% board representation in mmConnect Pte Ltd, any IPO will done in consultation of the EB holders.

- (iv) Similarly, what is the progress made in the proposed initial public offering of mmLive?**

Company's Response

The proposed initial public offering (IPO) for mmLive is still in progress. We anticipate that it will take approximately 1 to 2 years to complete. We will keep shareholders informed of any significant developments as we move forward.

Query 3

BOARD OF DIRECTORS AND PROFITABILITY

- (i) **Can the chairman of the nominating committee (NC) help shareholders better understand the efforts by the NC and the board in the progressive renewal of the board? When will the company return back to profitability? Please detail and elaborate.**

Company's Response

We would like to take this opportunity to thank all our board members for their support and guidance. The Board is subject to the mandatory nine-year tenure limit on independent directors. We have been seeking suitable candidates with relevant experience to replace our outgoing IDs for the past six months. The NC had discussed the issue of board renewal at its meetings in 2023 and 2024. The discussions include board diversity as well as timelines for implementation.

We have since shortlisted a few ideal candidates and have put up their names for approval.

The Company is currently EBITDA positive and has shown significant improvements to its bottom line. We expect to record a turnaround in the near future.

- (ii) **How does the board plan to maintain continuity and effectiveness, and retain institutional knowledge in light of the impending changes?**

Company's Response

Mr Thomas Lei (Non-Executive Independent Director) and Mr Terry Mak (Non-Independent Non-Executive Director), will be retiring at the end of the 31 July 2024 AGM. Mr Dennis Chia (Non-Independent Non-Executive Director) will resign his appointment on 1 August 2024.

The remaining existing two directors, namely Mr Melvin Ang and Mr Jack Chia, will provide continuity to the board. The plan is to appoint two Independent Directors and one Non-Executive Director in August 2024. The Independent Directors will constitute 40% of the board.

- (iii) **How Can the NC provide an update on the progress of shortlisting and selecting new independent directors, including the criteria used for selection and the timeline for their appointment? Are the non-independent directors involved in overseeing or conducting this selection process?**

Company's Response

The NC has shortlisted several candidates, considering board diversity and skillsets they bring to the board. Two new Independent Directors will be appointed in August 2024. Mr Melvin Ang is responsible for proposing potential candidates to the NC. The NC, headed by NC Chairperson Mr Thomas Lei, will then review and recommend the appointment to the Board for its approval.

- (iv) Has the board assessed its diversity, considering factors such as gender, skills, experience, and background? How does the current composition align with the company's Board Diversity Policy and strategic objectives?**

Company's Response

Yes, the board has assessed its diversity, considering factors such as gender, skills, experience and background. The current composition aligns with the board's diversity policy and strategic objectives.

- (v) Can Mr Chia Seng Hee, Jack highlight his key contributions and achievements as a director over the past 10 years? How does he plan to bring fresh perspectives and value to the board in his proposed new role as the non-independent non-executive director?**

Company's Response

Mr Chia has contributed to the board for the past ten years in guiding the company in corporate governance. In his role as Audit Committee Chair, he has engaged the external and internal auditors, in the absence of management, to have direct interaction with these professionals to understand the issues raised by them so as to ensure a robust financial reporting system and that the internal controls are in place. In his new role as non-independent non-executive, he will transition to a business development role to support management in their strategy and operations.

- (vi) Can the board provide a detailed analysis of the total shareholder return since the company's IPO in December 2014?**

Company's Response

Starting from our listing in 2014 to mid-2017, our Company's market capitalisation increased from \$51 million to its peak of \$676 million.

Unfortunately, the acquisition of the cinemas and COVID-19 badly affected the financial performance of the Group, and hence the decline in our market capitalisation. Unlike many other industries, the global cinema sector is one of the few businesses in the world that have not recovered from the pandemic's impact after 4.5 years.

Despite these challenges, we have been diligently working to raise capital to stay relevant and ensure the continuity of the business.

We would like to thank all our shareholders and stakeholders who have supported our past corporate funding exercises for their unwavering support.

The encouragement we have received during these challenging times has fuelled our determination to create long-term value for our shareholders.