



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**”) would like to thank the Company’s shareholders (“**Shareholders**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 31 July 2023 at 1:00 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 2023.

The Company wishes to inform shareholders that 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.

It is important to note that these questions and responses should be read in conjunction with the Company’s FY2023 Annual Report and along with the Company’s previous announcements.

By Order of the Board

Melvin Ang Wee Chye
Executive Chairman
25 July 2023

Appendix A

Questions from Shareholders

1. GOING CONCERN & COMPANY'S FINANCIALS/OPERATIONS

- (i) **Page 98, currency exchange loss \$1.9 million. Is this translation loss or actual currency loss incurred? What is the company's hedging strategy for the currency exposures going forward?**

The currency exchange losses are mainly caused by unrealised exchange losses from the revaluation of foreign currency balances in borrowings and inter-company balances. At the moment, the Group does not have any formal hedging strategy and the Group will consider it in future if necessary.

- (ii) **Page 69, from the statement of financial position, the Gearing is now at 53%. Is the gearing ratio too high? Almost half of the total liabilities are due within the next 12 months; is the company able to generate enough cash to pay these borrowings?**

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

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

- The Group is currently conducting a fund-raising exercise through its wholly owned subsidiary, mmLive Pte. Ltd. ("**mmLive**"), including but not limited to, issuance of convertible securities, with the aim of raising funds for the Group. This fund-raising exercise is ongoing as at the date of this report.
- The Group is currently negotiating for the sale of the 40% equity interest in the share capital of mm Connect Pte. Ltd.
- The Group is also negotiating different avenues to raise funds and is currently in advanced discussions with several strategic investors to raise further funding for the Group.
- The Group has continuously been engaging with various lenders to obtain extensions and waivers on certain borrowings' compliances stipulated in the facility agreement.

The details of the four (4) steps above are further discussed in Note 4 to the Annual Report 2023 (page 96).

(iii) **Page 15, can the CEO clarify the following:**

(a) the equity interest in mm Connect, an associated company, is 100%? Does the company still have majority management control over mm connect?

Even though the Company is still holding 100% equity interest in mm Connect Pte Ltd (“mm Connect”), however, in accordance with SFRS(I) 10 Consolidated Financial Statements, the entitlement of the bondholder to 60% of mm Connect’s board representation had led to the Group losing control over mm Connect Pte. Ltd. and the Company is required to deconsolidate the mm Connect Group.

Please refer to Note 41(a) to Annual Report 2023 (page 153) for further details.

(b) What is the company’s plan for the cinema operations if mm2 loses majority management control over the cinema operations?

One of the main objectives of owning a cinema chain was to elevate mm2’s position in the Asian movie industry beyond that of just another movie producer. There is no doubt that owning Cathay Cineplexes has helped us become one of the more respected movie producers in Asia. Going forward, even with no majority control but maintaining a meaningful participating stake will continue to hold us well in the Asian movie industry.

(c) Are cinema operations still viable in Singapore and Malaysia?

Yes.

2. SINGAPORE CINEMAS

(i) **Note that the Singapore cinema business has dropped from 53 screens in 7 locations in FY2022 to 44 screens in 6 locations in FY2023.**

- **Which cinema location in Singapore did the company close in FY2023?**
- **What are the reasons for the closure of the particular cinema location?**

Closure of outlets

- The Cathay (TC) last day of operation – June 2022 (FY23), 8 Screens
- Orchard Cineleisure (OC) last day of operation – June 2023 (FY2024), 12 Screens

After evaluating the commercial viability of these outlets, the Company made a business decision to close these outlets.

- **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?**

Based on the current economic market conditions, we are of the opinion that we are operating at the optimal number of sites. Depending on the market conditions and the outlook of the cinema industry, any increase or decrease in sites will be evaluated carefully before any decision is made with the aim of strengthening the strategic and financial position of the cinema business.

3. PROFITABILITY OF COMPANY

- (i) **I note the company remains in a loss-making position last year. Nevertheless, I note that the remuneration of the CEO has fallen from above 250k to below 250k. I would like to commend the company for reducing the remuneration of the CEO, especially when the company is still loss-making. This brings me to my question:**

- **When will the company return back to profitability? Please detail and elaborate.**

The last financial year did not reflect the full recovery post-Covid19 for our core businesses. The concert business was only allowed to operate in May 2022 and international artistes needed time to prepare and promote their concert plans thereafter. Cinema business safe distancing was lifted in April 2022 and the summer blockbusters were only released thereafter. In addition, most markets mm2 operate in only started to gradually improve toward pre-Covid levels after June 2022. These have affected the financial performance for the last financial year.

However, we expect the Group businesses to be in full recovery for this full financial year barring any unforeseen major global changes that may affect the industry.