



**MM2 ASIA LTD.**  
(Company Registration No. 201424372N)  
(Incorporated in Singapore)  
(the “**Company**”)

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**CLARIFICATION TO THE COMPANY’S FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 JUNE 2019  
 (“THE Q1FY20 RESULTS ANNOUNCEMENT”)**

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The Board of Directors (the “**Board**” or “**Directors**”) of mm2 Asia Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the query raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 14 October 2019. The Company has responded to SGX-ST’s queries and sets out below its response to the SGX-ST:

	<b>Query 1 (a) Material Variances (in S\$’000)</b>	<b>As Announced in the Q1FY20 Results Announcement</b>	<b>Company’s Response</b>
1)	<b><u>Cash and cash equivalents</u></b> Q1FY20: S\$25,336 Q4FY19: S\$18,566  (Increased by S\$6,770)	Cash and cash equivalents reported at S\$25.3 million as at 30 June 2019, representing an increase of S\$6.7 million or 36.0%, from S\$18.6 million as at 31 March 2019 mainly due to cash drawdown and utilisation for operations as follows:  (a) An increase of S\$5 million proceeds from issuance of convertible bonds and notes in cinema segment; (b) An increase of S\$29.5 million proceeds from bank borrowings drawdown in core segment and concert and event segment; (c) A decrease of S\$0.5 million deposit paid for subscription of convertible notes in post and content production segment;	After adjusting for effect of changes in exchange rate and bank overdraft, the increase in the Group’s Cash and Cash Equivalents of S\$6.8 million was mainly due to the following:  1. The Group generated a net cash from operating activities of S\$0.4 million during Q1FY20.  2. Net financing proceeds from banks was S\$29.5 million for working capital requirements for our Core and Event segments; S\$5.0 million by way of issuance of convertible bonds/notes for Cinema segment. The Group also made a payment of S\$9.9 million for interest, lease liabilities and borrowings.  3. During this quarter, the Group utilised S\$18.6 million in investing activities, mainly for Film Rights and a touring show by the Event segment classified as Intangible Assets.

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		(d) A decrease of S\$8.0 million for acquisition of intangible assets in concert and event segment; and (e) A decrease of S\$0.3 million in other segments which consist of café operations and media advertising activities.																												
2)	<b><u>Trade and other receivables</u></b> Q1FY20: S\$173,436 Q4FY19: S\$180,656  (Decreased by S\$7,220)	Trade and other receivables reported at S\$173.4 million (consist of trade receivables S\$136.7 million and other receivables S\$36.7 million) as at 30 June 2019, representing a net decrease of S\$7.3 million or 4.0% from S\$180.7 million (consist of trade receivables S\$139.5 million and other receivables S\$41.2 million) as at 31 March 2019. This was mainly due to:  (a) An increase of S\$5.0 million in our core segment; (b) A decrease of S\$3.1 million in cinema segment; (c) A decrease of S\$7.2 million in concert and event segment is mainly because of S\$8.0 million deposit paid for acquisition intangible assets as at 31 March 2019 has been classified as intangible assets as at 30 June 2019 as the full payment have been completed during the periods; (d) A decrease of S\$1.9 million in post and content production segment; and (e) A decrease of S\$22,000 in other segments which consist of café operations, and media advertising activities.	<table border="1" data-bbox="1153 502 1993 726"> <thead> <tr> <th></th> <th><b>Q1FY20</b></th> <th><b>Q4FY19</b></th> <th><b>Variance</b></th> </tr> <tr> <th></th> <th><b>S\$' million</b></th> <th><b>S\$' million</b></th> <th><b>S\$' million</b></th> </tr> </thead> <tbody> <tr> <td>Trade receivables</td> <td>97.8</td> <td>112.7</td> <td>(14.9)</td> </tr> <tr> <td>Accrued revenue</td> <td>39.0</td> <td>26.9</td> <td>12.1</td> </tr> <tr> <td>Other receivables and deposits</td> <td>36.6</td> <td>41.1</td> <td>(4.5)</td> </tr> <tr> <td></td> <td>173.4</td> <td>180.7</td> <td>(7.3)</td> </tr> </tbody> </table> <p data-bbox="1153 758 1993 813">Trade and Other Receivables of the Group registered a net decrease of S\$7.3 million arising from:</p> <ol data-bbox="1176 845 2060 1189" style="list-style-type: none"> <li>A net reduction of Trade Receivables of the Group by S\$14.9 million.</li> <li>Other Receivables and Deposits decreased by S\$4.5 million mainly arising from a \$8.0 million paid and, which was classified as Deposits in previous quarter, then reclassified as Intangible Assets upon completion of transaction by our Event segment with offset by deposits paid during the quarter under review.</li> <li>Accrued Revenue comprises of unbilled completed projects. The increase is mainly due to a higher number of projects completed but not billed this quarter</li> </ol>					<b>Q1FY20</b>	<b>Q4FY19</b>	<b>Variance</b>		<b>S\$' million</b>	<b>S\$' million</b>	<b>S\$' million</b>	Trade receivables	97.8	112.7	(14.9)	Accrued revenue	39.0	26.9	12.1	Other receivables and deposits	36.6	41.1	(4.5)		173.4	180.7	(7.3)
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3) <b>Inventories</b> Q1FY20: S\$421 Q4FY19: S\$363  (Increased by S\$58)	Inventories reported at S\$421,000 as at 30 June 2019, representing a decrease of S\$58,000 or 16.0%, from S\$363,000 as at 31 March 2019. This was mainly contributed from cinema segment.	The increase in the Group's inventories are mainly due the Cinema segment which purchased more inventories to cater to the higher F&B anticipated in the next quarter.																							
4) <b>Other current assets</b> Q1FY20 : S\$79,119 Q4FY19 : S\$66,156  (Increased by S\$12,963)	Other current assets reported at S\$79.1 million as at 30 June 2019, representing a increase of S\$12.9 million or 19.5%, from S\$66.2 million as at 31 March 2019. This was mainly contributed by core segment amounting to S\$9.0 million and concert and event segment amounting to S\$3.4 million.	Other current assets comprise costs incurred by the Group in fulfilling a contract with its customers (Third Party commissioned projects). The increase was mainly due (1) more on-going projects in this quarter as compared to last quarter and (2) higher cost incurred for higher value projects as compared to last quarter.																							
5) <b>Film products and films under production</b> Q1FY20 : S\$6,103 Q4FY19 : S\$21,882  (Decreased by S\$15,779)	Film products and films under production reported at S\$6.1 million as at 30 June 2019, representing a decrease of S\$15.8 million or 72.1% from S\$21.9 million as at 31 March 2019. This was mainly due to transfer of the film products to film rights in core segment.	Based on our Group's accounting policies, as disclosed in our annual report, Film Under Production comprises the cost of producing a film, and upon completion, such costs will be classified as Film Products pending release. Upon released, Film Products are then reclassified as Film Rights in non-current assets to be amortised against Revenue.  During this quarter, approximately S\$15.8 million of Film Products was transferred to Film Rights.																							
6) <b>Trade and other payables</b> Q1FY20 : S\$122,235 Q4FY19 : S\$131,356  (Decreased by S\$9,121)	Trade and other payables reported at S\$122.2 million (consist of trade payables S\$68.6 million and other payables and accruals S\$53.6 million) as at 30 June 2019, representing a decrease by S\$9.2 million or 7%, from S\$131.4 million (consist of trade payables S\$73.6 million and other payables and accruals S\$57.8 million) as at 31 March 2019. The decrease was mainly due to decrease of S\$4.3 million in concert and event segment and S\$5.0 million in core segment.	<table border="1" data-bbox="1153 997 2056 1244"> <thead> <tr> <th></th> <th>Q1FY20</th> <th>Q4FY19</th> <th>Variance</th> </tr> <tr> <th></th> <th>S\$' million</th> <th>S\$' million</th> <th>S\$' million</th> </tr> </thead> <tbody> <tr> <td>Trade payables</td> <td>68.6</td> <td>73.6</td> <td>(5.0)</td> </tr> <tr> <td>Other payables and accruals</td> <td>53.6</td> <td>57.7</td> <td>(4.1)</td> </tr> <tr> <td></td> <td>122.2</td> <td>131.3</td> <td>(9.1)</td> </tr> </tbody> </table> <p>Trade and Other Payables and Accruals of the Group decreased by S\$9.3 million, mainly due to shorter credit term given by certain artiste and related costs for the Event segment and faster repayment of our Core production vendors.</p>					Q1FY20	Q4FY19	Variance		S\$' million	S\$' million	S\$' million	Trade payables	68.6	73.6	(5.0)	Other payables and accruals	53.6	57.7	(4.1)		122.2	131.3	(9.1)
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7)	<b><u>Contract liabilities</u></b> Q1FY20 : S\$21,795 Q4FY19 : S\$17,053  (Increased by : S\$4,742)	Contract liabilities reported at S\$21.8 million as at 30 June 2019, representing an increase by S\$4.7 million or 27.5%, from S\$17.1 million as at 31 March 2019. The increase was mainly contributed by concert and event segment S\$3.1 million and cinema segment S\$1.0 million.	Contract liabilities mainly comprise advance billings (deferred income) for both Core and Event segments which is to be recognised as Revenue when the Group fulfils its performance obligations under the contracts with the customers.  For the Event segment, these are mainly ticket sales, sponsorship, etc for concerts / events sold in advance, which registered an increase S\$3.1 million during the quarter review. For the Core segment, these are mainly progress billings, sponsorship billed, release rights. etc sold for projects not completed, which recorded an increase of S\$1.6 million
8)	<b><u>Short-term Borrowings</u></b> Q1FY20 : S\$64,284 Q4FY19 : S\$36,820  (Increased by S\$27,464)	Short-term borrowings reported at S\$64.3 million as at 30 June 2019, representing an increase by S\$27.5 million or 74.7%, from S\$36.8 million as at 31 March 2019. The increase was mainly contributed by core segment amounting to S\$21.1 million.	The increase in Short-term Borrowings of S\$27.5 million is mainly due to: <ol style="list-style-type: none"> <li>1. Reclassification of Long-term Borrowings to Short-term Borrowings for financing repayments due within 12 months from the period under review amounted to S\$4.8 million.</li> <li>2. New drawdown of short-term project financing for Core and Event segments amounted to S\$14.0 million and S\$8.0 million respectively.</li> </ol>

	<b>Query No. 1(b)</b>	<b>Response to SGX Queries</b>																												
1(b)	Please provide the aging of the “trade receivables” on page 3 of the Financial Statements and set out the Company’s efforts to collect these “trade receivables”. In addition, please clarify if the Company has conducted impairment testing on these “trade receivables”.		<table border="0"> <thead> <tr> <th></th> <th style="text-align: right;"><b>Q1FY20</b></th> <th style="text-align: right;"><b>Q4FY19</b></th> </tr> <tr> <th></th> <th style="text-align: right;"><b>30-Jun-19</b></th> <th style="text-align: right;"><b>31-Mar-19</b></th> </tr> <tr> <th></th> <th style="text-align: right;"><b>S\$’ million</b></th> <th style="text-align: right;"><b>S\$’ million</b></th> </tr> </thead> <tbody> <tr> <td>Below 3 months</td> <td style="text-align: right;">17.4</td> <td style="text-align: right;">55.0</td> </tr> <tr> <td>3 - 6 months</td> <td style="text-align: right;">44.1</td> <td style="text-align: right;">20.7</td> </tr> <tr> <td>Above 6 months</td> <td style="text-align: right;">38.5</td> <td style="text-align: right;">39.2</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>100.0</b></td> <td style="text-align: right;"><b>114.9</b></td> </tr> <tr> <td>Expected credit loss (“ECL”)</td> <td style="text-align: right;">(2.2)</td> <td style="text-align: right;">(2.2)</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>97.8</b></td> <td style="text-align: right;"><b>112.7</b></td> </tr> </tbody> </table> <p>Trade Receivables has been reduced by \$14.8 million overall.</p> <p>As part of our impairment testing, the Group constantly monitors its debtors aging against (a) the normal billing and collection cycle of the industry (b) assess the recoverability of each receivables closely, including their current and historical transactions over the years.</p>		<b>Q1FY20</b>	<b>Q4FY19</b>		<b>30-Jun-19</b>	<b>31-Mar-19</b>		<b>S\$’ million</b>	<b>S\$’ million</b>	Below 3 months	17.4	55.0	3 - 6 months	44.1	20.7	Above 6 months	38.5	39.2		<b>100.0</b>	<b>114.9</b>	Expected credit loss (“ECL”)	(2.2)	(2.2)		<b>97.8</b>	<b>112.7</b>
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By Order of the Board

Melvin Ang Wee Chye

Executive Chairman

17 October 2019