MM2 ASIA LTD.
(Company Registration No.: 201424372N)
Incorporated in the Republic of Singapore
(the "**Company**")

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The Board of Directors (the "**Board**") of the Company, and together with its subsidiaries, (collectively the "**Group**") wishes to announce that the independent auditor of the Company, Messrs Nexia TS Public Accounting Corporation (the "**Auditor**") has rendered an unmodified audit opinion with a Material Uncertainty Related to Going Concern matter in their report (the "**Independent Auditor's Report**") on the audited financial statements of the Group and the Company for the financial year ended 31 March 2021 ("**FY2021**").

For further details, please refer to the Independent Auditor's Report on the FY2021 Audited Financial Statements and relevant note to the Financial Statements, as annexed to this announcement.

Shareholders of the Company are advised to read the FY2021 Audited Financial Statements in full, as set out in its annual report 2021 (the "**FY2021 AR**"). The FY2021 AR will be available on the Company's website and SGXNet before 15 July 2021.

The opinion of the Auditor remains unqualified.

Shareholders and investors are reminded to exercise caution when dealing or trading in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

BY ORDER OF THE BOARD

Melvin Ang Wee Chye
Executive Chairman

13 July 2021

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Independent Auditor's Report to the Members of
mm2 Asia Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **mm2 Asia Ltd.** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 of the financial statements, which indicates that the Group incurred a net loss of $99,512,000 (2020: net profit of $6,289,000) for the financial year ended 31 March 2021, and as of that date, the Group's current liabilities exceeded its current assets by $119,498,000 (2020: $8,431,000). As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Nexia TS Public Accounting Corporation
UEN: 200507237N / Incorporated with limited liability
Singapore • China • Malaysia • Myanmar
Nexia TS Public Accounting Corporation is a member of Nexia International, a worldwide network of independent accounting and consulting firms.
80 Robinson Road, #25-00, Singapore 068898 Tel: (65) 6534 5700 Fax: (65) 6534 5766 Website: www.nexiats.com.sg

Independent Auditor's Report to the Members of
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(continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition
(Refer to Note 2.3 and 5 to the financial statements)

Area of focus

For the financial year ended 31 March 2021, total revenue of the Group amounts to $75,230,000. The Group principally derives its revenue from 4 segments, namely, core business, post-production and digital content production, cinema operations and concert and event.

Under SFRS(I) 15 *Revenue from Contracts with Customers*, revenue is recognised at an amount that reflects the consideration in the contracts to which the Group expects to be entitled in exchange for promised goods or services to the customers as and when the Group satisfies its performance obligation at a point in time or over time.

We focused on revenue as a key audit matter as this is a significant audit risk and a vital area for the Group. Moreover, certain revenue streams in the Group are driven by the relevant terms in the related contracts which would require greater judgement and consideration.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- Discussed with management on the processes involved in the revenue cycles and performed walkthroughs to confirm our understanding;

- Reviewed and evaluated the Group's revenue recognition policy is in accordance with SFRS(I) 15 *Revenue from Contracts with Customers;*

- Reviewed significant contracts during the financial year to assess whether the revenue is recognised in accordance with the Group's accounting policies as disclosed in Note 2.3 to the financial statements;

- Performed tests of detail, including cut-off procedures, to ascertain that revenue was recognised in the correct financial year;

- Reviewed significant credit notes issued, where applicable, during the financial year and post financial year end to ascertain that revenue was appropriately recognised in the correct financial year; and

- Assessed the adequacy of revenue related disclosures in the consolidated financial statements.

Independent Auditor's Report to the Members of
mm2 Asia Ltd.
(continued)

Key Audit Matters (continued)

Carrying value of goodwill
(Refer to Note 2.8(a), 2.13(a), 3(c) and 24(a) to the financial statements)

Area of focus

As at 31 March 2021, the Group has recognised goodwill amounting to $219,389,000 arising from various business combinations and allocated the goodwill to respective cash-generating units ("CGUs"). The goodwill is assessed for impairment annually or whenever there is indication that the goodwill may be impaired. Management applies the value-in-use method to determine the recoverable amount of goodwill, except for the cash-generating unit of concert and event and post and digital content production, where fair value less costs of disposal method was applied.

In preparation of cash flow projections, significant judgement are used to assess the recoverable amounts of the CGUs which are highly dependent on management's forecasts and estimates which include, but are not limited to, discount rate, growth rate, future projected cash flows and assumptions that are affected by future market and economic conditions.

Considered the continuously evolving situation due to the Coronavirus Disease 2019 ("COVID-19") pandemic during the financial year which created inherent uncertainty in the impairment assessment, the management has adopted the expected cash flow approach (i.e. probability-weighted average cash flows projections) to determine the value-in-use for the CGUs of the cinema operations, which takes into consideration several factors including, but are not limited to, the extent of social distancing measures, occupancy rate and the market recovery rate.

Accordingly, an impairment to goodwill amounting to $29,042,000 has been provided as at 31 March 2021.

We focused on this area due to the significance of the goodwill in relation to the total assets and the inherent uncertainties involved in the estimates used in the preparation of the forecasts.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- With the assistance of our valuation specialist, critically evaluated whether the model and methodology used by management to determine the recoverable amount of goodwill complies with SFRS(I) 1-36 *Impairment of Assets* and assessed the reasonableness of the growth rate and discount rate used;
- Analysed the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash-generating unit (including the potential impact from COVID-19);
- Evaluated the reasonableness and challenged the appropriateness of key assumptions used by the management, by comparing them against historical forecasts and performance, as well as publicly available market data; and
- Reviewed management's disclosures in the consolidated financial statements.

Independent Auditor's Report to the Members of
mm2 Asia Ltd.
(continued)

Key Audit Matters (continued)

Expected credit loss on trade and other receivables
(Refer to Note 2.14, 3(b), 14 and 40(b) to the financial statements)

Area of focus

The trade and other receivables due from local and overseas customers have contributed 55% to the Group's current assets, representing one of the most significant components to the financial statements. The Group is experiencing a higher than average collection period, resulting in a greater inherent exposure to non-collectability and increased level of judgement involved in estimating the recoverability of trade receivables.

With reference to SFRS(I) 9 *Financial Instruments*, the Group applies the simplified approach (lifetime expected credit loss) for its trade receivables and general approach (12 months expected credit losses) for its other receivables.

The Group assesses periodically and at the financial year end the expected credit loss ("ECL") associated with its trade and other receivables. In determining the ECL, the Group uses the relevant historical information to determine the probability of default of the instruments and incorporated forward-looking information, including assessing the potential impact on the outbreak of COVID-19.

Given the dynamic circumstances surrounding COVID-19 and uncertainty over its economic impact, significant judgement was applied by the Group to assess the negative economic outlook and probability of cash flow difficulties that could be experienced by certain debtors when assessing the impact of COVID-19 on the impairment of trade and other receivables.

We focused on this area as the impairment assessment on trade and other receivables required significant management judgement in estimating the ECL and, in consideration of the significance of trade and other receivables in the Group, we determined this area to be a key audit matter.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- Tested the aging of trade receivables as at financial year end on a sampling basis;
- Evaluated management's assessment and determination of the ECL of the Group's trade and other receivables by reviewing the reasonableness of management estimation of ECL rates which are based on the historical loss rates for each category of customers and adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables and other relevant forward-looking information (including the potential effects arising from the outbreak of COVID-19);
- Assessed the recoverability of long outstanding trade and other receivables by comparing management's assumptions used to estimate both the amount and timing of the recoverability of outstanding debts to historical patterns of receipts and considered the recoverability of long outstanding trade receivables to subsequent receipts and any other evidence;
- For other receivables, also considered management's assessment of any significant increase in credit risk since initial recognition; and
- Reviewed management's disclosures in the consolidated financial statements.

Independent Auditor's Report to the Members of
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(continued)

Key Audit Matters (continued)

Valuation of film rights, film intangibles and film inventories
(Refer to Note 2.9, 2.10, 3(a), 25 and 26 to the financial statements)

Area of focus

Film rights, film intangibles and film inventories are an integral part of the Group's businesses and have contributed about 8% to the Group's total assets. These films are identifiable non-monetary assets without any physical substance.

Accounting for the development of content is one of the significant judgements for many media companies. Movie content can be developed in-house or externally using third parties or acquired or licensed from third parties.

The costs of the film rights, less estimated residual value and accumulated impairment, will be amortised in proportion to the estimated projected revenue over their economical beneficial period, whereas for film intangibles and film inventories, it will be amortised over the economic beneficial period subject to the maximum of the license period when the film is released. In the current financial year, the Group had recognised amortisation expense relating to film rights, film intangible and film inventories totaling to $15,347,000.

The amortisation period and method for these films will be reviewed annually and it will be subject to impairment assessment whenever there is an indication that it may be impaired.

Due to the inherent uncertainty arising from the continuously evolving situation caused by COVID-19, management had considered various external and internal factor and is of the view that there is an indication of impairment in these films. With reference to SFRS(I) 1-36 *Impairment of Assets*, management had performed an impairment assessment of these films using its forecasted revenue to determine the recoverable amount of the respective films. As a result of the impairment assessment, the Group had recognised impairment loss relating to film rights, film intangibles and film inventories totaling to $9,022,000 in the current financial year.

We focused on this area as there are significant level of judgement and estimation involved in the valuation of the film rights, film intangibles and film inventories and had identified this to be a key audit matter.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- Reviewed and evaluated the Group's accounting policies for the films is in accordance with SFRS(I) 1-38 *Intangible Assets*;
- Assessed the reasonableness of the amortisation expense based on the Group's accounting policies;
- Analysed the future projected revenues on a sampling basis used in the model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash-generating unit (including the potential impact from COVID-19);
- Challenged the appropriateness of the assumptions used by the management for the respective films on a sampling basis, by comparing them against historical forecasts and performance, as well as other supportable documentation; and
- Reviewed management's disclosures in the consolidated financial statements.

Independent Auditor's Report to the Members of
mm2 Asia Ltd.
(continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report to the Members of
mm2 Asia Ltd.
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report to the Members of
mm2 Asia Ltd.
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Mr. Chin Chee Choon.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
12 July 2021

EXTRACT OF NOTE 4 TO THE AUDITED FINANCIAL STATEMENTS OF MM2 ASIA LTD. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

4 GOING CONCERN

The financial statements of the Group and the Company have been prepared on a going concern basis as the Group and the Company will be able to meet its liabilities as when they fall due. The Group incurred a net loss of $99,512,000 (2020: net profit of $6,289,000) for the year ended 31 March 2021. As of that date, the Group's current liabilities exceeded its current assets by $119,498,000 (2020: $8,431,000). As disclosed in Note 1 to the financial statements, the spread of the COVID-19 pandemic in the preceding and current financial years have significantly affected the Group's operations. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The Group and the Company have implemented several measures to weather through this current challenging environment. These efforts are ongoing as the Group and the Company continue to seek support from the vendors, landlords, shareholders and business partners to meet the challenges.

(a) Recovery from COVID-19

The Group is on the road of recovery from COVID-19 as the Group's segmental businesses, namely Core business, Cinema operation, Post-production and other segments generated 73% of their total revenue in the second half of current financial year (i.e. 1 October 2020 to 31 March 2021) as compared to 27% in the first half of current financial year (i.e. 1 April 2020 to September 2020).

(b) The Group has completed the following during current and subsequent to the financial year:

(i) The Group implemented cost containment measures since the beginning of the current financial year following the adverse impact of COVID-19 on the Group's businesses such as temporary group-wide salary reductions, obtained reductions and waiver of rental payments from lessors and reduced spending for discretionary activities. In addition, the Group also obtained assistance through government grants from various countries where the Group operates such as wage subsidies scheme and secured government-guaranteed bridging loans under enterprise financing scheme in Singapore. Wage subsidies scheme, such as the Jobs Support Scheme ("JSS") in Singapore, is expected to continuously assist the Group and bolster its working capital for the next financial year.

(ii) The Group generated a net cash inflow amounting to $2,155,000 from operating activities for the financial year ended 31 March 2021.

(iii) On 11 June 2020 and 10 February 2021, the Company has obtained deferment of loan repayment from its principal banker through loan repayment moratorium and revision of certain terms in the facility agreement to allow the Group to preserve working capital during the COVID-19 pandemic. As a result, principal repayment of $19,000,000 due in current financial year have been deferred to the financial year ending 31 March 2022.

(iv) The Group has unutilised banking facilities of approximately $4,801,000 as of 31 March 2021 that is available for use in the next financial years.

(v) On 21 January 2021, mm Connect Pte. Ltd., a wholly-owned subsidiary of the Company, has successfully extended the maturity date of the convertible securities amounting to $47,850,000 from 7 February 2021 to the earlier of the date on which the Initial Public Offering ("IPO") of mm Connect Pte. Ltd. is first open for acceptance or 31 December 2021 as disclosed in Note 29(a) to the financial statements.

(vi) On 3 February 2021, the Company announced to undertake a renounceable underwritten rights issues up to 1,162,804,610 new ordinary shares ("Rights Issues") for the purpose of redemption of Medium-Term Note Programme ("MTN") and for general working capital and operations of the Group. The gross proceeds to be raised by the Company from the Rights Issue is approximately $54,650,000.

On 27 April 2021, the Group fully redeemed the MTN, together with its accrued interests, amounting to $51,750,000 following the success in raising fund from the issuance of Right Issues as disclosed in Note 44(b) to the financial statements.

4 GOING CONCERN (CONTINUED)

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

(i) Following the extension of convertible securities as disclosed in Note 4(b)(v), mm Connect Pte. Ltd. intends to seek IPO in the financial year ending 31 March 2022 and the IPO process is currently in progress as of the date of this financial statements. As at 31 March 2021, the principal amount of all existing convertible securities is $53,387,000. Upon the success of the IPO, the principal amounts of all existing convertible securities will be $54,840,000 and is expected to be converted and capitalised as mm Connect Pte. Ltd.'s share capital under agreed terms.

(ii) The Group has been engaging continually with various lenders during and after the financial year for refinancing of its existing loans and to seek new credit facilities to secure its financial sustainability. The Group is currently negotiating with a financial institution who has offered the Group with an indicative proposal to refinance up to $123,000,000 of its existing borrowings and a new credit facility amounting to $25,000,000 for working capital purpose. Under the proposed terms and conditions of the indicative proposal, the first principal repayment will only be required in 18 months later from the first draw down date (i.e. fourth quarter of financial year ending 31 March 2023). Accordingly, the refinance exercise would allow the Group to preserve sufficient working capital for its recovery of COVID-19. The negotiations are still in progress as of date of this financial statements.

(iii) Management will continue to implement comprehensive cost-containment measures, including but not limited to re-negotiation of the lease terms with lessors. The Group do not expect to have any significant commitments that will require significant cash outflow in the next 12 months.

(d) Upon completion of Note 4(b)(vi), Note 4(c)(i) and Note 4(c)(ii) above, the pro forma financial position of the Group as at 31 March 2021 would be as follow:

		$'000
Reported net current liabilities as at 31 March 2021		(119,498)
Pro forma effects		
Note 4(b)(vi)	Full redemption of MTN and its accrued interests via issuance of Right Issue	51,750
Note 4(c)(i)	Conversion of convertible securities to mm Connect Pte. Ltd.'s share capital	53,387
Note 4(c)(ii)	Refinancing of certain existing borrowings resulting in reclassification of the principal repayments from current to non-current liabilities	57,790
Note 4(c)(ii)	New credit facility for working capital	25,000
Pro forma net current assets as at 31 March 2021		68,429

Accordingly, the directors of the Company are of the opinion that the use of the going concern assumption in the preparation of the consolidated financial statements for the financial year ended 31 March 2021 is appropriate.

The financial statement did not include any adjustments that may result in the event that the Group unable to continue as a going concern. In the event that the Group unable to continued as a going concern, adjustments may have to be made to reflect the situation that assets may need to realised other than in the amounts at which are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets as current assets.