



**MM2 ASIA LTD.**

(Company Registration No. 201424372N)

(Incorporated in Singapore)

(the “**Company**”)

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

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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**”) and the Company’s shareholders (“**Shareholders**”) for submitting their questions in advance of the Company’s Annual General Meeting to be held on 30 July 2021 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 2021.

The Company wishes to inform shareholders that it has received questions from shareholders which are overlapping and/or similar in nature. Accordingly, the Company has consolidated such questions and have made editorial amendments to some of the questions 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**, and the Company’s responses to the questions received from SIAS are set out in **Appendix B**.

It is important to note that these questions and responses should be read in conjunction with the Company’s FY2021 Annual Report and along with the Company’s previous announcements.

### **BY ORDER OF THE BOARD**

Melvin Ang Wee Chye  
Executive Chairman

29 July 2021

## Appendix A

### Questions from Shareholders

#### Resolutions

- 1. Why does the company want to pass the resolution to approve a share buyback if current liability is higher than current asset ?**

The Group believes that the Share Purchase Mandate provides the Company with a mechanism to facilitate the return of surplus cash over and above the Group's working capital requirements, in an expedient and cost-efficient manner. Share Purchases also allow the Board of Directors to exercise control over the Company's capital structure, dividend pay-out and cash reserves; depending on market conditions, they may also lead to an enhancement of the EPS and/or NTA per Share. The Directors further believe that Share Purchases may also help to buffer short-term market volatility and offset the effects of share price speculation.

#### General

- 2. How is mm2 repositioning to ride the incoming up wave post pandemic? UnUsUaL's core business is under severe threat and can management share some of your thoughts? Can the management also share some experience on creating JJ Lin's virtual concert event and could this be a new area of work, where we see more hybrid performances of live audience and streaming with augmented effects?**

The Group's various business segments are expected to benefit from a post pandemic recovery-including its cinema segment (which is currently affected due to capacity restrictions and the delay in film releases by studios due to the pandemic), live concerts/events (UnUsUaL Limited) and immersive tour shows (Vividthree Holdings). These are currently on hold due to the pandemic.

The hosting of JJ Lin's virtual concert event is an alternative source of revenue for UnUsUaL (mm2's live events subsidiary) during this pandemic, as the Group looks to continue to connect fans with their favourite artistes. The Group sees potential for extending this alternative channel as an additional source of income for the Group post pandemic, but it is not meant to replace the live events experience.

#### Core Business

- 3. What is the company doing to adapt to the new media environment, whereby there is a rise in streaming platforms such as Netflix and independent producers such as Youtubers, Tiktokers, and even OnlyFans etc.?**

The rise of streaming platforms has boosted the content production demand for the Group, where the Group is currently producing quality localised and regional content for several of the established streaming platform players in the region.

- 4. Can management give some colour on mm2's tie up with Netflix and also on the revenue/growth of CineHome? Given the prevalence of mainstream streaming services like Netflix and Disney+, could management share the on the rationale for creating your own streaming platform and does streaming new movies on CineHome not cannibalize your sales in Cinemas?**

Cathay CineHome is a streaming platform launched to stream content for the localised market and is complementary to the Group's cinema exhibition business as an additional distribution channel, i.e. a digital video store.

The Group is well-positioned to work with established streaming players in the region to tap on the growing content production demand globally.

5. **Given the desire for streaming services to produce local content, is mm2 currently exploring any tie ups to create content with any streaming services? Also, is the revenue based on viewership or is mm2 selling the film rights to them for a fixed fee.**

The rise of streaming platforms has boosted the content production demand for the Group, where the Group is currently producing quality localised and regional content for several of the established streaming platform players in the region.

Typically, a streaming player will commission mm2 to produce a film, where mm2 will earn a fixed production fee regardless of viewership. mm2 will sell the broadcasting rights to the streaming player, but will continue to hold the IP rights to the film.

## **Cinema Business**

6. **What cinema assets is the company intending to IPO?**

As announced on 1 December 2020, the Group is evaluating the feasibility of a possible spin-off and listing on the Catalist board of the SGX-ST of its Cinema Business, which is currently conducted through its wholly-owned subsidiary, mm Connect Pte. Ltd., and mm Connect Pte. Ltd.'s subsidiaries.

Management has begun preparatory work for the planned IPO of mm Connect and its subsidiaries. As part of the preparatory work, management has submitted Pre-Clearance Letters ("PCL") to SGX to seek concurrence, inter alia, that after the Proposed Spin-off, mm2 Asia is viable and profitable and complies with the Mainboard admission criteria, specifically, Rule 210(2)(b) of the Mainboard Rules and the viability of mm Connect to be listed on SGX under the Catalist Rules, taking consideration its current structure, proposed capital structure and financial conditions. In order to facilitate the IPO, in discussion with our Sponsors, the success of the IPO will be greater if we list the Singapore Cinema Business only at the initial stage with the intention to bring the Malaysia Cinema business into the new Listco in the near future

We have also appointed key professionals, such as Sponsors, lawyers and auditors to assist us on this project.

7. **Is the Group merging its cinema assets with Golden Village cinema? Would the Group be able to provide the geographic that are going to potentially merge?**

As announced on 9 December 2020<sup>1</sup>, the Group has proposed a merger of its cinema assets with Golden Village Cinemas in Singapore.

8. **Is the merger between Golden Village and Cathay intended to take place before the Cinema IPO? Is the merger between Golden Village and Cathay a prerequisite for the Cinema IPO?**

The proposed IPO and merger are conducted in parallel. The IPO will progress on its own basis, and the merger will take place if the Group receives approval from regulators and if the merger terms and conditions imposed by the regulators are favourable.

9. **For the Malaysia cinema assets, what is the current Malaysian Government regulation and the impact on the Group's operations?**

Malaysia implemented Full MCO (FMCO) from 1 June 2021, whereby all economic sectors are not allowed to operate with the exception of essential economic and service sectors. As such the Group's cinema operations in Malaysia are currently closed. We have initiated cost cutting measures and negotiation with the landlords for rental rebates to mitigate the temporary closure.

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<sup>1</sup> <https://links.sgx.com/FileOpen/Proposed%20Merger%20of%20the%20MM2%20Asia%20Ltd.%20Cinema%20Business%20with%20Golden%20Village%20Cinemas%20in%20Singapore.ashx?App=Announcement&FileID=641928>

**10. How many of the Group's Malaysia cineplexes have ceased operations in Malaysia?**

As part of our review of our portfolio and terms of rental renewal which have been significantly affected by Covid, we have exited 7 locations in Malaysia. Currently, we are in advanced negotiations with landlords for 4 potential new sites in Malaysia which requires certain landlord's commitments; only with such commitments will these potential sites be positively considered.

**11. Is the company looking to divest or shut down its Malaysian cinema business? Or would it be taking the opportunity to strategically acquire and look for distressed purchases of its competitors in the Malaysian cinema business?**

We have no plans to exit the Malaysia Cinema business. We will continue to look for new viable sites and we will consider good opportunities that are presented to us. Currently, we are in advanced negotiations with landlords for 4 potential new sites in Malaysia which requires certain landlord's commitments; only with such commitments will these potential sites be positively considered.

**12. What is the latest carrying value of the Cinema Business? What was the purchase price of the Malaysian and Singapore Cinema Business?**

The Group acquired its Malaysian Cinema assets between 2015-2017<sup>2</sup> for approximately S\$54.7 million.

The Group acquired its Singapore Cinema asset in 2017 for approximately S\$230 million<sup>3</sup>.

As at 31 March 2021, the Cinema Business is in a Net Liabilities position of approximately S\$79 million.

**13. Is the Malaysia government providing any assistance to our Malaysia cinema business? If so, how much and in what form?**

We have received incentives, such as the Wage Subsidy Programme, as announced by the Malaysian Government.

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<sup>2</sup> Cathay Cineplexes Sdn Bhd

<https://links.sgx.com/FileOpen/mm2%20Asia%20Announcement%20-%20SPA%20in%20relation%20to%20Acquisition%20from%20CCSB.ashx?App=Announcement&FileID=365440>

Mega Cinemas Management Sdn Bhd

<https://links.sgx.com/FileOpen/Announcement%20-%20mm2%20Asia%20Ltd.%20%20Mega%20Cinemas%20Management%20Sdn%20Bhd%20Term%20Sheet.ashx?App=Announcement&FileID=365996>

Lotus Fivestar Cinemas (M) Sdn Bhd

<https://links.sgx.com/FileOpen/mm2%20-%20Proposed%20Acquisition%20of%2013%20Cinemas%20-%20Signing%20of%20Agreements.ashx?App=Announcement&FileID=454472>

<sup>3</sup> <https://links.sgx.com/FileOpen/mm2%20-%20Press%20Release%20-%20Completion%20of%20Proposed%20Acquisition%20of%20Cathay%20Cineplexes%20Pte%20Ltd.ashx?App=Announcement&FileID=479822>

- 14. Given the dismal political situation in Malaysia, with some even proclaiming Malaysia to be a "failed state", did the company make a mistake in entering the Malaysian Cinema Business? In the company's view, when would the political situation in Malaysia eventually stabilise? What is the Group's view of the Malaysia's Cinema industry outlook ahead?**

We are the third largest cinema operator in Malaysia and are the only cinema operator with both cinemas in Singapore and Malaysia.

Cinema-going is still indisputably a popular and affordable form of entertainment in Malaysia. Malaysia is a multi-racial and multi-religious country of c.32 million people. It has a sizeable market with an audience for various movie genres (Hollywood, Bollywood, Chinese and local Malay movies). Malaysia's cinema total revenue is forecast to grow at a CAGR of c. 26.4% for 2020 – 2024 (source: PwC Global Entertainment & Media outlook 2020-2024).

In the mid-2000s, the Malaysian film industry saw an increase in the number of domestic film production. The success of home-grown movies such as *Munafik*, *Munafik 2*, *Paskal*, *Hantu Kak Limah*, *Ejen Ali: The Movie*, *Abang Long Fadil 2*, *Polis Evo2*, *The Journey*, *Ola Bola* and *BoBoiBoy The Movie 2* has brought in sizeable box offices to the Malaysian Cinemas, ranging from RM16 million to RM38 million per movie.

Hence, the Group remains optimistic on the viability of its Malaysia cinema business.

#### **Auditor's Emphasis of Matter on Material Uncertainty over Going Concern**

- 15. 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?**

As disclosed in our Annual Report, based on management's actions and plans and current business conditions, we remain confident to pay off these borrowings in the near future.

#### **Share Transactions**

- 16. Starhub used to be a major investor in mm2 Asia. Does Starhub currently have any board representation in MM2 Asia's Board? Given that Starhub is now no longer a substantial shareholder (less than 5% stake in the company), should the representative of Starhub relinquish its board seat?**

The Board continues to value Starhub as a strategic shareholder, as well as the able input and contribution of Mr Dennis Chia, who is currently the CFO of StarHub Ltd, as a Director, regardless of a change in shareholding.

- 17. It was noted that certain directors and/or substantial shareholder did not subscribe to any of their rights entitlement in the recent rights issue. Why did they not take up the recent rights issue?**

The Group respects the personal investment decisions of investors and is not in the position to comment on this

- 18. Why did Mr Melvin Ang not subscribe to his proportionate share of rights?**

The Group respects the personal investment decisions of investors and is not in the position to comment on this.

- 19. Why did Mr Melvin Ang sell 60 million shares on 10 June 2021? Who was the counterparty (buyer) of the 60 million shares Mr Melvin Ang sold on 10 June 2021?**

The Group is not in a position to comment on this. The shares were sold to 2 strategic investors.

**20. In case that off-market-purchase is used, will all shareholders (including myself) be given a chance to participate? How will I be informed ?**

Off-market purchase is a transaction agreement between 2 parties, and the Group is not in a position to help facilitate transactions between investors.

**Others**

**21. Is the company having difficulties collecting its receivables?**

The Group assesses periodically and at the financial year-end the expected credit loss (“ECL”) associated with its trade and other receivables in accordance with SFRS(I) 9. The Group’s accounting policies for ECL are detailed in Notes 2.14(b), 14 and 40(b) of the financial statements in its Annual Report.

In view of the pandemic, all industries are facing the same issues whereby all businesses are affected by the pandemic.

**22. Is 2mm Talent Hub still operating?**

2mm Talent Hub has been closed during the First Circuit Breaker in April 2020. The Group did not renew the lease for the premises when it ended August 2020 as live entertainment was still banned.

**Overall Group’s Trade and other receivables**

**23. The Company’s auditors have noted that “the trade and other receivables due from local and overseas customers have contributed 55% to the Group’s current assets” and raised the expected credit loss on trade and other receivables as a key audit matter.**

**(a) a breakdown of the Group’s receivables;**

	<b>Core business \$'000</b>	<b>Post- productions \$'000</b>	<b>Cinema operations \$'000</b>	<b>Concert and event \$'000</b>	<b>Others \$'000</b>	<b>TOTAL \$'000</b>
Trade receivables, net of expected credit loss	61,998	3,099	571	10,235	396	76,299
Other receivables	2,238	246	1,368	2,684	151	6,687
Deposits	15,339	2,088	1,974	5,128	14	24,543
Prepayment	251	528	1,034	71	72	1,956
Accrued income	2,984	-	-	-	118	3,102
	<b>82,810</b>	<b>5,961</b>	<b>4,947</b>	<b>18,118</b>	<b>751</b>	<b>112,587</b>

**(b) aging of the Group's trade receivables;**

	<b>Core business \$'000</b>	<b>Post- productions \$'000</b>	<b>Cinema operations \$'000</b>	<b>Concert and event \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Below 3 months	12,919	605	320	79	364	14,287
3 - 6 months	7,082	-	195	58	32	7,367
> 6 months	44,894 <sup>(1)</sup>	3,880	135	11,951 <sup>(2)</sup>	-	60,860
<b>Gross Trade</b>	<b>64,895</b>	<b>4,485</b>	<b>650</b>	<b>12,088</b>	<b>396</b>	<b>82,514</b>
Less: Allowance for expected credit loss	(2,898)	(1,386)	(79)	(1,852)	-	(6,215)
<b>Trade receivables, net</b>	<b>61,997</b>	<b>3,099</b>	<b>571</b>	<b>10,236</b>	<b>396</b>	<b>76,299</b>

<sup>(1)</sup> Included in the more than 6 months in Core business approximately S\$31.0 million more than 1 year. The long outstanding debts mainly comprised industry partners which have invested in many of our project movies for more than 5 years. To date, they have not defaulted on any payment. The Group has continuously been in business with them.

<sup>(2)</sup> Included in the more than 6 months in Concert and event segment approximately S\$9.3 million more than 270 days.

**(c) details of the Group's underlying transactions of its other receivables and the terms of the transactions;**

- (i) Other receivables of non-related companies amounting to S\$6.7 million, mainly consist of:
- approximately \$2.4 million refundable amount pending completion of project;
  - approximately \$1.3 million represents receivables from other revenue;
  - approximately \$0.6 million arising from other income from cinema business;
  - JSS grant receivables approximately of S\$0.7m; and
  - GST receivables

The terms and conditions of the other revenue and income based on agreed terms between both parties and business norms.

- (ii) Deposits are mainly comprised of refundable deposits for projects and cinema's rental.
- (iii) Accrued income refers to income being accrued for services provided for project services and completed but yet to billed as at 31 March 2021.

**(d) the Company's plans to recover the trade and other receivables;**

The Group reviews its accounts receivables on an ongoing basis. The Group has also set up a dedicated department to follow up with long outstanding receivables. As a result, our trade and other receivables as at 31 March 2021 have decreased from S\$138.4 million to S\$112.6 million, representing a 18.6% decrease.

Due to impact from COVID-19 to the entertainment industry has resulted the postponement of film productions' handover date, intermittent cinemas closures which had affected the film distribution industry and cinema industry, and restrictions on large scale live entertainment events during the current financial year, hence our customers are slow in making payments.

The long outstanding debts mainly comprised industry players which have invested in many of our projects movie for the past 5 years. To date, they have not defaulted on any payment. The Group has continuously been in business with them.

For customers, the Group performs credit reviews on new customers before acceptance and an annual review for existing customers. Credit reviews take into account customers' financial strength, the Group's past experiences with the customers and other relevant factors. For other financial assets, the Group and the Company minimise credit risk by dealing only with reputable and/or good credit quality counterparties.

The Group will continue to monitor and increase its efforts to collect the receivables.

**(e) what were the actions taken to recover the trade and other receivables;**

Kindly refer to response in (d) above.

**(f) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and**

The Group's accounting policy and methodology on the impairment of the trade and other receivables are disclosed in Note 2.14(b) or Page 86 and Note 40(b) or Page 148 of the Annual Report.

In the previous financial years, based on the accounting policies as described above, the Group's Core Business had made an impairment on trade and other receivables of approximately S\$3.1 million. In current financial year 31 March 2021, as the COVID-19 situation had badly hit on the live or outdoor entertainment, an additional impairment of S\$3.3 million on trade receivables was recognised by Digital Content Production and Event segment.

As of 31 March 2021, the Group had recognised a total impairment on trade and other receivables of S\$6.4 million. In addition, the Group had net decrease of trade and other receivables by S\$13.1 million as disclosed in "Net cash generated from operating activities" in Cash Flow Statement in Page 69 of the Annual Report.

The Board is of the opinion that the methodology used for impairment is in line with our accounting policies and SFRS.

**(g) The Board's assessment of the recoverability of the remaining trade and other receivables.**

Please refer to response in (f) above. The board is of the opinion that the remaining trade and other receivables are recoverable.



## Appendix B

### Questions from SIAS

**1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:**

**(i) Core business (production): Can management elaborate further on the operational impact from COVID-19 on the core business of content production? For instance, what is the reduction in the level of production activities? Have there been significant delays in the production/project completion? How has the group adapted to the safe distancing measures?**

During the initial COVID-19 outbreak, the Group's core business was negatively affected as countries implemented movement restrictions to contain the spread of the virus, resulting in the postponement of production as well as lower distribution income on the back of intermittent cinema closures in the countries where the Group operates in.

As the COVID-19 pandemic started to come under control in the Group's key markets, especially North Asia, the Group was able to resume most of its production activities. This has helped in the strong rebound in the Group's core production revenue from S\$13.4 million in 1HFY2021 to S\$41.8 million in 2HFY2021.

As announced in our press release, together with FY2021 results, on 29 May 2021, the Group currently owns a strong core business order book of S\$80.7 million, providing earnings visibility for FY2022.

The Group has implemented and adopted all the necessary SOP, inter alia, on safe distancing measures and other measures dictated by the local authorities for all of our business segments

**(ii) Core business (new markets): What is the group's strategy to expand into non-Chinese markets such as Thailand, South Korea and the USA? Can these markets become significant contributors of revenue and profit?**

With the Group's strong presence and content creation know-how in the Chinese-speaking markets, i.e. Singapore, Malaysia, Hong Kong, Taiwan and China, we are in a good position to replicate our creative, production and commercial model to other high potential growing non-Chinese markets. These markets have been identified due to their past successes with ability to create content that can have a wider reach across different countries, i.e. Korea, Thailand and the USA. Some of the advantages within the Group to execute a quick timed-to-market success include remake rights exploitation and the ability to identify and assemble talent and resources in these markets.

**(iii) Core business (streaming platforms): What is the group's strategy to monetise its assets, and to do so in an optimal manner in the long run, on the streaming platforms?**

The rise of streaming platforms has boosted content production demand globally. With this, the Group is well-positioned to tap on this opportunity moving forward, working with established streaming platforms in the region.

**(iv) Digital content production: Is management factoring in a slow recovery or significantly reduced budgets for MICE (Meetings, Incentives, Conferences and Exhibitions) and thematic shows?**

The recovery of MICE and thematic shows will be dependent on the social gathering restrictions imposed by the local authorities in each city. As the vaccination rates in each of our key market rise, we are cautiously optimistic of a recovery in this business segment and look forward to resuming these events as soon as the situation permits.

- (v) **Cinema: What is the progress on the proposed merger with Golden Village? How are the parties going to pre-empt or address the concerns that the proposed merger will be anti-competitive?**

The Group is in the midst of submitting the economic report to the Competition and Consumer Commission of Singapore (“CCCS”) in a few weeks’ time, with the proposed transaction being subjected to the approval of the authorities.

2. **In response to a query by the SGX-ST on the group’s material uncertainty related to going concern, the company offered a “technical” explanation stating that the company and its subsidiaries are not planning nor have filed for judicial management, nor have received any notifications from creditors. The company confirmed that it is able to reasonably assess its financial position to-date.**

The SGX-ST query was triggered by the material uncertainty related to going concerned highlighted by the independent auditor of the company. The auditor noted the following in the report on the audit of the financial statements:

*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).*

In Note 4 (Going concern), management stated that the financial statements were prepared on a going concern basis and that the Group will be able to meet its liabilities as [and] when they fall due.

The reasons include:

- Recovery from COVID-19 - Implementation of cost containment measures;
- Deferment of loan repayment;
- Unutilised banking facilities of \$4.8 million;
- Extension of the maturity date of convertible securities (\$47.9) million;
- Successful rights issue that raised \$54.7 million which was used to redeem \$51.8 million in the MTN;
- Planned IPO of mm Connect Pte Ltd;
- Ongoing refinancing of existing borrowings of up to \$123 million.

To support their stance, the group showed a pro forma financial position of the group:

	\$'000
Reported net current liabilities as at 31 March 2021	(119,498)
<i>Pro forma effects</i>	
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.

(Source: company annual report)

**(i) Can the board provide an updated pro forma financial position of the group after the redemption of the MTN?**

The pro forma financial position shown above includes the conversion of the convertible securities to mm Connect (i.e. a successful IPO) and the successful refinancing from banks of its borrowing. Both events remain uncertain. Only the rights issue and the redemption of the MTN have been successfully concluded.

There are no further updates on management's plans other than what was disclosed in the annual report.

The Group is in the process of completing the refinancing and the lenders remain supportive. The IPO process remains on track.

**(ii) What is the progress of the planned IPO of mm Connect (cinema business)? Given the current market conditions, has the board considered the risk that the planned IPO may be delayed, cancelled or unable to obtain a satisfactory valuation?**

As announced on 1 December 2020, the Group is evaluating the feasibility of a possible spin-off and listing on the Catalist board of the SGX-ST of its Cinema Business, which is currently conducted through its wholly-owned subsidiary, mm Connect Pte. Ltd., and mm Connect Pte. Ltd.'s subsidiaries.

Management has begun its preparatory work for the planned IPO of mm Connect and its subsidiaries. As part of the preparatory work, management has submitted Pre-Clearance Letters ("PCL") to SGX to seek concurrence, inter alia, that after the Proposed Spin-off, mm2 Asia is viable and profitable and complies with the Mainboard admission criteria, specifically, Rule 210(2)(b) of the Mainboard Rules and the viability of mm Connect to be listed on SGX under the Catalist Rules, taking consideration its current structure, proposed capital structure and financial conditions. In order to facilitate the IPO, in discussion with our Sponsors, the success of the IPO will be greater if we list the Singapore Cinema Business only at the initial stage with the intention to bring the Malaysia Cinema business into the new Listco in the near future

We have also appointed key professionals, such as Sponsors, Lawyers and auditors to assist us on this project.

The Management has also explored other alternatives in case the planned IPO may be delayed, cancelled or unable to obtain a satisfactory valuation. (*See Question 2 Part V*)

**(iii) What are the remaining steps in the negotiation with "a financial institution" to refinance the existing borrowings? When can the refinancing be completed?**

As at 31 March 2021, the total borrowings amount to \$265.6 million (page 131), including \$50 million in MTN which has been redeemed after the financial year.

The negotiations are ongoing and due to its confidential nature we are unable to disclose further.

**(iv) What is the indicative interest rate should the group be able to refinance its existing borrowings?**

Due to the confidential nature of these negotiations, we are unable to provide such detailed information.

**(v) What are the group's alternative plans should the IPO or the refinancing fail/be delayed?**

As disclosed in the Annual report, in view of the gradual recovery from COVID-19, the Group remains optimistic to generate sufficient cashflow. The Group has various options to build up its liquidity and to deleverage its debts. The Group has two major investments which are publicly listed entities with a combined market capitalisation (as 30 June 2021) of approximately S\$78 million, being attributed to the Group's stake in the 2 companies.

If there is a successful potential merger with G (which is the subject of the announcement dated 9 December 2020), the Group will have the option to divest part of its shares in the merged entity to one or more third party investors which will help to reduce the Group's bank borrowings. Another option on the table for the Group is the recent announcement on the offer from a Third Party to acquire the Group's Cinema Business.

**(vi) Is there a need to carry out another rights issue to further strengthen the group's financial position?**

The Group does not have plans to carry out another rights issue in the near term.

**(vii) Will the board be re-evaluating the group's optimal capital structure and further improve its capital management framework with stronger safeguards to better ensure the group's ability to continue to operate as a going concern?**

In recent years, the Group has relied on short-term sources of funds to finance long-term assets, creating a significant mismatch. The Group is constantly exploring all options to improve its capital structure to maximise returns to shareholders.

**3. Trade receivables from non-related parties decreased by 10% from \$89.7 million to \$81.1 million as at 31 March 2021 even though revenue for the year decreased by 68.1% for the financial year (page 102).**

The group recognised a loss allowance of \$6,215,000 (2020: \$3,073,000) against trade receivables and accrued income over 90 days past due because historical experience and forward-looking information has indicated that these group of receivables generally has a greater potential risk on recoverability (page 150).

The company has previously disclosed that trade receivables past due by more than 6 months have increased from \$38.7 million to \$61.1 million.

**(i) Can the audit committee provide a breakdown of the trade receivables by aging (showing the upper limit), by amounts and by customers?**

The Audit Committee reviews its account receivables on a quarterly basis. More details of the breakdown in trade receivables can be found in note 40(b) of the Group's annual report for FY2021. The query includes a break down by customers, this level of detail is not in the Annual Report, and not typically provided. However, kindly refer to Question No. 23 in Appendix A for a further breakdown.

**(ii) What are the profiles of the customers with long outstanding debts?**

The long outstanding debts mainly comprised industry players which have invested in many of our projects for years. To date, they have not defaulted on any payment. The Group has continuously been in business with them.

**(iii) Given that the industry has been severely disrupted by the pandemic, has the group tightened its credit policies?**

For customers, the Group performs credit reviews on new customers before acceptance and an annual review for existing customers. Credit reviews take into account customers' financial strength, the Group's past experiences with the customers and other relevant factors. For other financial assets, the Group and the Company minimise credit risk by dealing only with reputable and/or good credit quality counterparties.

**(iv) What are the efforts by management to collect on the long outstanding trade receivables?**

The Group reviews its accounts receivables on an ongoing basis. The Group has also set up a dedicated department to follow up with long outstanding receivables. As a result, our trade and other receivables (excluding deposits, prepayment and allowance for ECL) as at 31 March 2021 have decreased from \$102.6 million to \$92.4 million, representing a 10% decrease.

The Group will continue to monitor and increase its efforts to collect the receivables.