Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: MM2 Asia Ltd.

Stock code: 1B0

Meeting details:
Date: 30 July 2021
Time: 1.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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?**

(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?**

(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?**

(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?**

(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?**

Q2. 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).*

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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 the convertible securities ($47.9) million
- Successful rights issue that raised $54.7 million which was used to redeem the $51.8 million in MTN
- Planned IPO of mm Connect
- 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)
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.

(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.

(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?**

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(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.

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

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

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

(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.

Q3. 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 the 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?**

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

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

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

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In addition, the group recognised $28.2 million and $18.6 million in "Deposits" ($24.7 million current) and "Other receivables" before loss allowances of $157,000 and $1.92 million respectively.

(v) **What is the nature of "deposits" and "other receivables"? Please provide an appropriate breakdown of the amounts.**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)