

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

ANNOUNCEMENT

PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

1.1 The board of directors (the "**Directors**" or "**Board**") of mm2 Asia Ltd. (the "**Company**" and, together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing to undertake a renounceable underwritten rights issue (the "**Rights Issue**") of up to 1,162,804,610 new ordinary shares in the capital of the Company (the "**Rights Shares**"), at an issue price of S\$0.047 for each Rights Share (the "**Issue Price**"), on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the "**Share**") held by the shareholders of the Company (the "**Shareholders**") as at a time and date to be determined by the Directors for the purposes of determining Shareholders' entitlement under the Rights Issue (the "**Record Date**"), fractional entitlements to be disregarded.

1.2 The principal terms of the Rights Issue are summarised as below:-

<i>Principal terms of issue</i>	<i>Description</i>
Issue Price	: S\$0.047 for each Rights Share, payable in full upon acceptance and/or application.
Discount (specifying benchmarks and periods)	: The Issue Price of S\$0.047 for each Rights Share represents a discount of approximately:- (a) 60.83% to the closing price of S\$0.120 per Share on 1 February 2021, being the latest trading day prior to this announcement; and (b) 43.71% to the theoretical ex-rights price of S\$0.0835 per Share based on the closing price of S\$0.120 per Share on 1 February 2021, being the last trading day prior to this announcement.
Allotment ratio	: One (1) Rights Share for every one (1) existing Share held by Entitled Shareholders (defined below) as at the Record Date, fractional entitlements to be disregarded.
Use of proceeds	: The Company intends to utilise the net proceeds from the Rights Issue (i) to repay the S\$50 million 7% fixed rate notes issued by the Company and

the accrued interest thereon pursuant to the US\$300 million Guaranteed Multicurrency Medium Term Note Programme of the Company, the maturity date of which is 27 April 2021; and (ii) for general working capital and operations of the Group. Please refer to paragraph 3.2 below for further details.

Purpose of issue : The Company is undertaking the Rights Issue to strengthen the financial position and capital base of the Group. The Rights Issue will also provide the Shareholders with an equal opportunity to further participate in the equity of the Company. Please refer to paragraph 3.1 below for further details.

- 1.3 The Rights Issue is subject to, *inter alia*, the approval of the Shareholders at an extraordinary general meeting to be convened by the Company (the "**EGM**"), the lodgement of the Offer Information Statement (defined below) and the approval of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST not having been withdrawn or revoked prior to the completion of the Rights Issue, further details of which are set out in paragraph 4.1 below.
- 1.4 The Board also wishes to announce that, as at the date of this announcement, the Company has obtained the approval in-principle (the "**AIP**") from the SGX-ST for the listing of and quotation for up to 1,162,804,610 Rights Shares on the Main Board of the SGX-ST, subject to certain conditions, details of which are set out in paragraph 4.2 below. The AIP granted by the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries.
- 1.5 The Company has appointed UOB Kay Hian Private Limited as the manager and underwriter for the Rights Issue (the "**Manager and Underwriter**").
- 1.6 Under the Rights Issue, the Entitled Shareholders (defined below) are able to subscribe for excess Rights Shares, which may cause a transfer of controlling interest. Pursuant to Rule 803 of the listing manual of the SGX-ST (the "**Listing Manual**"), the Company must not issue Shares to transfer a controlling interest without prior approval of the Shareholders in a general meeting. Accordingly, the Company will, if required, be seeking the Shareholders' approval at the EGM for any potential transfer of controlling interest that may arise as a result of an Entitled Shareholder (defined below) applying for excess Rights Shares (the "**Potential Transfer of Controlling Interest**").

2. PARTICULARS OF THE RIGHTS ISSUE

2.1 Number of Rights Shares to be issued

Based on the existing issued share capital of the Company of 1,162,804,610 issued Shares (excluding treasury shares) and assuming that all the Entitled Shareholders (defined below) subscribe in full and pay for their pro-rata entitlements of Rights Shares,

up to 1,162,804,610 Rights Shares will be issued.

Upon the allotment and issuance of 1,162,804,610 Rights Shares, the Company will have an enlarged issued share capital comprising up to 2,325,609,220 Shares.

2.2 Eligibility of Shareholders to Participate in the Rights Issue

The Company proposes to provisionally allot by way of rights to all Shareholders who are eligible to participate in the Rights Issue (the "**Entitled Shareholders**"), which comprise Entitled Depositors and Entitled Scripholders (both as defined below).

The Shareholders whose Shares are registered in the name of the Central Depository (Pte) Limited ("**CDP**") and whose securities accounts ("**Securities Accounts**") with CDP are credited with Shares as at 5.00 p.m. (Singapore time) on the Record Date ("**Depositors**") will be provisionally allotted entitlements to the Rights Shares on the basis of the number of Shares standing to the credit of their Securities Accounts with CDP as at the Record Date. "**Entitled Depositors**" are Depositors whose registered addresses with CDP are in Singapore as at the Record Date or who have, at least three (3) market days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents.

Duly completed and stamped transfers (in respect of Shares not registered in the name of CDP) together with all relevant documents of title received up to 5.00 p.m. (Singapore time) on the Record Date by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road, #08-00, ASO Building, Singapore 048544 will be registered to determine the provisional entitlements to Rights Shares of the transferee (a "**Scripholder**", which term shall include a person who is registered as a holder of Shares and whose share certificates are not deposited with CDP) under the Rights Issue. "**Entitled Scripholders**" are Scripholders whose registered addresses with the Company are in Singapore as at the Record Date or who have, at least three (3) market days prior to the Record Date, provided the Company's Share Registrar with addresses in Singapore for the service of notices and documents.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the rights to the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) market days prior to the Record Date, provided CDP or the Company's Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). Entitlements to the Rights Shares which would otherwise accrue to Foreign Shareholders will, if practicable, be sold "nil-paid" on the SGX-ST after dealings in the provisional allotments of the Rights Shares commence, and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the offer information statement (the "**Offer Information Statement**") to be issued for the Rights Issue.

Entitlements to subscribe for the Rights Shares will be renounceable and are expected to be tradable on the Main Board of the SGX-ST over a period to be determined by the Directors in compliance with the rules of the Listing Manual. Entitled Shareholders will be at liberty to accept, decline, renounce or trade, in whole or in part, their provisional allotments of the Rights Shares and will be eligible to apply for the Rights Shares in

excess of their respective provisional allotments under the Rights Issue.

Entitlements which are not allotted or taken up for any reason (including any fractional entitlements to the Rights Shares) will be aggregated and used to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Manager and Underwriter, may deem appropriate. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course.

2.3 Underwriting

The Manager and Underwriter has, pursuant to the terms and conditions of a an underwriting agreement entered into between the Company and the Manager and Underwriter on 3 February 2021 (the "**Underwriting Agreement**"), agreed to underwrite up to 1,162,804,610 Rights Shares at the Issue Price on the terms and subject to the conditions of the Underwriting Agreement (the "**Underwritten Rights Shares**").

Pursuant to the Underwriting Agreement, the Company will pay the Manager and Underwriter an underwriting commission of 2.85% of the Issue Price multiplied by the Underwritten Rights Shares.

Under the terms of the Underwriting Agreement, the extension of the maturity date of the S\$47.85 million convertible notes and convertible bonds issued on 7 February 2018 by the Company's subsidiary, mm Connect Pte Ltd (the "**mm Connect Notes and Bonds**") to 31 December 2021, is a condition to the underwriting by the Manager and Underwriter. The maturity date of the mm Connect Notes and Bonds has been extended to 31 December 2021 as announced on 21 January 2021.

2.4 Status of Rights Shares

The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu*, in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date of allotment and issue of the Rights Shares.

2.5 Intention of Controlling Shareholder

As at the date of this announcement, Melvin Ang Wee Chye ("**Melvin Ang**"), a controlling shareholder of the Company, holds 443,135,400 Shares directly and indirectly, representing approximately 38.11% of the existing issued share capital of the Company (excluding treasury shares held by the Company). Melvin Ang is also the executive chairman of the Company.

To show his support for the Rights Issue and to demonstrate his commitment to and confidence in the prospects of the Group, Melvin Ang will vote in favour of the resolutions

to approve the Rights Issue and intends to subscribe for his *pro-rata* entitlement to the Rights Shares under the Rights Issue, subject to availability of financial resources. Melvin Ang does not intend to apply for any excess Rights Shares. In the event that Melvin Ang subscribes for his pro-rata entitlement to the Rights Shares and does not apply for any excess Rights Shares, he will hold 886,270,800 Shares, directly and indirectly, representing approximately 38.11% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue (excluding treasury shares held by the Company).

2.6 Scaling provision

Depending on the level of subscription for the Rights Shares, the Company may, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders (if such Shareholder chooses to subscribe for his/her/its pro-rata Rights Shares entitlement and/or apply for excess Rights Shares) to avoid placing the relevant Shareholder and parties acting in concert with him/her/it (as defined in the Singapore Code on Take-overs and Mergers (the "**Code**")) in the position of incurring a mandatory general offer obligation under the Code, as a result of other Shareholders not taking up, whether partly or in full, their Rights Shares entitlements fully, and/or to avoid the transfer of a controlling interest in the Company, which is prohibited under Rule 803 of the Listing Manual, unless prior approval of the Shareholders is obtained in a general meeting.

3. RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

3.1 Rationale

The Group's diversified businesses and multi-market presence have helped to mitigate the impact of COVID-19 on the Group's businesses. COVID-19 has caused unprecedented global disruption to the media and entertainment industry. The enforcement of social distancing and travel restrictions to contain COVID-19 resulted in delays to the release of various project titles, project completions and events. These have adversely impacted the Group's businesses across the board.

Nevertheless, the Company's core production pipeline remains robust, and we have secured full funding of all confirmed content production projects over the next 12-18 months. Our content production pipeline is expected to exceed our past years, supported by higher demand for Asian content, particularly in North Asia as well as increasing demand for more content by various streaming platforms in Asia. Our title releases will likewise resume with an increasing number of scheduled launches in the next 12-18 months, auguring well for the recovery of our content revenue generation.

With the gradual opening of cinemas in North Asia, including China's recent ability to achieve up to 80% of pre-COVID-19 box office numbers and the record-breaking highest daily box office performance on New Year's Day (1 January 2021) since records began in 2011, we expect an improvement in the Company's distribution business as the Company's pipeline of over a dozen completed projects is scheduled for release in the coming months. In addition, with the release of Hollywood, Asian and local titles in December 2020, local box office performance has increased significantly since Singapore cinemas' reopening in July 2020, despite operating at close to 50%

capacity due to safe distancing requirements. We expect the postponed slate of Hollywood movie releases from 2020 to be progressively released in the coming months of 2021.

Notwithstanding the anticipated recovery of our business, the Group's operating cash flows and financial position have been adversely affected by the COVID-19 disruption. The Company is thus undertaking the Rights Issue as a prudent measure to strengthen the financial position and capital base of the Group. The Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company.

3.2 Use of Proceeds

The estimated gross proceeds from the Rights Issue are expected to be approximately S\$54.65 million, while the estimated net proceeds (estimated gross proceeds less the estimated costs and expenses of S\$2.50 million to be incurred in connection with the Rights Issue) are expected to be approximately S\$52.15 million. The Company intends to utilise the net proceeds from the Rights Issue in the following manner:-

- (a) up to S\$51.75 million for the repayment of the S\$50 million 7% fixed rate notes issued by the Company and the accrued interest thereon pursuant to the USD300 million Guaranteed Multicurrency Medium Term Note Programme of the Company, the maturity date of which is 27 April 2021, amounting to approximately 99.23% of the net proceeds; and
- (b) the balance for the general working capital and operations of the Group.

Pending the deployment of the proceeds from the Rights Issue, the proceeds may be deposited with banks and/or financial institutions as the Directors may deem appropriate in the interests of the Group.

Pursuant to Rule 704(30) and 1207(20) of the Listing Manual, the Company will make periodic announcements on the utilisation of the proceeds from the Rights Issue via SGXNET, as and when the funds from the Rights Issue are materially disbursed whether such a use is in accordance with the stated use and in accordance with the percentage allocated; and provide a status report in the Company's annual report on the use of proceeds from the Rights Issue, and where there is any material deviation from the stated use of proceeds from the Rights Issue, to announce the reasons for such deviation. Where the proceeds from the Rights Issue are used for general working capital purposes, the Company will disclose a breakdown with specific details on the use of the proceeds for working capital in the Company's announcement(s) and in the Company's annual report.

4. CONDITIONS

4.1 Conditions

The Shareholders should note that the Rights Issue is subject to the following conditions:-

- (a) the AIP from the SGX-ST for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST which was granted on 2 February 2021, not having been withdrawn or revoked prior to the completion of the Rights Issue;
- (b) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable), to be issued by the Company in connection with the Rights Issue, with the Monetary Authority of Singapore (the "**MAS**");
- (c) the approval of the Shareholders for the Rights Issue, including the allotment and issue of the Rights Shares, at the EGM; and
- (d) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the last time and date for acceptance of and/or excess application and payment and renunciation of the Rights Shares, under the Rights Issue.

The Shareholders should note that, in the event that approval for a Potential Transfer of Controlling Interest will be sought by way of the passing of a resolution for the Potential Transfer of Controlling Interest (the "**Potential Transfer Resolution**") at the EGM, such Potential Transfer Resolution will be conditional on the passing of the resolution for Rights Issue (the "**Rights Issue Resolution**") at the EGM. This means that if the Rights Issue Resolution is not passed, the Potential Transfer Resolution (if applicable) will not be passed. The passing of the Rights Issue Resolution is not conditional upon the passing of the Potential Transfer Resolution (if applicable) and the Company may still elect to proceed with the Rights Issue if such resolution is approved, even if the Potential Transfer Resolution (if applicable) is not approved, subject to the Company's compliance with Rule 803 of the Listing Manual.

4.2 Approval in-principle

On 2 February 2021, the SGX-ST granted the AIP for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST, subject to the following conditions:-

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Rights Issue;
- (c) a written undertaking from the Company that it will comply with Rules 704(30) and 1207(20) of the Listing Manual in relation to the use of proceeds from the Rights Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report; and
- (d) a written undertaking from the Company that it will comply with the confirmation

given in Rule 877(10) of the Listing Manual with regards to the allotment of any excess Rights Shares.

The AIP of the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Rights Shares, the Company and/or its subsidiaries.

5. STATEMENT BY THE BOARD

5.1 The Directors are of the opinion that barring any unforeseen circumstances:-

- (a) the Group is not under pressure from its bankers to repay any of its existing bank borrowings and there are currently no arrangements made or being made for the refinancing of the Group's borrowings save for discussions in the ordinary course of business in relation to borrowings which will become due and payable in the next 12 months;
- (b) after taking into account the Group's present bank facilities, internal resources, operating cash flows, the extension of the maturity date of the mm Connect Notes and Bonds and net proceeds of the Rights Issue, the Group has sufficient resources to meet its capital commitments; and
- (c) after taking into consideration the Group's present bank facilities, internal resources, operating cash flows, the extension of the maturity date of the mm Connect Notes and Bonds and net proceeds for the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.

5.2 The Rights Issue will also provide the Shareholders with an opportunity to further their equity participation in the Company. For the reasons outlined above in paragraph 3, the Directors believe the Rights Issue is in the interests of the Group.

6. GENERAL

The terms and conditions of the Rights Issue are subject to such changes as the Directors after consultation with the Manager and Underwriter, may deem appropriate. A circular containing amongst others, the notice of the EGM and the terms and conditions of the Rights Issue will be disseminated to the Shareholders in due course. Thereafter, the Offer Information Statement will be despatched or, as the case may be, disseminated to the Entitled Shareholders, together with the application form for the Rights Shares and excess Rights Shares or the provisional allotment letter, as the case may be, to the Entitled Shareholders following the EGM in due course.

7. NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT

The provisional allotments of Rights Shares and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

8. PRIOR EQUITY FUND RAISING

The Company has not undertaken any equity fund raising in the past 12 months.

9. FOLLOW-UP ANNOUNCEMENT / FURTHER INFORMATION

The Company will make the necessary follow-up announcement(s) as and when required and/or material developments arise in respect of the Rights Issue.

In the meantime, the Board wishes to advise Shareholders to exercise caution in their dealings in Shares and to refrain from taking any action in relation thereto, until they have sought their own financial and legal advice where appropriate. As at the date of this announcement, there is no certainty or assurance that the Rights Issue will be completed or that no changes will be made to the terms thereof.

By Order of the Board

Melvin Ang Wee Chye
Executive Chairman
3 February 2021

IMPORTANT NOTICE

This announcement is for information only and does not constitute or form part of any offer or invitation to sell or issue or subscribe for, or any solicitation of any offer to acquire, any Rights Shares or to take up any entitlements to Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any Rights Shares except on the basis of the information contained in an offer information statement to be lodged by the Company with the MAS. The information contained in this announcement is not for release, publication or distribution to persons in the United States and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of Rights Shares and the acquisition or purchase of the Rights Shares are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

This announcement is not an offer for sale of securities in the United States or elsewhere. The provisional allotments of Rights Shares, the Rights Shares, the provisional allotment letters and/or the application forms for the Rights Shares and excess Rights Shares have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act. There will be no public offering of securities in the United States.