

# MM2 ASIA LTD.

(Incorporated in Singapore)  
(Registration No. 201424372N)

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## BINDING TERM SHEET RELATING TO A PROPOSED SALE OF THE MM2 ASIA LTD. CINEMA BUSINESS

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### 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 has entered into a non-exclusive binding term sheet dated 27 July 2021 (the “**Term Sheet**”) with Kingsmead Properties Pte. Ltd. (the “**Purchaser**”) for the proposed sale of not less than 80% of the issued and paid up share capital (“**Sale Shares**”) in mm Connect Pte Ltd (“**mm Connect**”) to the Purchaser (the “**Proposed Transaction**”).
- 1.2 mm Connect is a wholly owned subsidiary of the Company which owns the Group's cinema business. mm Connect operates 8 cinemas in Singapore and 13 cinemas in Malaysia as well as a movie film distribution business (the “**Cinema Business**”).

### 2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Singapore in the business of making strategic investments in which Jasmine Foo Mei Ling, a Singaporean citizen, is the sole shareholder and director of the company. Jasmine manages her family business interests and previously worked in several global financial institutions.

### 3. MATERIAL TERMS OF THE PROPOSED TRANSACTION

#### 3.1 Consideration

The Proposed Transaction contemplates the sale to the Purchaser of not less than 80% of the Cinema Business via the sale of issued and paid up shares in mm Connect, at a valuation of between S\$80 million and S\$120 million for the whole Cinema Business, on a debt and liability free basis. The Consideration was arrived at after arm's length negotiations between the Purchaser and the Company and on a willing-buyer and willing-seller basis, taking into account, among other things, the following factors:

- (a) the current market conditions (including the impact of COVID-19 on the global market);
- (b) the NTA (as defined below) value of the Sale Shares as at 31 March 2021 as set out in paragraph 8.1.2 of this announcement;
- (c) the prospects of the Cinema Business; and
- (d) the rationale and benefit to the Company of the Proposed Transaction as set out in paragraph 6 of this announcement.

### 3.2 **Subject to SPA**

At this stage, the Company has only entered into the Term Sheet, which sets out the key commercial terms of the Proposed Transaction. This is still subject to the negotiation and finalization of the sale and purchase agreement (the "**SPA**") to be agreed and entered into between the Company and the Purchaser.

### 3.3 **Conditions Precedent to Completion of the Proposed Transaction**

The Proposed Transaction is also subject to, among others, the following conditions precedent:-

- (a) satisfactory completion of due diligence by the Purchaser into the Cinema Business;
- (b) the Purchaser having secured financing for the Proposed Transaction;
- (c) the Company having obtained the approval of the Company's shareholders in an extraordinary general meeting to be convened for the Proposed Transaction and the transactions contemplated thereby ("**MM2 Shareholders' Approval**");
- (d) the approval of the applicable regulators having been obtained; and
- (e) execution of a definitive shareholders' agreement between the Purchaser and the Company.

### 3.4 **Deposit**

3.4.1 Upon signing the Term Sheet, the Purchaser is required to pay to the Company a deposit (the "**Deposit**") as follows:

- (a) a first tranche payment of S\$3.0 million on the 7<sup>th</sup> business day after the execution of the Term Sheet; and
- (b) subject to the SPA being entered into, a second tranche payment of S\$3.0 million on the 7<sup>th</sup> business day after the SPA is entered into.

3.4.2 In the event that the Proposed Transaction is not completed as a result of:-

- (a) (i) the MM2 Shareholders' Approval and/or the approval of the applicable regulators not being obtained; (ii) the Cinema Business having been sold (in whole or in part) to a third party at a consideration more favourable to the Company than contemplated in the Proposed Transaction, then the Deposit received by the Company may, at the Purchaser's election, be repaid in full or exchanged into newly issued shares of the Company at a share price of 8.0 cents per new share, the election to effect such exchange to be made in writing to the Company on or before 31 December 2021; or (iii) a breach by the Company of any representations, warranties and/or terms of the SPA which will have a material adverse impact on the Proposed Transaction or on the valuation of the Cinema Business; or
- (b) mm Connect having obtained approval in principle from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Catalyst board prior to the completion of the Proposed Transaction and proceeds to launch an initial public offer (the "**IPO**"), then the Deposit received by the Company may be converted, at the Purchaser's election into new ordinary shares of mm Connect at an issue price that represents a discount of 20% to the IPO price or, by way of notice in writing to the Company on or before 31 December 2021, elect to exchange the Deposit into newly issued shares of the Company at a share price of 8.0 cents per new share; or
- (c) non-satisfactory completion of due diligence by the Purchaser into the Cinema Business, the Purchaser not securing financing for the Proposed Transaction, and/or failure to execute a definitive shareholders' agreement between the Purchaser and the Company, then the Deposit received by the Company may, at the Purchaser's election, be exchanged into newly issued shares of the Company at a share price of 8.0 cents per new share, the election to effect such exchange to be made in writing to the Company on or before 31 December 2021.

Save as set out above, the Deposit, once paid, is not refundable to the Purchaser.

### 3.5 **Non-exclusivity**

The Company is not prohibited under the Term Sheet from discussing, negotiating and/or finalising other potential transactions relating to the listing of, fundraising for or sale or divestment of some or all of the Cinema Business.

## 4. **LISTING RULES**

The Proposed Transaction constitutes a major transaction under Rule 1014 of the listing manual (the "**Listing Manual**") of the SGX-ST, and is subject to the approval of the shareholders of the Company being obtained. Please refer to paragraph 5 below for more details on the relative figures in respect of the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual.

5. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED TRANSACTION**

5.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures as set out below are computed on the bases set out in Rule 1006 of the Listing Manual based on the latest announced audited consolidated financial statements of the Group for the financial period ended 31 March 2021 ("**FY2021**") and assuming that 100% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Proposed Transaction:

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	Net asset value (" <b>NAV</b> ") of the Sale Shares to be disposed of, compared with the Group's NAV	46 <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the Sale Shares to be disposed of, compared with the Group's net profits	68 <sup>(3)</sup>
(c)	Aggregate value of the Consideration received <sup>(6)</sup> , compared with the Company's market capitalisation <sup>(4)</sup> of S\$150.2 million <sup>(5)</sup> based on the total number of issued shares excluding treasury shares	80
(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets	Not applicable

**Notes:**

- (1) Based on the NAV of the Sale Shares, being a net liability of approximately S\$79.812 million as at 31 March 2021, compared with the Group's NAV, being approximately S\$174.209 million as at 31 March 2021, based on the latest announced audited consolidated accounts of the Group for FY2021.
- (2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) The net profits attributable to the Sale Shares for the purposes of this calculation is approximately S\$66.859 million, computed based on the audited net profits of mm Connect for FY2021. The Group's audited net loss for FY2021 was S\$99.512 million.
- (4) Under Rule 1002(5) of the Listing Manual, "market capitalisation" is determined by multiplying the number of shares in issue by the weighted average price of shares transacted on the market day

preceding the date of the sale and purchase agreement. In this case, the weighted average price of shares transacted on the market day preceding the date of the Term Sheet is utilised.

- (5) The Company's market capitalisation is computed based on the number of issued shares (excluding treasury shares) on 26 July 2021 of 2,325,609,220 shares, and the weighted average price of shares transacted on 26 July 2021 of S\$0.0646 per share.
- (6) Based on the Consideration of approximately S\$120 million.

## **6. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTION**

The Company believes the Proposed Transaction would be beneficial to the Group for the following reasons:-

- 6.1 given the challenges faced by, among others, cinema operators since the COVID-19 outbreak, the Proposed Transaction would provide more financial stability to the Group as a whole;
- 6.2 the Proposed Transaction would also allow the Group to de-leverage itself which would strengthen its balance sheet;
- 6.3 the sale of a majority stake in the Cinema Business would allow the Group to focus on its core business of movie production and content creation, which business continues to grow, especially as the global lockdowns required as a response to the pandemic have resulted in a spike in video streaming demand; and
- 6.4 the Proposed Transaction is subject to the approval of shareholders of the Company in an extraordinary general meeting to be convened, allowing shareholders to decide if they wish to proceed with the Proposed Transaction.

## **7. INTENDED USE OF PROCEEDS FROM THE PROPOSED TRANSACTION**

Based on the Consideration of approximately S\$120 million, the Company expects to receive net proceeds of approximately S\$119.500 million (after deducting all costs and expenses) from the Proposed Transaction.

The net proceeds will be used to repay the Group's financing and for working capital purposes.

## **8. FINANCIAL INFORMATION**

### **8.1 Value Attributable to the Sale Shares**

#### **8.1.1 Adjusted Book Value**

Based on the Group's audited consolidated financial statements for FY2021 (adjusted for debt and on a liability free basis) and assuming that 100% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Proposed Transaction, the adjusted book value attributable to the Sale Shares as at 31 March 2021 is approximately S\$190.007 million.

#### **8.1.2 Net Tangible Assets ("NTA")**

Based on the Group's audited consolidated financial statements for FY2021 (adjusted for debt and on a liability free basis) and assuming that 100% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Proposed Transaction, the adjusted NTA attributable to the Sale Shares as at 31 March 2021 is a negative of approximately S\$26.242 million.

#### **8.1.3 Latest Available Open Market Value**

The adjusted net book value of the Cinema Business is S\$190.007 million. mm Connect's shares are not listed or traded on any securities exchange and no valuation of such shares was commissioned for the purpose of the Term Sheet.

### **8.2 Deficit of Proceeds over the Adjusted Book Value**

The expected loss arising from the Proposed Transaction will be approximately \$70.507 million. The S\$70.507 million approximates the deficit of proceeds over book value (after deducting all costs and expenses), based on the Group's audited consolidated financial statements for FY2021 and assuming that 100% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Proposed Transaction.

### **8.3 Financial Effects of the Proposed Transaction**

The financial effects of the Proposed Transaction on the Group are set out below. The financial effects are shown for illustrative purposes only and they do not necessarily reflect the exact future financial position and performance of the Group immediately after completion of the Proposed Transaction. The financial effects set out below have been calculated using the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2021 and assuming that 100% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Proposed Transaction.

#### **8.3.1 Share Capital**

As the Proposed Transaction does not involve the issue and allotment of any new shares, the Proposed Transaction will not have any impact on the share capital of the Company.

### 8.3.2 NTA

Assuming that the Proposed Transaction had been completed on 31 March 2021, the effect of the Proposed Transaction on the NTA per share of the Company as at 31 March 2021 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction <sup>(1)</sup>
NTA (S\$'000)	(78,829)	(149,336)
Number of shares <sup>(2)</sup>	2,325,609,220	2,325,609,220
NTA per shares (S\$ cents)	(3.39)	(6.42)

<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for debt and on a liability free basis.

<sup>(2)</sup> The weighted average number of shares (excluding treasury shares) are adjusted for allotment of rights issue in 12 April 2021.

### 8.3.3 Earnings per Share ("EPS")

Assuming that the Proposed Transaction had been completed on 1 April 2020, the effect of the Proposed Transaction on the EPS of the Company for FY2021 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction <sup>(1)</sup>
Loss attributable to Shareholders (S\$'000)	(90,777)	(161,284)
Weighted average number of shares (excluding treasury shares) <sup>(2)</sup>	2,325,609,220	2,325,609,220
EPS (S\$ cents)	(3.90)	(6.94)

<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for debt and on a liability free basis.

<sup>(2)</sup> The weighted average number of shares (excluding treasury shares) are adjusted for allotment of rights issue in 12 April 2021.

### 8.3.4 Group borrowings

Assuming that the Proposed Transaction had been completed on 31 March 2021, the effect of the Proposed Transaction on the borrowings of the Company as at 31 March 2021 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction <sup>(1)</sup>
Total borrowings (S\$'000)	265,632	196,266
Gearing Ratio <sup>(2)</sup>	1.52	1.13

<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for debt and on a liability free basis.

<sup>(2)</sup> Gearing ratio is derived from total borrowings divided by net assets after the Proposed Transaction

9. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in this announcement, none of the Directors or Controlling Shareholders of the Company have any direct or indirect interest (other than through their shareholdings in the Company) in the Proposed Transaction.

10. **SERVICE CONTRACTS**

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. **CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution when dealing or trading in their shares. The SPA has not been entered into and there is no certainty or assurance as at the date of this announcement that SPA will be entered into or that the Proposed Transaction will be completed. The Company will make the necessary announcements when there are further material developments in relation thereto. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully.

**Shareholders and potential investors are reminded to exercise caution when dealing 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  
28 July 2021