

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

**PROPOSED ISSUE OF EXCHANGEABLE BONDS WITH DETACHABLE WARRANTS
– EXECUTION OF EXCHANGEABLE BOND AGREEMENT**

The Board of Directors ("**Board**") of MM2 Asia Ltd. ("**Company**"), and together with its subsidiaries, "**Group**") refers to the Company's announcement dated 16 June 2022 (the "**16 June Announcement**") in relation to the Company's entry into a term sheet with UOB Kay Hian Private Limited ("**UOB Kay Hian**") to appoint UOB Kay Hian as arranger in relation to a proposed issue of exchangeable bonds ("**Exchangeable Bonds**") coupled with detachable warrants (the "**Warrants**") by the Company (the "**Proposed Issuance**").

Unless otherwise defined in this announcement, all capitalised terms used in this announcement shall have the same meanings as ascribed to them in the 16 June Announcement.

Further to the 16 June Announcement, the Board wishes to announce that the Company has on 23 September 2022 entered into a subscription agreement with UOB Kay Hian (as subscriber on a bought deal basis¹) (the "**Subscriber**") (the "**Subscription Agreement**"). The salient terms of the Proposed Issuance set out herein supersedes the salient terms previously announced in the 16 June Announcement.

1. EXCHANGEABLE BONDS

Salient Terms of the Exchangeable Bonds are as follows:

- (a) The principal amount of Exchangeable Bonds is S\$54 million, carrying a coupon rate of 5% per annum, payable on a semi-annual basis.
- (b) The Exchangeable Bonds constitute unsecured obligations of the Company and shall rank *pari passu* with all present and future unsecured obligations of the Issuer.
- (c) The Exchangeable Bonds have a tenure of 3 calendar years from issue.
- (d) The Exchangeable Bonds are exchangeable, at the election of the Bondholder (the "Exchange Right"), into shares of mm Connect Pte Ltd ("**mm Connect**"), which is engaged in the management and operation of cinemas in Singapore and Malaysia ("**Exchange Right**"). The Exchange Right is exercisable during the two calendar week period preceding the second anniversary of the bond issue.
- (e) Upon exercise of the Exchange Right, the investor(s) will receive new and/or existing mm Connect shares constituting 60% of the enlarged share capital of mm Connect (the "**Exchange**"). The exchange ratio of 60% for the Exchange (the "**Exchange Ratio**") is based on the initial valuation of the mm Connect of S\$90 million. The Exchange Ratio is subject to adjustments as set out in the terms and conditions of the Exchangeable Bonds. The Exchange Ratio is subject to adjustments in the event, amongst others, certain benchmarks in relation to mm Connect Group's EBITDA performance for the 24-month period ending 30 September 2024 are met. If the Exchange Ratio is adjusted, the Bonds could potentially be exchanged based on a valuation of up to S\$105 million, which will result in the Bondholder either investing up to an additional S\$9 million or exchanging for 51.4% shareholding interest in mm Connect instead.

¹ There reference of "bought deal" in this announcement is not to be confused with the reference of the term "bought deal" in Rule 834 of the Listing Manual. UOBKH will not be offering the warrants to Shareholders on a pro-rata basis.

- (f) If the Exercise Right is not exercised, the Exchangeable Bonds will be redeemed by the Company in cash at the end of the 3 years tenure (the **"Maturity Date"**). The Company is entitled to redeem the Bonds early anytime after the Second Anniversary (date inclusive).
- (g) The Company may satisfy the redemption of the Bonds on Maturity Date by transferring all the shares of the mm Connect Group to the Bondholder (the **"Redemption Substitute Settlement"**).
- (h) In the event of non-Completion arising from (i) the Subscriber's inability and/or unwillingness to consummate the transaction contemplated herein; and/or (ii) the non-fulfilment of the Conditions Precedent set out in paragraph 6 (a), (c), (e), (f) and (h) below, the Earnest Deposit shall be applied towards the subscription of a transferable convertible security issued by mm Connect in favour of the Subscriber (on such terms which shall include (a) two (2) year tenor; (b) 5% per annum coupon rate; (c) conversion price at 20% discount to mm Connect's initial public offering price (if such initial public offering arises); and (d) subordination to certain outstanding loan facilities of the Issuer. Save for the aforementioned, Subscriber shall owe the Company no other obligations and liabilities arising from such non-Completion.
- (i) In the event of non-Completion arising from the non-fulfilment of the Conditions Precedent set out in paragraph 6 (b), (d), (g), (i) and (j) below, the Company shall refund to the Subscriber (or such other person as the Subscriber may inform the Issuer in writing) the Earnest Deposit in cash (inclusive of 5% p.a. interest) within a period of one (1) year after the Long Stop Date (being 12 weeks from the date of the Subscription Agreement).
- (j) The Subscriber shall be entitled to resell the Exchangeable Bonds and/or Warrants to any party and at any price at the Subscriber's sole discretion.
- (k) The mm Connect Group shall be entitled to carry out an initial public offering (the **"IPO"**) of the shares of mm Connect if the pre-money IPO equity valuation of the mm Connect is not less than S\$150,000,000 (Singapore Dollars One Hundred and Fifty Million), save that the IPO shall be conducted on a reputable stock exchange. In event of such IPO, the Exchange Ratio shall be so adjusted such that the number of shares received by the Bondholder pursuant to the Exchange shall be more than 50% of the enlarged share capital of the mm Connect post completion of the IPO without need for additional payment by the Bondholder. In the event that the IPO has not occurred by Maturity Date, the Bondholder shall be entitled to acquire at least a further 20% of the enlarged share capital of mm Connect at an exchange price to be mutually agreed, based on the EBITDA of mm Connect at the relevant time.

Pursuant to Rule 805(2), an issuer must obtain the prior approval of shareholders in a general meeting if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in (a) the principal subsidiary ceasing to be a subsidiary of the issuer, or (b) a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary. The Mainboard Rules (**"Mainboard Rules"**) of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) defines a principal subsidiary as "a subsidiary whose latest audited consolidated pre-tax profits (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) as compared with the latest audited consolidated pre-tax profits of the group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group".

Based on the latest audited financial statements of the Group for the financial year ended 31 March 2022 (**"FY2022"**), mm Connect's pre-tax profits accounted for more than 20% of the pre-tax profits of the Group. In addition, the Company considers mm Connect to be a principal subsidiary of the Company given the Group's focus on the cinema business. Following (i) the Exchange; or (ii) the Redemption Substitute Settlement, mm Connect will cease to be a subsidiary of the Company

While there is no requirement under the Mainboard Rules for the approval of the shareholders of the Company (**"Shareholders"**) for the issue of bonds, the transfer of the shares of mm Connect pursuant to the Exchange and/or the Redemption Substitute Settlement is subject to the approval of the Shareholders in accordance with Rule 805(2) of the Mainboard Rules. Accordingly, the Company will be seeking the approval of its Shareholders for the Proposed Exchange of the Exchangeable Bonds at an extraordinary general meeting to be convened (**"EGM"**).

The Redemption Substitute Settlement, if effected, also will constitute a major transaction under Chapter 10 of the Mainboard Rules (“**Mainboard Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

Accordingly, the Redemption Substitute Settlement is subject to the approval of the Shareholders under Rule 1014 of the Mainboard Rules by way of an ordinary resolution. The Company will also be seeking the approval of its Shareholders for the Redemption Substitute Settlement at the EGM.

1.1. Rationale and use of proceeds

The proceeds shall be used for re-financing of existing debt. The Proposed Issuance would be beneficial to the Group for the following reasons:-

- (a) Enable the Group to improve the maturity profile of the Group’s debts and liabilities;
- (b) The exchange or Redemption Substitute Settlement would provide greater financial stability and allow the Group to de-leverage which would strengthen its balance sheet as a whole; and
- (c) In the event of a disposal of the Cinema Business, it will allow the Group to allocate more resources to the Group’s core businesses of movie production and content creation which have strong growth prospects.

2. **WARRANTS**

2.1. Terms of the Warrants

The Warrants will be constituted by a deed poll (“**Deed Poll**”) that sets out the terms and conditions of the Warrants and which may from time to time be amended, modified or supplemented in accordance with the terms of the Deed Poll. Each Warrant will, subject to the terms and conditions in the Deed Poll, entitle the warrant holder to subscribe for one (1) new ordinary share in the capital of the Company (“**Warrant Share**”) at the exercise of S\$0.065 for each Warrant Share (“**Exercise Price**”). The Exercise Price represents a premium of approximately 8.9% to the volume weighted average price of S\$0.0597 per share for trades done on the SGX-ST on 16 June 2022, being the market day and up to the time the term sheet was signed.

The Warrants are exercisable during the period commencing on and including the date of issue of the Warrants and expiring at 5:00 p.m. on the fifth (5th) anniversary of the date of issue of the Warrants (“**Exercise Period**”). Any Warrant remaining unexercised upon the expiry of the Exercise Period shall lapse and cease to be valid for all purposes.

The Warrants will not be listed and traded on the SGX-ST and shall be transferable in accordance with the terms and conditions of the Deed Poll.

The Exercise Price and the number of Warrants to be issued pursuant will be subject to adjustments under certain conditions in accordance with the terms and conditions of the Deed Poll.

Upon the exercise of the Warrants during the Exercise Period and payment of the Exercise Price under the terms and conditions as set out in the Deed Poll, the holders of the Warrants will be issued the Warrant Shares. The Warrant Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing shares of the Company (“**Shares**”) and with each other, except that the Warrant Shares will not be entitled to any dividends, rights, allotments or other distributions on the record date which falls before the date of completion of the allotment and issue of the Warrant Shares.

The proposed terms and conditions of the Warrants are subject to modification in accordance with the terms and conditions of the Deed Poll.

2.2. Size of the Proposed Warrants Issue

The Company shall issue 250,000,000 Warrants pursuant to the Proposed Issuance (“**Proposed Warrants Issue**”), and assuming that the Warrants are fully exercised and converted into Warrant Shares, the issued share capital of the Company would increase to 3,040,609,220 Shares from the existing share capital of 2,790,609,220 Shares.

The allotment and issue of the Warrant Shares to the Warrantholders require the approval of the Shareholders under Section 161 of the Companies Act 1967 of Singapore and Rule 805(1) and 824 of the Mainboard Rules as the Warrant Shares will not be issued under the Company’s general share issue mandate pursuant to Rule 806 of the Mainboard Rules.

Accordingly, the Company will be seeking the approval of its Shareholders for Proposed Warrants Issue at the EGM.

2.3. Use of proceeds arising from exercise of Warrants

Based on the assumption that 250,000,000 Warrants are issued and such Warrants are fully exercised into Warrant Shares, the gross proceeds arising from the exercise of such Warrants will amount to S\$16.25 million. The Company intends to use the proceeds arising from the exercise of the Warrants for the Group’s investments to support the Group’s business activities and operations, general corporate requirements including but not limited to potential business investment opportunities, if any, refinancing the existing debts and liabilities and general working capital of the Group.

2.4. Rationale for the Proposed Warrants Issue

The Company is proposing the Proposed Warrants Issue to increase the issued share capital base of the Company to reflect the growth and expansion of the Group’s business. The Directors believe that the Proposed Warrants Issue, if carried out, will encourage trading liquidity and strengthen the Company’s balance sheet.

A copy of the Deed Poll may be inspected at the Company’s registered office at 1002 Jalan Bukit Merah #07-11 Singapore 159456 during normal business hours from the date hereof.

3. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

The relative figures computed on the bases set out in Rule 1006 of the Mainboard Rules in respect of the Redemption Substitute Settlement and based on the latest audited financial statements of the Group for the financial year ended 31 March 2022 (“**FY2022**”) are as follows:

Mainboard Rule		Relative Figures
1006(a)	Net asset value of the assets to be disposed of compared with the Group’s net asset value	52.1% ⁽¹⁾
1006(b)	Net profits attributable to the assets disposed of compared with the Group’s net profits ⁽²⁾	60.8% ⁽³⁾
1006(c)	Aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares ⁽⁴⁾	39.5% ⁽⁴⁾

Mainboard Rule		Relative Figures
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
1006(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	Not applicable ⁽⁶⁾

- (1) Under Rule 1002(3)(a) of the Mainboard Rules, "net assets" means total assets less total liabilities. The net asset value of the Redemption Substitute Settlement (after adjustments for inter-company balances as at 31 March 2022 by way of capitalisation as equity of Redemption Substitute Settlement) is S\$105,525,000 as at 31 March 2022, compared with the Group's net asset value of S\$202,492,000 as at 31 March 2022.
- (2) Under Rule 1002(3)(b) of the Mainboard Rules, "net profits", profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. It should be noted that there had been a loss before tax reported for the Group and the Redemption Substitute Settlement for FY2022.
- (3) The loss attributable to the Redemption Substitute Settlement is S\$25,039,000 as at 31 March 2022, compared with the Group's net loss of S\$41,212,000 as at 31 March 2022.
- (4) Based on the Principal Amount and the market capitalisation of the Company of approximately S\$136,739,851 as at 22 September 2022. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 2,790,609,220 ordinary shares, and the volume weighted average price of S\$0.049 per share on 22 September 2022.
- (5) The Redemption Substitute Settlement is not an acquisition of assets.
- (6) The Company is not a mineral, oil or gas company.

As the relative figures computed pursuant to Rule 1006(c) in respect of the Redemption Substitute Settlement is more than 20%, the Redemption Substitute Settlement constitutes a major transaction under Chapter 10 of the Mainboard Rules. Accordingly, the Company intends to seek the approval of its Shareholders for the Redemption Substitute Settlement at the EGM.

4. FINANCIAL EFFECTS OF THE REDEMPTION SUBSTITUTE SETTLEMENT

The financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Redemption Substitute Settlement. No representation is made as to the actual financial position and/or results of the Group after the completion of the Redemption Substitute Settlement.

The following financial effects of the Redemption Substitute Settlement are computed based on the latest audited consolidated financial statements of the Group for FY2022 and the following bases and assumptions:

- (a) the financial effects on the net tangible assets ("**NTA**") per share / net tangible liabilities ("**NTL**") per Share is computed based on the assumption that the Redemption Substitute Settlement was completed on 31 March 2022;

- (b) the financial effects on the borrowings and lease liabilities is computed based on the assumption that the Redemption Substitute Settlement was completed on 31 March 2022;
- (c) the financials effect on the earnings per share (“EPS”) / loss per share (“LPS”) is computed based on the assumption that the Redemption Substitute Settlement was completed on 1 April 2021.

NTA per Share

	Before Redemption Substitute Settlement	After Redemption Substitute Settlement
(NTL)/NTA (S\$'000)	(34,594) ⁽¹⁾	114,307 ⁽²⁾
Number of issued Shares	2,790,609,220	2,790,609,220
(NTL)/NTA per Share (cents)	(1.24)	4.10

(1) Net tangible liabilities ('NTL') is derived from Net Assets of S\$202,492,000 less total goodwill and intangible assets of S\$237,086,000.

(2) Net tangible assets ('NTA') is derived from Net Assets of S\$148,366,000 less total goodwill and intangible assets of S\$34,059,000.

Borrowings and Lease liabilities

	Before Redemption Substitute Settlement	After Redemption Substitute Settlement
Borrowings (S\$'000)	209,760	147,194
Lease liabilities (S\$'000)	51,269	799

EPS

	Before Redemption Substitute Settlement	After Redemption Substitute Settlement and excluding Group's loss on disposal of Cinema	After Redemption Substitute Settlement and including Group's loss on disposal of Cinema ⁽¹⁾
(Loss)/Profit attributable to equity holders of the Company (S\$'000)	(34,982)	(10,116)	(64,241)
Weighted average number of issued Shares ⁽²⁾	2,680,153,000	2,680,153,000	2,680,153,000
(LPS)/EPS (cents)	(1.31)	(0.38)	(2.40)

(1) The loss on disposal of cinema is net of consideration of S\$51,400,000 less net assets value of Redemption Substitute Settlement of S\$105,525,000 (after adjusted for intercompany balances by way of capitalisation) as at 31 March 2022.

(2) The weighted average number of issued Shares as per Group's latest audited financial statements FY2022.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Issuance or any other transactions contemplated herein (other than in his capacity as a director or shareholder of the Company).

6. CONDITIONS PRECEDENTS

The Proposed Issuance is subject to, *inter alia*, the following (the “**Conditions Precedents**”):

- (a) the approval-in-principle granted by the SGX-ST for the dealing in and listing and quotation of the Warrant Shares on the Official List of SGX-ST (“**Listing Approval**”) being obtained from the SGX-ST and not having been withdrawn or revoked as of the date of completion of the Proposed Issuance (the “**Completion Date**”) and, where the Listing Approval is subject to any conditions, such conditions being acceptable to the Company and the Subscriber;
- (b) the approval of specific mandate at an extraordinary general meeting of the shareholders to be convened in respect of the Subscription;
- (c) all other necessary approvals, consents and/or waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable and/or applicable laws for the Subscription and to give effect to the Subscription, being obtained and not having been withdrawn or revoked before the Completion Date;
- (d) up to and as of the Completion Date: (1) all the representations, warranties and undertakings of the Company set forth in the Exchangeable Bond Agreement being true and correct at, and as if made on, the Completion Date; and (2) the Company having performed all of its undertakings or obligations under the Exchangeable Bond Agreement to be performed on or before the Completion Date;
- (e) there has been no halt or suspension of trading in the shares of the Company on the SGX-ST for a period exceeding three (3) consecutive trading days at any time during the three (3) months preceding the Completion Date, there has been no suspension of trading in the Shares on the SGX-ST for any period pursuant to Rule 1303 of the Mainboard Rules, and the Shares have not been de-listed from the Official List of the SGX-ST;
- (f) due diligence on the Group having been conducted to the reasonable satisfaction of the Subscriber;
- (g) receipt by the Subscriber of a confirmation from the Issuer that there are no restrictions on the issue of new shares by mm Connect Pte Ltd;
- (h) the relevant consents and/or waivers from the lenders, chargees, bank guarantors or assignors (wherever applicable) of the Group having been received (if required);
- (i) Receipt by the Subscriber from the Company:
 - (i) certified true copy of the board and shareholder resolutions of the Issuer and mm Connect Group authorizing the Subscription;
 - (ii) Certified true copies of the certificates of incorporation, the constitution and the latest statutory returns of the issuer and the mm Connect Group;
 - (iii) duly signed consents and/or waivers from the lenders, chargees, bank guarantors or assignors (wherever applicable) of the Company and the mm Connect Group having been received (if required); and

- (j) duly executed guarantee by the Company that the Company shall fulfil its obligations under the terms and conditions of the Exchangeable Bond Agreement.

7. CIRCULAR AND EGM

The Company will be seeking specific approval from the Shareholders at the EGM to be convened to approve the Proposed Issuance. A circular setting out the details of, and other relevant information pertaining to the Proposed Issuance (the “**Circular**”), together with the notice of EGM, will be despatched to Shareholders in due course.

8. CAUTIONARY STATEMENT

Shareholders and other 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. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should seek their own professional advice and consult with their own stockbrokers.

By Order of the Board
MM2 Asia Ltd.

Melvin Ang Wee Chye
Executive Chairman
25 September 2022