

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

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**ENTRY INTO TERM SHEET  
IN RELATION TO  
PROPOSED ISSUE OF EXCHANGEABLE BONDS WITH DETACHABLE WARRANTS**

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The Board of Directors ("**Board**") of MM2 Asia Ltd. ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the Company has on 16 June 2022 entered 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 ("**Warrants**") by the Company ("**Proposed Issuance**").

The Proposed Issuance is subject to, amongst others, definitive agreement(s) being entered into, satisfactory due diligence by potential investor(s) and all necessary approvals, consents and/or waivers of regulatory authorities (including the Singapore Exchange Securities Trading Limited), shareholders of the Company and contracting third parties being obtained.

The proceeds of the Proposed Issuance is intended for purposes of refinancing the existing debts and liabilities and working capital of the Group.

**1. SALIENT TERMS**

Under the term sheet, the salient terms of the Proposed Issuance 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 2 calendar years from issue, which is automatically extended to 3 calendar years, in the event the Exchange Right (as defined below) is not exercised at the end of the 2 years tenure.
- (d) The Exchangeable Bonds are exchangeable, at the election of the investor(s), into shares of mm Connect Pte Ltd ("**mm Connect**"), which in turn holds 100% of mm2 Screen Management Sdn Bhd, mm2 Star Screen Sdn Bhd, Cathay Cineplexes Pte Ltd and mm Plus Pte Ltd (collectively "**mm Connect Group**"), together are engaged in the management and operation of cinemas in Singapore and Malaysia ("**Exchange Right**").
- (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, based on an agreed base valuation of S\$90 million ("**Base Valuation**") for the mm Connect Group.

A higher base valuation ("**Stepped-Up Valuation**") will apply if the Group achieves total amount of earnings before interest, tax and amortization ("**EBITDA**") over the two financial years ending March 2023 and March 2024 ("**FY23 and FY24**") aggregating:

Aggregate EBITDA for FY23 and FY24	S\$25.0 million	S\$26.0 million	S\$27.0 million
Stepped Up Valuation of mm Connect Group	S\$94.5 million	S\$99.0 million	S\$105.0 million

Additional amounts to be paid to the Company by Investor(s) for the Exchangeable Bonds <sup>(1)</sup>	S\$2.7 million	S\$5.4 million	S\$9.0 million
Total amount received by the Company for the Exchangeable Bonds	S\$56.70 million	S\$59.40 million	S\$63.0 million
Shareholdings in mm Connect on exercise of Exchange Right in the event additional amounts are not paid by investor(s)	57.1%	54.5%	51.4%

Note:

(1) Additional amounts to be paid to the Company by investor(s) for the Exchangeable Bonds are derived by multiplying the difference between the Stepped Up Valuation and Base Valuation by 60%.

- (f) Exchangeable Bonds which are not exchanged into mm Connect shares will be fully redeemed by the Company in cash at the end of the 3 years tenure. There is no provision for early redemption of the Exchangeable Bonds, and default interest of 7% per annum is payable in respect of any late payments under the Exchangeable Bonds.
- (g) In the event the Company fails to redeem the Exchangeable Bonds in accordance with their terms, the Company shall compensate the investor(s) with 80% of mm Connect shares on an enlarged basis, provided that where the value of these Shares is less than the amount owing under the Exchangeable Bonds, the Company will further transfer its existing shares in mm Connect to compensate for any shortfall.
- (h) The Exchangeable Bonds are issued together with 250 million Warrants, each carrying the right for a period of 5 years from issue to subscribe for one new ordinary share in the Company at an exercise price of S\$0.065 per new share. If fully exercised, the Warrants exercise consideration will aggregate S\$16.25 million.

The Warrant exercise price of S\$0.065 per new share of the Company 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.

- (i) UOB Kay Hian will pay to the Company a cash earnest deposit amount of S\$5 million ("**Earnest Deposit**"), within 10 business days after the date of the term sheet, upon terms relating to payment of the Earnest Deposit being agreed.

The Earnest Deposit will be set off against the principal amount of the Exchangeable Bonds payable on completion of the Proposed Issuance.

In the event the investor(s) are unable to complete the Proposed Issuance, the Earnest Deposit shall be applied towards a subscription of convertible securities to be issued by mm Connect on terms to be mutually agreed (including such securities being for a 2 year tenure, interest bearing at 5% per annum and being convertible into new shares of mm Connect on any listing of mm Connect at 20% discount to its initial public offering price). In any other cases of non-completion of the Proposed Issuance, the Earnest Deposit will be treated as a loan and repayable by the Company at the expiry of 1 year at the interest of 5% per annum.

## **2. 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 under the term sheet (other than in his capacity as a director or shareholder of the Company).

## **3. FURTHER ANNOUNCEMENTS**

The Company will make further announcements as and when appropriate, including information required under the Listing Manual, if and when definitive agreement(s) are entered into in relation to the Proposed Issuance.

## **4. CAUTIONARY STATEMENT**

**THE TERM SHEET IS NOT INTENDED TO BE LEGALLY BINDING, AND AS SUCH, THE PROPOSED ISSUANCE REMAINS SUBJECT TO THE ENTRY INTO THE DEFINITIVE AGREEMENT(S) AFTER NEGOTIATIONS BETWEEN THE PARTIES. THERE IS NO CERTAINTY OR ASSURANCE THAT SUCH DEFINITIVE AGREEMENT(S) WILL BE ENTERED INTO AT THIS JUNCTURE, AND IF ENTERED INTO, WHETHER THE TRANSACTIONS CONTEMPLATED THEREIN CAN OR WILL PROCEED. 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  
16 June 2022