

## MM2 ASIA LTD.

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

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### ENTRY INTO THE SALE AND PURCHASE AGREEMENT WITH KINGSMEAD PROPERTIES PTE. LTD. RELATING TO THE PROPOSED SALE OF NOT LESS THAN 80% OF ISSUED AND PAID-UP SHARE CAPITAL IN MM CONNECT PTE. LTD.

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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**") refer to the Company's announcement dated 28 July 2021 (the "**28 July Announcement**") relating to the entry by the Company into a binding term sheet with Kingsmead Properties Pte. Ltd. ("**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 Kingsmead (the "**Transaction**"). The Board further refers to the clarification announcements of the Company dated 10 August 2021 and 17 August 2021.
- 1.2 Further to the 28 July Announcement, the Board wishes to announce that the Company had on 30 August 2021 entered into a sale and purchase agreement ("**SPA**") with Kingsmead for the Transaction.

#### 2. INFORMATION ON THE PURCHASER

As announced in the 28 July Announcement, the Purchaser is a company incorporated in Singapore in the business of making strategic investments in which Jasmine Foo Mei Ling, a Singapore 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 TRANSACTION

##### 3.1 Consideration

The Transaction contemplates the sale to the Purchaser of not less than 80% of the Group's cinema business held by mm Connect (the "**Cinema Business**") via the sale of issued and paid up shares in mm Connect (with an option exercisable by the Purchaser to purchase up to an additional 20% of the shares in the mm Connect at a valuation of S\$84,800,000 on a debt and liability free basis (the "**Consideration**").

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 Transaction as set out in paragraph 6 of this announcement.

### 3.2 **Conditions Precedent to Completion of the Transaction**

The Transaction is subject to the following conditions precedent being fulfilled or waived (as provided in the SPA) by 31 December 2021:-

- (a) satisfactory completion of due diligence by the Purchaser into the Cinema Business;
- (b) the Purchaser having secured financing for the Transaction, such funds to be paid to a professional escrow agent to hold in the escrow account and to be applied towards the satisfaction of the Consideration upon completion of the Transaction;
- (c) the Company having obtained the approval of its shareholders for the Transaction (the **"MM2 Shareholders' Approval"**);
- (d) the Company having obtained (where necessary) the approval of the holders of the convertible bonds and convertible notes issued by mm Connect for the Transaction;
- (e) the Company having obtained (where necessary) the approval of the Group's bankers for the Transaction;
- (f) the Company having obtained (where necessary) the approval of the counterparties to mm Connect and its subsidiaries' material contracts for the Transaction;
- (g) the Company having obtained regulatory consents and approval (as applicable) for the Transaction;
- (h) if applicable, execution of a definitive shareholders' agreement between the Purchaser and the Company; and

- (i) there not having been at any time prior to completion of the Transaction any material adverse change in the affairs, operations, businesses, properties and/or financial condition of mm Connect and its subsidiaries that has caused or is reasonably likely to cause, a material adverse change in the financial position, turnover or profitability of mm Connect and its subsidiaries as a whole by 10% or more, but excludes any changes or events which are due to or result from the impact of the COVID-19 pandemic.

### 3.3 Deposit

3.3.1 As announced in the 28 July Announcement, the Company has received a first tranche payment of S\$3.0 million of the Deposit, and will be receiving a second tranche payment of S\$3.0 million of the Deposit on the 7<sup>th</sup> business day after the SPA is entered into.

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

- (a) the conditions precedent referred to in paragraphs 3.2(a), 3.2(b), 3.2(f), 3.2(h) (as a result of the Company's fault) and/or 3.2(i) not being fulfilled, the Purchaser may elect to exchange the Deposit received by the Company into newly issued shares of the Company at a share price of 8.0 cents per new share (the "**Exchange Right**"), by notice in writing to the Company on or before 31 December 2021; or
- (b)
  - (i) the conditions precedent referred to in paragraphs 3.2(c), 3.2(d), 3.2(e) and/or 3.2(g) not being fulfilled; or
  - (ii) as a result of the sale of the entire Cinema Business (whether by way of a sale or issuance of shares in mm Connect or by way of a business sale) in a competing offer at a price which values the Cinema Business at more than S\$90 million) to a third party (a "**Superior Competing Offer**"); or
  - (iii) the Company having breached any representations, warranties and/or undertakings set out in the SPA having a material adverse impact on valuation of the Cinema Business or the purchase of the Sale Shares by the Purchaser, which breach remains unremedied,

the Purchaser may elect to either exercise the Exchange Right in relation to the Deposit received by the Company or be repaid the said Deposit in full (the "**Refund Right**"); or

- (c) mm Connect having obtained approval in principle from the Singapore Exchange Securities Trading Limited Catalist board prior to the completion of the Transaction and proceeds to launch an initial public offer (the "**IPO**"), the Purchaser may elect (i) to convert the Deposit received by the Company into new ordinary shares of mm Connect at an issue price that represents a discount of 20% to the IPO price; or (ii) to exercise the Exchange Right.

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

### 3.4 **Right to match**

The Purchaser has the right to provide a matching or superior proposal ("**Matching Offer**") to the price offered by a third party pursuant to an actual, proposed or potential Superior Competing Offer ("**Competing Transaction**") and the Company shall be bound to sell all the shares in mm Connect and Cinema Business to the Purchaser on the terms of the Matching Offer.

### 3.5 **No continuing discussions and no-shop**

The Company shall, from the date in which the conditions precedent set out in paragraphs 3.2(a) and 3.2(b) (relating to due diligence and securing of financing for the Transaction) are satisfied, cease all negotiations or discussions with any person in respect of any Competing Transaction or the IPO, and shall not take any steps which may reasonably be expected to encourage or lead to the making of any offer from any person in relation to a Competing Transaction.

### 3.6 **Customary Representations and Warranties**

The SPA contains customary representations and warranties from the Company to the Purchaser in relation to the Cinema Business, and mm Connect and its subsidiaries.

### 3.7 **Completion**

Just prior to completion of the Transaction taking place, the Company will convert any outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect, at the issue price of S\$1 per share. Therefore, at completion, the Company will sell the relevant number of shares in mm Connect to the Purchaser for the consideration set out above. As the sale of the Sale Shares is on a debt and liability-free basis, such portion of the consideration which equates to the liabilities of mm Connect, principally the amounts due under the unsecured convertible notes and convertible bonds each due for redemption under the convertible debt subscription agreement entered into between the mm Connect (as issuer) and the Company (as parent company guarantor) and certain third party subscribers (the "**CB/CN**"), and under certain banking facilities, will be repaid and discharged by the Purchaser. The amount to be received by the Company will be net of such repayments.

## 4. **LISTING RULES**

As announced in the 28 July Announcement, the 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 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 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 80% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Transaction:-

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	Net asset value ("NAV") of the Sale Shares to be disposed of, compared with the Group's NAV	(37) <sup>(1)</sup>
(b)	Net profit/(loss) <sup>(2)</sup> attributable to the Sale Shares to be disposed of, compared with the Group's net profit/(loss)	(54) <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\$135.351 million <sup>(5)</sup> based on the total number of issued shares excluding treasury shares	50
(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:**

<sup>(1)</sup> Based on the NAV of the Sale Shares, being a net liability of approximately S\$63.850 million, computed based on net liability of S\$79.812 million of unaudited financial statements of mm Connect as at 31 March 2021 and multiplied by 80% shares in mm Connect, 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.

<sup>(2)</sup> 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 loss attributable to the Sale Shares for the purposes of this calculation is approximately S\$53.422 million, computed based on S\$66.777 million of unaudited net loss of mm Connect for FY2021 and multiplied by 80% shares in mm Connect. The Group's audited net loss for FY2021 was S\$98.053 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 27 August 2021 of 2,325,609,220 shares, and the weighted average price of shares transacted on 27 August 2021 of S\$0.0582 per share.*
- (6) *Based on the Consideration of approximately S\$67,840,000.*

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

The Company believes the 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 Transaction would provide more financial stability to the Group as a whole;
- 6.2 the 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 continues to grow, especially as the global lockdowns due to the pandemic, have resulted in a spike in video streaming demand;
- 6.4 the Group will be able to repay the outstanding amounts due under the CB/CN due on 31 December 2021, as announced by the Company on 21 January 2021 relating to the extension of maturity date of the CB/CN; and
- 6.5 The 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 Transaction.

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

Based on the Consideration of approximately S\$67.840 million, the Company expects to receive net proceeds of approximately S\$67.340 million (after deducting all transactions costs and expenses) from the Transaction.

The net proceeds will be used to repay the Group's existing borrowings and improve its working capital position.

## **8. FINANCIAL INFORMATION**

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

#### **8.1.1 Book Value**

Based on the Group's audited consolidated financial statements for FY2021 and assuming that 80% of the issued and paid-up share capital of mm Connect is sold to the Purchaser under the Transaction, the book value attributable to the Sale Shares as at 31 March 2021 is approximately S\$152.006 million after the conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company, into new shares in mm Connect and the repayment of loans and borrowings of the Group.

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

Based on the Group's audited consolidated financial statements for FY2021 and assuming that 80% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Transaction, the NTA attributable to the Sale Shares as at 31 March 2021 is a negative of approximately S\$20.994 million after the conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect and repayment of loans and borrowings of the Group.

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

The net book value of the Cinema Business is of S\$152.006 million after conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect and repayment of loans and borrowings of the Group. 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 SPA.

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

The expected loss arising from the Transaction will be approximately S\$84.666 million, which represents the deficit of proceeds over book value (after deducting all transaction costs and expenses), based on the Group's audited consolidated financial statements for FY2021 and assuming that 80% of the issued and paid-up share capital of mm Connect is sold to the Purchaser under the Transaction.

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

The financial effects of the Transaction on the Group, shown for illustrative purposes only and not necessarily reflecting the exact future financial position and performance of the Group immediately after completion of the Transaction, have been calculated using the latest audited consolidated

financial statements of the Group for the financial year ended 31 March 2021 and assuming that 80% of the issued and paid up share capital of mm Connect is sold to the Purchaser under the Transaction.

### 8.3.1 Share Capital

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

### 8.3.2 NTA

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

	Before the Transaction	After the Transaction	After the transaction and rights issue
NTA (S\$'000)	(78,829)	(163,495) <sup>(1)</sup>	(111,495) <sup>(1)(2)</sup>
Number of shares	1,162,804,610	1,162,804,610	2,325,609,220 <sup>(3)</sup>
NTA per shares (S\$ cents)	(6.78)	(14.06)	(4.79)

<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect and repayment of loans and borrowings of the Group.

<sup>(2)</sup> The negative NTA is after adjustment for net proceeds from rights issue of approximately \$52.00 million in 12 April 2021.

<sup>(3)</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 Transaction had been completed on 1 April 2020, the effect of the Transaction on the EPS of the Company for FY2021 is as follows:-

	Before the Transaction	After the Transaction
(Loss)/Profit attributable to Shareholders (S\$'000)	(90,777)	(175,443) <sup>(1)</sup>
Weighted average number of shares (excluding treasury shares) <sup>(2)</sup>	2,325,609,220	2,325,609,220
EPS (S\$ cents)	(3.90)	(7.54)



<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect and repayment of loans and borrowings of the Group.

<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 Borrowings of the Group

Assuming that the Transaction had been completed on 31 March 2021, the effect of the Transaction on the Group's borrowing as at 31 March 2021 is as follows:-

	Before the Transaction	After the Transaction	After the transaction and rights issue and repayment of MTN
Net Assets	174,209	158,909 <sup>(1)</sup>	210,909 <sup>(1)(3)</sup>
Total borrowings (S\$'000)	265,632	196,266 <sup>(2)</sup>	144,516 <sup>(4)</sup>
Gearing Ratio <sup>(5)</sup>	1.52	1.24	0.69

<sup>(1)</sup> The value attributable to the Sale Shares is after adjustment for conversion of all outstanding intra-group debt owed by mm Connect and its subsidiaries to the Company into new shares in mm Connect and repayment of loans and borrowings of the Group.

<sup>(2)</sup> The amount is after adjustment for repayment of the loans and borrowings of the Group pursuant to the Transaction.

<sup>(3)</sup> Adjustment for net proceeds from rights issue of approximately \$52.00 million in 12 April 2021.

<sup>(4)</sup> Adjustment for repayment of the S\$50,000,000 7.00% senior unsecured fixed rate notes pursuant to the U.S.\$300,000,000 guaranteed multicurrency medium term note programme ("MTN") amounting S\$51.75 million in 27 April 2021.

<sup>(5)</sup> Gearing ratio is derived from total borrowings divided by net assets after the Transaction

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

Save as disclosed in this announcement and as announced in the 28 July 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 Transaction.

#### 10. SERVICE CONTRACTS

As announced in the 28 July Announcement, no person is proposed to be appointed as a Director of the Company in connection with the 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. There is no certainty or assurance as at the date of this announcement that the 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  
30 August 2021