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

ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF VIVIDTHREE PRODUCTIONS PTE LTD ("TARGET COMPANY")

INTRODUCTION

The Board of Directors (the "**Board**") of mm2 Asia Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to its announcement on 3 March 2015.

The Board wishes to announce that its wholly-owned subsidiary, mm2 Entertainment Pte. Ltd ("**Buyer**"), has on 8 April 2015 entered into a sale and purchase agreement (the "**SPA**") with Yeo Eng Pu, Charles, Hong Wei Chien, and Lee Hoon Hwee (collectively, the "**Sellers**" and each a "**Seller**") for the acquisition from the Sellers of 51% of the issued and fully paid-up ordinary shares ("**Sale Shares**") of the Target Company (the "**Acquisition**").

DETAILS OF THE TARGET COMPANY

The Target Company is based in Singapore and is a leading player in Singapore's three-dimensional ("**3D**") animation field, specialising in 3D stereoscopic animation, 3D animation and visual effects for feature films and commercials. The Target Company also has a film production/content development arm. The clientele of the Target Company ranges from renowned advertising agencies to those from the corporate and government sectors.

The Target Company has an issued and fully paid-up share capital of S$50,000, consisting of 50,000 ordinary shares. Prior to the Acquisition, Yeo Eng Pu, Charles, Hong Wei Chien and Lee Hoon Hwee each owns 33%, 33% and 34% respectively of the entire issued and paid-up capital of the Target Company.

PURCHASE CONSIDERATION

Under the SPA, the total consideration payable for the Sale Shares is S$3,060,000 (the "**Consideration**"). The Consideration comprises an initial payment of S$600,000 to the Sellers upon signing of the SPA ("**Initial Consideration**"). The balance Consideration is payable to the Sellers in accordance with the Target Company's achievement of the "Earn-out Amount" as described below ("**Deferred Consideration**").

Earn-out Amount

In the event the Target Company's Net Profit After Tax ("**NPAT**") is equal to or exceeds S$2,000,000 ("**Earn-out Amount**"), based on the Target Company's audited accounts for the financial year ending on 31 May 2016 ("**FY2016 Accounts**"), the Deferred Consideration is payable within three (3) months of the delivery of the Target Company's FY2016 Accounts ("**Final Completion**") and satisfied as follows:

(a) If the volume-weighted average price of the shares of the Company over 45 market days immediately prior to the date of Final Completion ("**Reference Price**") is at or below S$0.35, the Buyer shall procure the Company to issue such number of Consideration Shares at S$0.30 per share to the Sellers in order to satisfy the Deferred Consideration ("**Consideration Shares**"), which shall be subject to a moratorium of ten (10) months from the date of their issuance and allotment to the Sellers. For the avoidance of doubt, the Consideration Shares shall be issued to the Sellers at S$0.30 per share even if the Reference Price is below S$0.30; or

(b) If the Reference Price of the shares of the Buyer is above S$0.35 at Final Completion, Buyer shall have the option to pay the Deferred Consideration to the Sellers in cash, instead of the Company issuing Consideration Shares, together with a cash bonus which is computed based on a factor of 5/30 of the Deferred Consideration payable. The Buyer may also elect to issue to the Sellers such number of Consideration Shares at S$0.30 per share, which shall also be subject to a moratorium of ten (10) months from the date of their issuance and allotment to the Sellers.

In the event the Target Company's NPAT for FY2016 is less than the Earn-out Amount, the Consideration shall be proportionately reduced according to the percentage of shortfall of the Target Company's NPAT for FY2016 against the Earn-out Amount ("**Reduced Consideration**"). In such instance, the Deferred Consideration shall be equal to the Initial Consideration subtracted from the Reduced Consideration.

The Initial Consideration and Deferred Consideration (where not paid by the issue of Consideration Shares) will be funded through internal resources of the Group.

<u>Basis of Consideration</u>

The Consideration was determined based on arm's length negotiations and arrived at on a willing-buyer and willing-seller basis. The key factor considered by the Buyer and the Company in arriving at the Consideration is the earnings and growth prospects of the Target Company having regard to its on-going and future media projects. The Consideration is based on a price-earnings ratio of three (3) times the Earn-out Amount.

<u>Final Completion</u>

The Buyer shall procure that the Company shall, on no later than one (1) month after every quarterly financial accounts of the Company from date of the SPA, pay such parts of the Net Realisable Cash ("**NRC**") to the Sellers which is computed based on the following:-

NRC payable to Sellers = (cash in hand plus account receivables less account payables), based on the financial accounts of the Company as at date of SPA, provided that such account receivables and account payables are only those identified and agreed upon by the Buyer and Sellers on or prior to date of SPA.

The NRC as per management accounts of the Target Company at end-February 2015 was approximately S$911,000. The Company will announce the value of the NRC as at date of SPA in due course.

The Target Company shall pay the NRC to the Sellers provided that (i) an amount equal to the Excluded Property Sale Price (as defined below) less any stamp duty paid or payable by the Target Company shall first be paid by the Target Company to the Sellers as soon as reasonably practicable following completion of the sale of the property presently owned by the Target Company at 67 Ubi Road 1 #10-12 Oxley Bizhub Singapore 408730 (the "**Excluded Property**" sold to the Sellers at the "**Excluded Property Sale Price**") from the Target Company to the Sellers (or their nominee), and the full payment of the Excluded Property Sale Price by the Sellers (or their nominee) to the Target Company; (ii) there is reasonably sufficient amount of cash retained in the Target Company such that the resulting net operating cashflow of the Company for such quarter after the date of the SPA is positive; (iii) the Target Company has already provided for a reasonable amount of provisions or write-off of its account receivables following such quarterly reviews and agreement by the Buyer and the Sellers; and (iv) the cumulative sum of such quarterly payments from the Target Company to the Sellers (not including the amount in (i) above) shall not exceed the amount of NRC computed in accordance with the abovementioned formula on the date of the SPA.

RATIONALE FOR THE ACQUISITION

This proposed strategic investment is aligned with the Group's plans to diversify and expand into complementary business areas within the film production value chain. With this lateral extension into 3D animation services, the Board believes the Group will strengthen its competitive advantage as a movie producer and eventually gain access to new markets, customers and business opportunities.

EVENTS OF DEFAULT

If any of the following events or circumstances shall occur on or before the date of Final Completion, the Buyer may by notice to the Sellers declare that an Event of Default has occurred. These Events of Defaults include, but are not limited to, the following:

(i) Any representation made by the Sellers to the Buyer is or proves to have been untrue, inaccurate, incomplete or misleading in any respect when made;

(ii) The Target Company enters into insolvency;

(iii) Any litigation or arbitration proceeding is instituted against the Target Company which would have a material adverse effect on the financial condition of the Target Company;

(iv) In the opinion of the Buyer, there shall occur a material adverse change in the business condition, operations, performance or prospects of the Target Company from that existing as at the date of the SPA;

(v) The Target Company's NPAT for either of the audited accounts for the financial year ending on 31 May 2015 ("**FY2015 Accounts**") or FY2016 Accounts is less than S$500,000; and

(vi) One or more of the Sellers ceasing to be an employee of the Target Company in any capacity for whatsoever reasons.

Upon the occurrence of any Event of Default, the Buyer shall be entitled to terminate the SPA and require the Sellers to buy back part or all of the Sale Shares, which price shall be calculated according to the value of the Consideration already paid to the Sellers plus any related costs and expenses incurred by the Buyer.

CALL OPTION

The Sellers agree to grant to the Buyer an option to purchase ("**Call Option**") the remaining 49% of the issued and paid-up share capital of the Target Company ("**Option Shares**") in the event that one or more of the Sellers is no longer employed by the Target Company in any capacity and for whatsoever reasons ("**Call Option Trigger Event**"), from the date of signing of the SPA till 30 September 2017 ("**Option Period**"). The Buyer is entitled to exercise the Call Option within 12 months from the occurrence of the Call Option Trigger Event, regardless of the expiry of the Option Period.

The price payable for the Option Shares under this option (the "**Option Price**") shall be calculated based on 49% of the product of a price-to-earnings multiple of three (3) times the reported NPAT in the latest audited financial statements of the Target Company prior to the exercise of the call option. The parties agree that the Option Price shall be satisfied, at the election of the Buyer, by either (i) cash or (ii) the Buyer procuring the Company to allot and issue to each Seller new shares in the Company ("**Option Price Consideration Shares**") at an issue price to be determined at a discount of ten (10)% on the average of the volume-weighted average price of the shares in the Company for the ten (10) consecutive trading days immediately prior to the date of the exercise of the call option.

In the event that the Buyer elects to pay the Option Price by procuring the Company to issue the Option Price Consideration Shares to the Sellers, the allotment and issuance of such Option Price Consideration Shares by the Company shall be subject to the approval of, *inter alia*, the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Company's shareholders in a general meeting as required by Rule 1018 of the Catalist Rules (as defined below).

THE ACQUISITION AS A DISCLOSEABLE TRANSACTION

For the purposes of Chapter 10 of the Listing Manual, Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**") and based on the audited combined financial statements of the Group for the financial year ended 31 March 2014 and disclosed in the Group's offer document dated 2 December 2014, the relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Catalist Rule	Basis of Calculation	Target Company / Sale Shares	Group	Relative Figure
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable	Not applicable	Not applicable
Rule 1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits(1)	S$693,630(2)	S$3,703,000(3)	18.73%
Rule 1006(c)	Aggregate value of Consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	S$3,470,000(4)	$53,790,894.13 (5)	6.45%
Rule 1006(d)	Number of equity securities issued by the Company as the Buyer's consideration for the Acquisition, compared with the number of equity securities previously in issue.	8,200,000(6)	206,729,032	3.97%
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable	Not applicable	Not applicable

Notes:

(1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.

(2) Based on the unaudited management accounts of the Target Company as at 31 May 2014.

(3) Based on the audited combined financial statements of the Group for the financial year ended 31 March 2014 and disclosed in the Group's offer document dated 2 December 2014.

(4) The aggregate value is the total amount that may be payable by the Buyer and/or the Company upon certain conditions described in the above section titled "Earn-out Amount" being satisfied, which is based on S$(3,060,000 + 5/30*2,460,000).

(5) The market capitalisation of the Company, determined by multiplying the 206,729,032 shares in issue as at the date of this announcement by the weighted average price of the Company's shares of S$0.2602 based on trades done on Catalist of the SGX-ST on 8 April 2015, being the last full market day preceding the date of the SPA.

(6) The number of Consideration Shares to be issued by the Company upon certain conditions described in the above section titled "Earn-out Amount" being satisfied.

As the relative figures under Catalist Rules 1006(b) and (c) for the Acquisition exceed 5% but fall below 75%, the Acquisition constitutes a "discloseable transaction" for the purposes of Chapter 10 of the Catalist Rules.

FINANCIAL EFFECTS OF THE ACQUISITION

For purposes of illustration, the financial effects of the Acquisition is based on, *inter alia*, the following assumptions:

(i) the financial effects of the Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Acquisition nor a projection of the future financial performance or position of the Group after completion of the Acquisition;

(ii) the financial effects of the Acquisition are based on the audited combined financial statements of the Group for the financial year ended 31 March 2014 and disclosed in the Group's offer document dated 2 December 2014, and the unaudited management accounts of the Target Company as at 31 May 2014;

(iii) for the purpose of computing the financial effects of the Acquisition on the net tangible asset ("**NTA**") of the Group, the Acquisition is assumed to have been completed on 31 March 2014;

(iv) for the purpose of computing the financial effects of the Acquisition on the earnings of the Group, the Acquisition is assumed to have been completed on 1 April 2013;

(v) The fair values of the net assets of the Target Group are assumed to be equivalent to the carrying amounts as at the relevant acquisition date for the purpose of computing the financial effects of the Acquisition. This may differ from the fair values of the net assets as at the actual date. As the carrying value of the net assets of the Target Company exclude the effect of fair value adjustments to the assets, liabilities and contingent liabilities, if any, arising from the Acquisition, the financial effects exclude the effects of any changes to depreciation and amortisation, and any other adjustments arising from these fair value adjustments. As the actual goodwill or gain on bargain purchase have to be determined at the completion of the Acquisition, the actual goodwill or gain on bargain purchase could be materially different from the amount derived based on the assumption used; and

(vi) The computation the NTA per share and Earnings Per Share ("**EPS**") of the Group after the Acquisition, is based on the audited combined financial statements of the Group for the financial year ended 31 March 2014 and disclosed in the Group's offer document dated 2 December 2014, and the unaudited management accounts of the Target Company as at 31 May 2014 which have not been restated to be in line with Group's financial year end of 31 March 2014. The actual results could be materially different from the amount derived from the assumption made.

Assuming that the Acquisition had been completed on 31 March 2014, the NTA per share of the Group as at 31 March 2014 would be as follows:

	Before the Acquisition	**After the Acquisition**	**After issuance of Consideration Shares**(2)
NTA(1)	S$3,772,000	S$5,072,916	S$5,072,916
Number of issued shares	206,729,032	206,729,032	214,929,032
NTA per share (Singapore cents)	1.83	2.45	2.36

Notes:
(1) NTA is computed based on total assets less total liabilities and less intangible assets before including film rights.
(2) The Consideration Shares that may be issued by the Company upon certain conditions described in the above section titled "Earn-out Amount" being satisfied.

The financial effect of the Acquisition on the earnings per share ("**EPS**") of the Company for the financial year ended 31 March 2014 assuming that the Acquisition had been effected on 1 April 2013 would be as follows:

	Before the Acquisition	**After the Acquisition**	**After issuance of Consideration Shares**(2)
Net profit attributable to owners of the Company	S$2,741,000	S$3,094,751	S$3,094,751
Weighted average number of shares used in the computation of basic EPS	206,729,032	206,729,032	214,929,032
Basic EPS(1) (Singapore cents)	1.33	1.50	1.44

Notes:
(1) Basic EPS is computed based on the weighted average number of shares for the full financial year.
(2) The Consideration Shares that may be issued by the Company upon certain conditions described in the above section titled "Earn-out Amount" being satisfied.

Assuming 8,200,000 Consideration Shares are allotted and issued, the effect of the Acquisition on the share capital of the Company, as at the date of this announcement, is as follows:

	Before the Acquisition	**After issuance of Consideration Shares**(1)
Number of shares	206,729,032	214,929,032
Proportion of shares attributable to the Consideration Shares	3.97%	3.81%

Notes:
(1) The Consideration Shares that may be issued by the Company upon certain conditions described in the above section titled "Earn-out Amount" being satisfied.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, none of the directors or controlling shareholders of the Company or their respective associates have any interest, direct or indirect, in the Acquisition, other than through their shareholdings in the Company.

SERVICE AGREEMENT(S)

No person will be appointed to the Board of the Company and/or the Buyer in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and/or the Buyer with any such person.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 1002 Jalan Bukit Merah #07-11, Singapore 159456 for three (3) months from the date of this announcement.

Shareholders and potential investors should note that the Acquisition is subject to the fulfilment (or waiver) of, *inter alia*, warranties and undertakings by the Sellers, and that no Event of Default shall occur between signing of the SPA and Final Completion. Accordingly, shareholders and potential investors should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Melvin Ang
Chief Executive Officer and Executive Director
8 April 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements of opinions made or reports contained in this announcement.

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