

**SUPPLEMENTAL TERM SHEET AND SALE OF BUSINESS AGREEMENT IN RELATION TO THE  
PROPOSED ACQUISITION OF BUSINESS OF MEGA CINEMAS MANAGEMENT SDN BHD**

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**1 INTRODUCTION**

- 1.1 The board of directors (the “**Directors**”) of mm2 Asia Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 20 August 2015 (the “**Mega Cinemas Acquisition Announcement**”) relating to the entry by the Company into a binding term sheet (the “**Term Sheet**”) with Mega Cinemas Management Sdn Bhd (the “**Seller**”) for the acquisition (the “**Proposed Acquisition**”) from the Seller of the Business. The Directors also refer to the announcement dated 27 January 2016 (the “**Mega Cinemas LQN Announcement**”) in relation to the listing and quotation notice issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Mega Cinemas LQN**”) in relation to the listing and quotation of up to 4,972,279 new ordinary shares in the capital of the Company (the “**Shares**”) to be allotted and issued by the Company as Consideration Shares in respect of the First Tranche Payment upon completion of the Proposed Acquisition (the “**Completion**”).
- 1.2 The Board wishes to announce that the Company has on 5 May 2016 entered into a supplemental term sheet (the “**Supplemental Term Sheet**”) with the Seller to vary, *inter alia*, the Purchase Consideration of the Proposed Acquisition, as set out in greater detail in paragraph 4 of this announcement.
- 1.3 The Board wishes to further announce that the Company’s wholly owned subsidiary, mm2 Screen Management Sdn Bhd (“**mm2 Screen**”), has on 5 May 2016 entered into a sale of business agreement (the “**SBA**”) with the Seller in relation to the Proposed Acquisition.
- 1.4 All capitalised terms in this announcement shall, unless otherwise defined herein, have the same meanings ascribed to them in the Mega Cinemas Acquisition Announcement.

**2 INFORMATION ON THE BUSINESS**

- 2.1 The Seller is involved in the business of cinema management and operations. The Seller has an authorised capital of Malaysian Ringgit (“**RM**”) 5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each, out of which 1,500,000 ordinary shares have been issued and fully paid-up. It currently operates three (3) cinemas in the following locations in Malaysia:
- (a) Lots 4-07 and 4-07A and part of Lot 4-06, Level 4, Megamal Pinang, No. 2828 Jalan Baru, Bandar Perai Jaya, 13600 Seberang Perai Tengah, Pulau Pinang (“**Mega Cineplex Perai**”);
  - (b) F-1, Persiaran Dagang, Pusat Bandar Bertam Perdana, 13200 Kepala Batas (“**Mega Cineplex Bertam**”); and
  - (c) Level 10, Langkawi Parade, Pokok Asam, Kuah, 07000 Langkawi, Kedah Darul Aman (“**Mega Cineplex Langkawi**”, and together with Mega Cineplex Perai and Mega Cineplex Bertam, the “**Cinema Properties**”).
- 2.2 Mega Cineplex Perai was established in 2004, and currently has six screens with a total of 1,420 seats. Mega Cineplex Bertam was established in 2013, and currently has four screens with a total of 756 seats. Mega Cineplex Langkawi was established in 2011, and currently has 3 screens with a total of 536 seats. It is the only cinema on the island of Langkawi, Malaysia.

- 2.3 The book value and net tangible asset value of the Business as at 31 October 2015, was RM2,928,120 (approximately S\$992,583 based on the Bank Negara Malaysia exchange rate of S\$1 to RM2.95 as of 5.00 p.m. on 5 May 2016 (the “**Current Exchange Rate**”), the date of the Supplemental Term Sheet and the SBA).
- 2.4 The Seller is the beneficial owner of the entirety of the Business. The Seller is not related to the Directors or controlling shareholders of the Company, and their respective associates.

### 3 RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company’s intention to diversify into the downstream value chain of film production. The Company believes this will complement its current and future businesses, strengthening its competitive advantage through the ownership of cinemas, as well as providing a source of recurring income to the Group.

### 4 PURCHASE CONSIDERATION FOR THE BUSINESS

- 4.1 The purchase consideration payable by the Company to the Seller for the Business is RM22,000,000 (the “**Purchase Consideration**”). Instead of the several tranches of payment for the Purchase Consideration as set out in the Mega Cinemas Acquisition Announcement, the Supplemental Term Sheet and the SBA specify that the Purchase Consideration is payable no later than thirty (30) days after the date of the Completion of the Proposed Acquisition (the “**Completion Date**”) in the following manner:

- (a) RM13,000,000 in cash less the Earnest Money of RM220,000, which Earnest Money was paid by the Company upon the execution of the Term Sheet; and
- (b) RM9,000,000 in new Shares (“the **Consideration Shares**”), such number of Consideration Shares to be calculated by applying the Applicable Exchange Rate to RM9,000,000, divided by the Issue Price and multiplied by two (2), taking into account the Share Split, and represented by the formula:

$$[RM9,000,000 \div \text{Applicable Exchange Rate}] \div \text{Issue Price} \times 2$$

where:

“**Applicable Exchange Rate**” refers to the Singapore Dollar to Malaysia Ringgit exchange rate as of the date prior to the Completion Date in accordance with the SBA. For the avoidance of doubt, the Mega Cinemas LQN assumes that the Applicable Exchange Rate is no lower than S\$1 to RM2.85 (the “**Minimum Exchange Rate**”);

“**Issue Price**” refers to the issue price as set on 20 August 2015 per Consideration Share of S\$0.6351; and

“**Share Split**” refers to the share split of every one (1) ordinary share in the capital of the Company into two (2) ordinary shares as completed on 1 March 2016.

For the avoidance of doubt, the Earnest Money is non-refundable, unless Completion does not occur due to the Seller’s failure to fulfil any of its obligations in accordance with the terms of the SBA, in which case the Seller shall repay the Earnest Money within thirty (30) days upon receiving written notice from mm2 Screen.

- 4.2 The terms relating to the manner of payment of the Purchase Consideration differ from those set out in paragraph 4 of the Mega Cinemas Acquisition Announcement. mm2 Screen currently has in place a full cinema management team, which has been running the cinema business acquired by mm2 Screen as announced on SGXNET on 17 August 2015 and 2 November 2015. Upon Completion of the Proposed Acquisition, mm2 Screen intends to take

over management control of the Business. This will allow the mm2 Screen cinema management team to have greater operational and cost efficiency through its consolidated management of all the cinemas within the Group. In this respect, the Company has dispensed with the original tiered structure of the Purchase Consideration as the Seller's current management team will relinquish their management responsibilities upon Completion.

- 4.3 The Purchase Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the prevailing market conditions of the cinema industry and the capabilities and synergies between the Group and the Business. No independent valuation has been conducted on the Business.
- 4.4 The cash consideration of RM13,000,000 less the Earnest Money of RM220,000 will be funded via bank borrowings and internal cash resources.

## 5 SHARE ISSUE MANDATE FOR THE ISSUE OF CONSIDERATION SHARES

### 5.1 Maximum number of Consideration Shares

As the exact number of Consideration Shares will only be determined in accordance with the Applicable Exchange Rate, the Company has received the Mega Cinemas LQN (as announced in the Mega Cinemas LQN Announcement) to issue up to 4,972,279 Consideration Shares on the assumption that the Applicable Exchange Rate is no lower than the Minimum Exchange Rate of S\$1 to RM2.85. Pursuant to the Share Split, the Company had also received the listing and quotation notice from the SGX-ST for up to 230,834,093 additional Shares (the "**Share Split LQN**"), wherein the Share Split LQN included the maximum number of Consideration Shares that would be issued pursuant to the Proposed Acquisition and calculated in accordance with this paragraph. Accordingly, the maximum number of Consideration Shares that may be issued by the Company is 9,944,558.

Please note that the Mega Cinemas LQN is not to be taken as an indication of the merits of the Consideration Shares, the Proposed Acquisition, the Company, its subsidiaries and their securities. Please also note that the Share Split LQN is not to be taken as an indication of the merits of the Share Split, the Additional Shares (as defined in the announcement in relation to the Share Split LQN), the Additional Listco's New Shares (as defined in the announcement in relation to the Share Split LQN), the Company, its subsidiaries and their securities.

### 5.2 2015 Share Issue Mandate

The Consideration Shares will be issued pursuant to the share issue mandate given by the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company held on 22 July 2015 for the Directors of the Company to allot and issue Shares, whereby the aggregate number of Shares to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares) as at 22 July 2015 (the "**2015 Share Issue Mandate**") in the case where Shares are issued other than on a pro rata basis to existing Shareholders. The total number of issued Shares as at the date of the 2015 Share Issue Mandate passed was 206,729,032 Shares, and adjusted for the Share Split would amount to 413,458,064 Shares. Thus, taking the Share Split into consideration, the maximum number of Shares that may be issued pursuant to the Share Split is 206,729,032 Shares. The allotment and issue of the Consideration Shares will thus fall within the limit of the 2015 Share Issue Mandate.

The maximum number of Consideration Shares, when allotted and issued in full, will represent approximately 2.20% of the Company's existing and paid-up capital of 452,430,506 Shares as at the date of this Announcement, and approximately 2.15% of the enlarged issued and paid-up share capital of 462,375,064 Shares upon the allotment and issuance of the Consideration Shares (assuming that no further Shares are issued on or prior to the allotment and issuance of the Consideration Shares).

## 6 CONDITIONS PRECEDENT UNDER THE SBA

Completion of the Proposed Acquisition will take place five (5) business days after the last of the conditions precedent in the SBA are fulfilled or waived. The conditions precedent to Completion (the “**Conditions Precedent**”) include the following:

- 6.1 mm2 Screen confirms that the results of the financial and legal due diligence process conducted by the Company on the Business and the fixed assets of the Seller used in or forming part of the Business, are satisfactory to mm2 Screen;
- 6.2 mm2 Screen being reasonably satisfied that, based on the Seller’s management accounts, that the Business has produced net profit before tax of at least RM1,000,000 for the six (6) months ended 31 July 2015;
- 6.3 mm2 Screen obtaining all third party licences necessary for the operation of the Business, including but not limited to such licences from the National Film Development Corporation Malaysia. The Seller shall extend all reasonable assistance to co-operate with and assist mm2 Screen to apply for all licences;
- 6.4 mm2 Screen shall deliver to the Seller a certified true copy of the resolution from its shareholder and board of directors authorising mm2 Screen to enter into and execute the SBA, and the Consideration Shares being approved for listing and quotation by the SGX-ST;
- 6.5 the Seller obtaining the renewal for the Public Entertainment Licence in relation to the Cinema Properties;
- 6.6 the Seller procuring the landlord(s) of the three Cinema Properties to novate or agree to novate the tenancies relating thereto to mm2 Screen (or its nominee) on terms that the remaining tenure of each tenancy shall be at least ten (10) years;
- 6.7 all required consents as may be required for the sale of the Business pursuant to the terms of the SBA, and where any consent or approval is subject to conditions, such conditions being reasonably satisfactory to mm2 Screen;
- 6.8 the Seller shall deliver to mm2 Screen a certified true copy of the shareholders and board of directors of the Seller authorising the Seller to enter into and execute the SBA and to sell the Business to mm2 Screen upon the terms of the SBA;
- 6.9 there being no material adverse change in the nature, conduct, assets, position (financial or trading), profits or prospects of the Business and no contract, licence or financial agreement that is material to the Business being terminated, revoked or having its terms materially and adversely amended;
- 6.10 the representations and warranties of the Seller as set out in the SBA remaining true and accurate in all material respects and not misleading in any material respect, as if repeated at any time before and on Completion, by reference to the facts and circumstances then existing;
- 6.11 there being no material breaches of any covenants, undertakings and agreements required to be performed or caused to be performed by the Seller under the SBA on or before the Completion Date; and
- 6.12 mm2 Screen or the Seller not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the SBA or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened.
- 6.13 mm2 Screen may waive all or any of the Conditions Precedent at any time by notice in writing to the Seller, save for paragraph 6.4 above.

In the event that any of the Conditions Precedent is not fulfilled or waived on or before the Long-Stop Date, which shall be two (2) months from the date of the SBA (or such other date as mm2 Screen and the Seller may mutually agree in writing), the Seller and mm2 Screen shall not be bound to proceed with the sale and purchase of the Business.

## 7 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 7.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Proposed Acquisition taken as a whole are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2015 and the audited accounts prepared by the Seller in relation to the Business for the financial period between 5 September 2014 (the Seller's date of incorporation) and 31 October 2015, and do not necessarily reflect the actual future financial position and performance of the Group following Completion of the Proposed Acquisition.

The financial effects of the Proposed Acquisition have been computed based on the following assumptions:

- (a) the financial effects on the Group's net tangible assets (the "NTA") attributable to Shareholders and the NTA per Share have been computed assuming that the Proposed Acquisition was completed on 31 March 2015;
- (b) the financial effects on the Group's earnings attributable to the Shareholders and earnings per Share ("EPS") have been computed assuming that the Proposed Acquisition was completed on 1 April 2014;
- (c) an aggregate of 9,944,558 Consideration Shares are issued at the issue price of S\$0.31755 (being half of the Issue Price of S\$0.6351, taking into account the Share Split) for each Consideration Share;
- (d) costs and expenses in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects; and
- (e) the number of Shares before Completion has been computed as of the date of this announcement, taking into account the Share Split and all Shares that have been issued by the Company pursuant to the conversion of certain outstanding convertible securities and the placement of Shares.

### 7.2 Share Capital

	Before Completion	After Completion and issuance of Consideration Shares
Number of Shares	452,430,506	462,375,064
Issued and paid-up share capital	S\$59,925,805.39	S\$63,083,699.78

### 7.3 NTA per Share

	Before Completion	After Completion and issuance of Consideration Shares
NTA attributable to Shareholders	S\$19,180,627	S\$22,231,474
Number of Shares	452,430,506	462,375,064
NTA per Share attributable to Shareholders (cents)	4.24	4.81

## 7.4 EPS

	Before Completion	After Completion and issuance of Consideration Shares
Net profit attributable to Shareholders	S\$5,083,524	S\$5,567,632
Weighted average number of Shares	452,430,506	462,375,064
EPS (cents)	1.12	1.20

## 8 RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING RULES

8.1 For the purposes of Chapter 10 of the Listing Manual, Section B: Rules of Catalist of the SGX-ST (the “Listing Rules”) and based on the latest announced audited financial statements of the Group for the financial year ended 31 March 2015 and the audited accounts prepared by the Seller in relation to the Business for the financial period between 5 September 2014 (the Seller’s date of incorporation) and 31 October 2015, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Rules are as follows:

Listing Rule	Content	Business	Group	Relative Figure
1006(a)	The net asset value of the assets to be disposed of, compared with the group’s net asset value. This basis is not applicable to an acquisition of assets.	Not applicable		
1006(b)	The net profits attributable to the assets acquired, compared with the Group’s net profits. <sup>(1)</sup>	S\$635,281 <sup>(2)</sup>	S\$6,580,142 <sup>(3)</sup>	9.65%
1006(c)	The aggregate value of the consideration given, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares.	S\$7,457,627 <sup>(2)</sup>	S\$244,357,716 <sup>(4)</sup>	3.05%
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	9,944,558 <sup>(5)</sup>	452,430,506	2.20%
1006(e)	The 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 and gas company, but not to an acquisition of such assets.	Not applicable		

### Notes:

- (1) For the purpose of computation of these figures, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the Current Exchange Rate of S\$1 to RM2.95.
- (3) Based on the Group’s latest audited consolidated full year profits before income tax, minority interests and extraordinary items for the financial year ended 31 March 2015 of S\$6,580,142.
- (4) The market capitalisation of the Company, determined by multiplying the 452,430,506 Shares in issue as at the date of this announcement by the weighted average price of the Company’s shares of approximately S\$0.5401 on 4 May 2016, which is the market day preceding the date of the Supplemental Term Sheet and the SBA.

(5) As the exact number of Consideration Shares will only be determined in accordance with the Applicable Exchange Rate, the Company may issue up to 9,944,558 Consideration Shares on the assumption that the Applicable Exchange Rate is no lower than the Minimum Exchange Rate of S\$1 to RM2.85.

8.2 The relative figures computed under Rule 1006(b) of the Listing Rules exceeds 5% but is less than 75%. Accordingly, the Proposed Acquisition constitutes a “*Discloseable Transaction*” as defined under Chapter 10 of the Listing Rules.

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

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, directly or indirectly, in the Proposed Acquisition.

## **10 SERVICE AGREEMENT**

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

## **11 DOCUMENTS FOR INSPECTION**

The Supplemental Term Sheet and the SBA shall be available for inspection at the Company’s registered office at 1002 Jalan Bukit Merah #07-11, Singapore 159456, during normal business hours for a period of three (3) months from the date of this announcement.

## **12 FURTHER ANNOUNCEMENTS**

The Company will make such further announcement(s) to keep Shareholders informed, as and when there are further updates or developments in due course.

## **13 RESPONSIBILITY STATEMENT**

The Directors of the Company (including any Director who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

## **14 CAUTIONARY STATEMENT**

Shareholders and potential investors should exercise caution when trading in the Shares, as there is no certainty that Completion will take place. In the event of any doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

**By Order of the Board**

Melvin Ang Wee Chye  
Chief Executive Officer and Executive Director  
6 May 2016

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*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 or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581. Telephone (65) 64159886.*