



## **mm2 Asia Ltd.**

(Company Registration No. 201424372N)  
(Incorporated in Singapore)  
(the "Company")

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### **PROPOSED ACQUISITION OF THE CATHAY CINEPLEXES BUSINESS – SIGNING OF OPTION AGREEMENT FOR THE PROPOSED ACQUISITION OF 100% OF THE SHARES IN CATHAY CINEPLEXES PTE LTD BY MM2 ASIA LTD**

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#### **1. INTRODUCTION**

The Board of Directors (the "**Board**") of mm2 Asia Ltd. (the "**Company**", and, together with its subsidiaries, the "**Group**") is pleased to announce that it has today entered into an option agreement with Cathay Organisation Private Limited (the "**Seller**" or "**Cathay Organisation**") for the purchase by the Group of the Cathay cinema operations in Singapore (the "**Option Agreement**").

Comprising 8 cinemas, Cathay Organisation is one of the best established cinema operators in Asia and a household name in Singapore.

Cathay Organisation was founded in 1935 in Singapore by Mrs Loke Yew and her son, Dato Loke Wan Tho. Throughout its long history, Cathay Organisation has been at the forefront of Singapore's cinema industry.

#### **2. INFORMATION ON THE PROPOSED ACQUISITION**

##### **2.1 Information on the Seller**

The acquisition will involve the purchase of 100% of the issued and paid-up shares, comprising 5,000,000 ordinary shares (the "**Sale Shares**"), of Cathay Cineplexes Pte Ltd ("**Cathay Cineplexes**"), which will also own the "Cathay" brand and marks along with all its associated intellectual property rights related to the Cathay Cineplexes business (the "**Proposed Acquisition**"). The Seller is a private company limited by shares which is incorporated in Singapore. As at the date of this announcement, the Seller has an issued and paid-up share capital of \$5,000,000 comprising 5,000,000 ordinary shares which are 48.85% owned by Equus Holdings Private Limited, and 51.15% owned by Ms Choo Meileen. Ms Choo Meileen is the Managing Director of the Seller, the granddaughter of Mrs Loke Yew and the niece of Dato Loke Wan Tho (the founders of the Cathay Organisation group).

## 2.2 Information on Cathay Cineplexes

Cathay Cineplexes forms part of the Seller's group of companies. It operates cinemas in 8 locations across Singapore, with a total of 64 screens or 11,569 seats. The locations are in both central and heartland areas, namely: Cineleisure Orchard, The Cathay, Causeway Point, AMK Hub, Downtown East, West Mall, JEM, and Parkway Parade. Its current business operations lie primarily in the entertainment industry in film exhibition and cinema management (the "**Cathay Cineplexes Business**"). Cathay Cineplexes is a wholly-owned subsidiary of the Seller.

## 2.3 Rationale for and benefits of the Proposed Acquisition

The Group began undertaking certain cinema business acquisitions in 2015 in the region to provide an additional source of recurring income and growth for the Group. In July 2017, the Company obtained a mandate from its shareholders in general meeting for the diversification of its core business to include the cinema management and operations business. To date, the Group has completed the acquisition of certain cinema-related businesses in Malaysia and Hong Kong. The Proposed Acquisition is a strategic investment by the Group in line with the Group's overarching strategy to diversify into the downstream value chain of film production. The Company believes that the acquisition of Cathay Cineplexes, which is a strong signal of the Group's commitment to the business in Singapore, will also complement its other cinema operations. The Proposed Acquisition is also a purchase of a piece of Singapore's entertainment history.

Having considered the terms of the Proposed Acquisition and based on the benefits of the Proposed Acquisition to the Group, the Directors are of the view that the Proposed Acquisition, which is in the ordinary course of the Group's current business, is in the best interests of the Group.

## 2.4 Terms of the Proposed Acquisition

The principal terms of the Proposed Acquisition are set out below:-

2.4.1 Under the Option Agreement, the Purchaser has been granted a call option by the Seller (the "**Call Option**"), and the Seller has been granted a put option by the Purchaser (the "**Put Option**") (the Call Option and the Put Option collectively, the "**Options**") for the purchase of all the Sale Shares free from all encumbrances and together with all rights and advantages attaching to them as at completion, on the terms and subject to the conditions of the Option Agreement. Completion of the Proposed Acquisition is expected to take place on or about 24 November 2017 (unless extended by agreement of the parties and/or in accordance with the terms of the Option Agreement) upon exercise of the Options.

2.4.2 The total consideration payable for the Proposed Acquisition is S\$230,000,000 (the "**Aggregate Consideration**") payable in cash, comprising (a) a deposit of S\$15,000,000 payable to the Seller upon the execution of the Option Agreement; and (b) the balance of S\$215,000,000 (the "**Balance Amount**") which shall be paid to the Seller on or before the date falling six months after the date of the Option Agreement. To secure the payment of the Balance Amount, the Company will grant a first ranking share charge over the Sale Shares at completion in favour of the Seller.

The Aggregate Consideration has been determined taking into account the following factors:-

- (a) the adjusted Earnings Before Interest Depreciation and Amortisation expense of Cathay Cineplexes, which amounted to S\$16,660,000 for the financial year ended 31 December 2016 ("**2016 EBITDA**");
- (b) the present and future revenue from the new operations of Cathay Cineplexes at Parkway Parade which comprise 7 movie screens, which operations only commenced in September 2017 (and as such were not included in the 2016 EBITDA), estimated at approximately S\$21,000,000; and
- (c) the intrinsic brand value associated with ownership of the "Cathay Cineplexes" brand for the business of cinema operations including cinema exhibition, consultation, design and management, and for movie and content distribution and production for Singapore and Asia, and the value of the longstanding working relationships with studios globally, which in total are estimated to be in the range of S\$24,000,000 to S\$30,000,000.

## 2.5 Continuity of Staff and Operations

The Option Agreement provides that the Purchaser will retain the employees of the Seller related to the Cathay Cineplexes Business. The Parties will also enter into a management and consultancy agreement for the Seller to provide management services to the Company and/or Cathay Cineplexes for a period of 6 months from the date of completion to ensure a smooth transition, for a management fee and on terms to be agreed.

## 3. **SOURCE OF FUNDS**

The Proposed Acquisition will be funded entirely through funds raised through the Company's internal cash resources and borrowings (whether from banks and/or the debt capital markets).

#### **4. VALUE OF THE ASSETS**

The Proposed Acquisition is not expected to have a significant adverse impact on the Group's earnings per share, net tangible assets per share, working capital or gearing, based on the latest audited consolidated financial statements of the Group for financial year ended 31 March 2017.

#### **5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

To the best of the knowledge of the Directors, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than their respective shareholding interests in the Company, if any).

#### **6. SERVICE CONTRACTS**

No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisition. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Acquisition.

#### **7. FURTHER ANNOUNCEMENTS**

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

#### **8. 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, 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.

## **9. CAUTIONARY STATEMENT**

Shareholders and potential investors should exercise caution when trading in the Company's shares, as there is no certainty that completion of the Proposed Acquisition 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  
Executive Chairman  
2 November 2017