

mm2 Asia Ltd.
(Company Registration No. 201424372N)
(Incorporated in Singapore)

SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF CERTAIN BUSINESSES AND ASSETS FROM CATHAY CINEPLEXES SDN BHD (THE “TARGET BUSINESS”)

1. INTRODUCTION

All capitalised terms in this announcement shall, unless otherwise defined herein, have the same meanings ascribed to them in the Announcement (as defined below).

The board of directors (the “**Board**”) of mm2 Asia Ltd. (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to its announcement on 30 April 2015 (the “**Announcement**”). The Board wishes to announce that the Company’s wholly-owned Malaysian subsidiary, MM2 Screen Management Sdn Bhd (a company incorporated in Malaysia with registration number 1150149-M and registered office at Suite B-11-7-B, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur) (“**MM2 Screen**”), has entered into a sale and purchase agreement (the “**SPA**”) with Cathay Cineplexes Sdn Bhd (a company incorporated in Malaysia with registration number 423011-V and registered office at G-01, Residensi Kia Peng, No. 12, Jalan Kia Peng, 50450 Kuala Lumpur) (“**CCSB**”) for the acquisition from CCSB of the Target Business carried on at the following locations as a going concern (the “**Acquisition**”):

- (a) Cathay Cineplex Damansara, e@Curve, No. 2A Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia (“**Cathay Cineplex Damansara**”); and
- (b) Cathay Cineplex City Square, Johor Bahru City Square, 106-108 Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim, Malaysia (“**Cathay Cineplex City Square**”).

The completion of the Acquisition (“**Completion**”) is expected to be on or before 30 September 2015 (“**Completion Date**”).

2. INFORMATION ON THE TARGET BUSINESS

CCSB operates cinemas at the abovementioned two (2) locations in Malaysia with a combined total of 30 screens. Cathay Cineplex City Square was established in 2006 and now holds 14 screens with 2,826 seats in total and is the largest multiplex outside the Klang Valley region. Cathay Cineplex Damansara was established in 2006 and holds 16 screens with 2,472 seats in total and is currently the largest multiplex in Petaling Jaya.

3. RATIONALE FOR THE ACQUISITION

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

4. PURCHASE CONSIDERATION

The total consideration for the Target Business is Malaysian Ringgit (“MYR”) 40 million (the “**Purchase Consideration**”). The Purchase Consideration is payable in the following tranches:

- (a) 1% which was already paid to CCSB upon the signing of the MOU, and this is non-refundable (the “**First Payment**”);
- (b) 19% was paid to CCSB upon the execution of the SPA (the “**Second Payment**”);
- (c) 31% payable upon the Completion of the Acquisition (the “**Third Payment**”); and]
- (d) 49% payable in instalments every six (6) months over 18 months (the “**Balance Payment**”), the first instalment to be made six (6) months from the Completion Date. This tranche of 49% will be subject to interest chargeable by CCSB at a rate of 1.25% per annum above the Kuala Lumpur Inter-Bank Offer Rate at a daily basis. MM2 Screen shall procure from the Company an irrevocable and unconditional corporate guarantee for the payment of the Balance Payment and all related accrued interest (the “**MM2 Corporate Guarantee**”). The MM2 Corporate Guarantee shall be given to the Seller on or before the Completion Date.

The Purchase Consideration was arrived at on a willing buyer, willing seller basis taking into account the following factors:-

- (a) the market position and location of the Target Business;
- (b) the rationale for the Acquisition as elaborated in section 3 above; and
- (c) the net value of the assets acquired is MYR 22,798,070, according to the due diligence report on the Target Business.

The Company is funding the Acquisition through its internal resources and the proceeds of the recent completed fund-raising activities, namely the Convertible Note Subscription Agreement and the Exchangeable Note Subscription Agreement which were completed on 22 July 2015 and 6 August 2015 respectively.

5. CONDITIONS PRECEDENT

The obligation of the Parties to complete the Acquisition is subject to the fulfilment, on or prior to the Completion Date, of the following conditions, amongst others:-

- (a) The licences required to carry on the cinema business at the two (2) locations stated in section 1 of this announcement are issued by the National Film Development Corporation Malaysia (“**FINAS**”);
- (b) CCSB having procured execution by the respective landlords of the necessary documents required to novate in favour of MM2 Screen the respective tenancies at the two (2) cinema premises stated in section 1 of this announcement; and
- (c) MM2 Screen confirms that the results of the due diligence performed on the Target Business are satisfactory to MM2 Screen.

6. CONSULTANCY AGREEMENT

Pursuant to the Acquisition, the Company's wholly-owned subsidiary, mm2 Entertainment Pte Ltd (a company incorporated in Singapore with registration number 200920124K and its registered office at 1002 Jalan Bukit Merah #07-11, Singapore 159456) ("**MM2 EPL**"), has entered into a consultancy agreement ("**Consultancy Agreement**") with Cathay Cineplexes Pte Ltd (a company incorporated in Singapore with registration number 199805262C and its registered office at 22 Martin Road, #03-01, Singapore 239058) (the "**Consultant**"). Under this Consultancy Agreement, MM2 EPL will engage the expertise and experience of the Consultant to provide consultancy services in the areas of finance, human resources, cineplex operations, marketing and sales, and programming and vista ticketing.

The appointment of the Consultant shall be for a period of six (6) months from Completion of the SPA.

In consideration of the Consultant providing the abovementioned consultancy services, MM2 EPL shall pay a monthly fee of 0.5% of the Client's and/or its nominee's' net cineplex box office receipts and food and beverage collections of MM2 Screen, or a fixed monthly fee of S\$11, 000, whichever is higher.

7. LICENCE TO USE THE "CATHAY" BRAND NAME

On the condition that MM2 Screen or MM2 EPL has in force the abovementioned Consultancy Agreement with Cathay Cineplexes Pte Ltd, CCSB shall grant MM2 Screen or MM2 EPL the right to use the "Cathay" name in the Target Business in Malaysia for a maximum period of six (6) months from the Completion Date, subject to the terms and conditions of use set out in the Consultancy Agreement.

Upon the expiry of such six-month period or termination of the Consultancy Agreement, whichever is earlier, MM2 Screen shall, and as the case may be procure that MM2 EPL shall, immediately cease the use of the "Cathay" name in any manner whatsoever in all its public and internal documents and all other materials used by MM2 Screen or MM2 EPL, as the case may be.

8. THE ACQUISITION AS A DISCLOSEABLE TRANSACTION

For the purposes of Chapter 10 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**"), the relative figures of the Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Catalyst Rules are as follows:

Rule	Basis of Calculation	Target Business	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\$875,393 ⁽²⁾	S\$6,580,142 ⁽³⁾	13%
Rule 1006(c)	Aggregate value of Purchase Consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding	S\$14,146,773	S\$134,332,525 ⁽⁴⁾	11%

	treasury shares			
Rule 1006(d)	Number of equity securities issued by the Company as Purchase Consideration for the Acquisition, compared with the number of equity securities previously in issue.	Not applicable	206,729,032	Not Applicable
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 Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) As per the due diligence report on the Target Business, EBITDA (MYR4,754,980) minus depreciation of 10% (MYR2,279,807) of 2013 Net Book Value of assets (MYR22,798,070).
- (3) Based on the Group's latest audited announced consolidated full year profits before income tax, minority interests and extraordinary items for the financial year ended 31 March 2015 ("FY2015") of S\$6,580,142.
- (4) 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\$0.6498 based on trades done on the SGX-ST on 14 August 2015, being the market day preceding the date of the SPA.
- (5) Based on Bank Negara Malaysia, the exchange rate applied in the above computations was MYR2.8275 to S\$1, as on 12 August 2015.

As the relative figures computed on the bases set out in Rule 1006(b) and (c) of the Catalist Rules exceed 5%, the Acquisition constitutes a discloseable transaction. The Acquisition is not a major transaction for the purposes of Chapter 10 of the Catalist Rules because none of the relative figures computed on the bases set out in Rule 1006 exceeds 75%.

9. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on the Group are set out below. The pro forma financial effects have been prepared based on the audited accounts of the Group for FY2015 and the unaudited accounts of the Target Business for the 12 months ended 31 December 2014. These pro forma financial effects of the Acquisition are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group immediately following the Completion of the Acquisition.

For the purposes of illustrating the financial effects of the Acquisition, the financial effects have been prepared based on, *inter alia*, the following assumptions:

- (a) The financial effects of the Acquisition on the Group's earnings per share ("**EPS**") are computed assuming that the Acquisition was completed on 1 April 2014;
- (b) The financial effects of the Acquisition on the consolidated net tangible assets ("**NTA**") of the Group are computed assuming that the Acquisition was completed on 31 March 2015;
- (c) Costs and expenses in connection with the Acquisition are disregarded for the purposes of calculating the financial effects; and

- (d) The fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Acquisition, if any, have not been considered for the purpose of computing the financial effects of the Acquisition. Any goodwill arising thereon from the Acquisition will be accounted for in accordance with the accounting policies of the Company.

Share Capital

	Before the Acquisition	After the Acquisition
Number of issued shares	206,729,032	206,729,032
Issued share capital	S\$47,883,612	S\$47,883,612

EPS

	Before the Acquisition	After the Acquisition
Consolidated net profit attributable to shareholders	S\$5,083,524	S\$5,958,917
Weighted average number of issued shares outstanding as at 31 March 2015	206,729,032	206,729,032
Consolidated EPS (Singapore cents)	2.46	2.88

NTA

	Before the Acquisition	After the Acquisition
NTA of the Group	S\$19,180,627	S\$19,180,627
Number of issued shares	206,729,032	206,729,032
Consolidated NTA per share (Singapore cents)	9.28	9.28

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the Acquisition (other than through their direct or indirect shareholdings in the Company).

11. DIRECTORS' SERVICE CONTRACT

As at the date of this announcement, the Company has not entered into any service contract with any person proposed to be appointed as a Director in connection with the Acquisition.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) to keep shareholders informed, as and when there are further updates pertaining to the above matter or if there are any material developments.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

14. RESPONSIBILITY STATEMENT

The Directors 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 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 this 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 this announcement in its proper form and context.

By Order of the Board

Melvin Ang
Chief Executive Officer and Executive Director
17 August 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 or opinions made or reports contained in this announcement.

The contact person for the sponsor is Ms. Joan Ling, Senior Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581. Telephone (65) 64159886.