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

TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF BUSINESS OF MEGA CINEMAS MANAGEMENT SDN BHD (THE "BUSINESS")

1. INTRODUCTION

The board of directors (the "**Directors**" or the "**Board**") of mm2 Asia Ltd. (the "**Company**" or the "**Buyer**"), and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into a binding term sheet (the "**Term Sheet**") with Mega Cinemas Management Sdn Bhd (Malaysia Company Registration No. 1107923-W with its registered address at No. 4348, Jalan Heng Choon Thian, 12000 Butterworth, Province Wellesley, Penang, Malaysia) (the "**Seller**") for the acquisition (the "**Proposed Acquisition**") from the Seller of the Business at the following locations as a going concern:

(a) Lots 4-07, 4-07[A], and part of Lot 4-06
Tingkat 4, Megamal Pinang, No. 2828, Jalan Baru, Bandar Perai Jaya, 13600 Seberang Jaya, Pinang ("**Mega Cineplex Prai**");

(b) Level 10
Langkawi Parade
Pokok Asam, Kuah
07000 Langkawi, Kedah Darul Aman ("**Mega Cineplex Langkawi**"); and

(c) F-1, 1 Persiaran Dagangan, Pusat Bandar Bertam Perdana, 13200 Kepala **("Mega Cineplex Bertam**")**.**

Pursuant to the Term Sheet, the Company and the Seller (collectively, the "**Parties**" and each a "**Party**") shall do and execute or procure to be done and executed all such further acts, deeds, things and documents as may be necessary to give effect to the terms of the Term Sheet.

The Seller is an unrelated third party vis-a-vis the Company, its Directors and controlling shareholders.

2. INFORMATION ON THE BUSINESS

The Seller operates cinemas at three (3) locations in northern Malaysia with a combined total of 13 screens. Mega Cineplex Prai was established in 2004 and now holds 6 screens with a total of 1420 seats. Mega Cineplex Langkawi, which is the only cinema on the island of Langkawi, was established in 2011 and holds 3 screens with a total of 536 seats. Mega Cineplex Bertam was established in 2013 and holds 4 screens with a total of 756 seats.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company's intention to diversify and expand into business opportunities in 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

The total consideration for the Proposed Acquisition of the Business is Malaysian Ringgit ("**MYR**") 22 million (the "**Purchase Consideration**"). The Purchase Consideration is payable in the following tranches:

(a) **Earnest Money** – MYR 220,000 on signing of the Term Sheet, being a good-faith expression of the Buyer's intention to carry out the Proposed Acquisition, and which shall be applied against the First Tranche Payment (described below). The Earnest Money is non-refundable, unless the Proposed Acquisition is not completed due to the Seller's failure to fulfil any of its obligations, in which case the Seller shall repay the Earnest Money within 30 days from the date of written notice by the Buyer;

(b) **First Tranche Payment** - MYR 14 million (less the Earnest Money) upon Completion of the Proposed Acquisition, of which MYR 5.0 million shall be paid in cash while the balance MYR 9.0 million shall be satisfied by the Buyer issuing to the Seller (or its nominee) such number of new shares in the Buyer ("**Consideration Shares**") calculated by applying the relevant applicable exchange rate ("**Applicable Exchange Rate**") to MYR 9.0 million then divided by the weighted average price for trades done on the SGX-ST for the full market day prior to the date of the Term Sheet ("**Issue Price**"), as represented by the formula: ((MYR 9.0 million ÷ Applicable Exchange Rate) ÷ Issue Price);

(c) **Second Tranche Payment** – At the end of the first twelve (12) months from Completion ("**Year 1**"), if the Business has achieved net profit after tax ("**NPAT**") of at least MYR 1.7 million (the "**Year 1 Target NPAT**"), the Buyer shall issue to the Seller (or its nominee) at the Issue Price such number of Consideration Shares equivalent to a value of MYR 3.0 million, as represented by the formula: ((MYR 3.0 million ÷ Applicable Exchange Rate) ÷ Issue Price); and

(d) **Third Tranche Payment -** At the end of the period of twelve (12) months following the end of Year 1 ("**Year 2**"), if the Business has achieved both the Year 1 Target NPAT and a NPAT for Year 2 of MYR 1.7 million (the "**Year 2 Target NPAT**"), the Buyer shall issue to the Seller (or its nominee) at the Issue Price such additional number of Consideration Shares equivalent to a value of MYR 5.0 million, as represented by the formula of ((MYR 5.0 million ÷ Applicable Exchange Rate) ÷ Issue Price).

(e) In the event that either or both of the Year 1 Target NPAT and Year 2 Target NPAT is not achieved by the Business, then the following shall apply:

  (i) If the sum of the actual NPAT for both Year 1 and Year 2 achieved by the Business (the "**Actual Aggregate Two-Year NPAT**") is equal to or more than the sum of the Year 1 Target NPAT and Year 2 Target NPAT (the "**Target Aggregate Two-Year NPAT**"), the Buyer shall at the end of Year 2 issue to the Seller such number of Consideration Shares at the Issue Price that will cause the sum of the Second Tranche Payment and Third Tranche Payment to the Seller to be equivalent to, but not more than, MYR 8.0 million; and such number of Consideration Shares shall be calculated by applying the Applicable Exchange Rate to MYR 5.0 million or 8.0 million (as the case may be), then divided by the Issue Price; and

  (ii) If the Actual Aggregate Two-Year NPAT is less than the Target Aggregate Two-Year NPAT of MYR 3.4 million, the Purchase Consideration shall be computed by the following formula ("**Adjusted Purchase Consideration**"):

*(A/T)*C*

Where

A = Actual Aggregate Two-Year NPAT;

T = Target Aggregate Two-Year NPAT, i.e. MYR 3.4 million; and

C = MYR 22 million

(f) In the event that the Adjusted Purchase Consideration is less than the sum of the First Tranche Payment and Second Tranche Payment already paid to the Seller, the Seller shall pay back this difference to the Buyer within thirty (30) calendar days from the date of written notice by the Buyer (the "**Clawback**"), provided that the Earnest Money and First Tranche Payment shall not be subject to Clawback.

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

(a) the Year 1 Target NPAT and Year 2 Target NPAT from the Business means to a prospective price-earnings ratio of 12.9 times for the Proposed Acquisition. This valuation compares favourably to the 25.8 times current price-earnings ratio of the Company, based on the weighted average price of the Company's shares of S$0.6351 based on trades done on the SGX-ST on 19 August 2015;

(b) the net value of the assets acquired is MYR 1,696,711, according to the unaudited management report of the Target Business as at 30 April 2015; and

(c) the rationale for the Proposed Acquisition as elaborated in section 3 above.

The Company is funding the Proposed Acquisition in the following manner:

(a) MYR 17 million in Consideration Shares to be issued to the Seller; and

(b) MYR 5 million in cash via loan to be secured.

5. CONDITIONS PRECEDENT

The obligation of the Parties to enter into and complete the Proposed Acquisition is subject to the fulfilment by the Seller, on or prior to the Completion Date, of the following conditions precedent, including:

(a) The Seller providing the Buyer with full access to all information and such books and records relating to the Business as the Buyer requires, and the results of the Buyer's legal, financial, tax and commercial due diligence investigations on the Business and the Seller over, but not limited to, the financial condition (including the adequacy of cash flow for the Business' operations), prospects and records of the Business, being satisfactory to the Buyer;

(b) The Seller providing to the Buyer such undertakings, representations, warranties and indemnities, as the Buyer may reasonably require, in respect of the Business, including (a) a warranty that there is no undisclosed, hidden or contingent liabilities relating to, arising from or in connection with the Business, and (b) a non-competition and non-solicitation undertaking;

(c) The Seller procuring the lessor(s) of the properties where the three (3) cinemas (described in section 1 of this announcement) are located to novate or agree to novate the leases to the Buyer (or its nominee) on terms that the remaining tenure of each lease shall be at least ten (10) years, and such other terms reasonably acceptable to the Buyer;

(d) All required consents of any regulatory or government body and third parties, and the approval of and consent to the Proposed Acquisition being given by the directors and shareholders of the Seller and the Buyer (if required), and such approvals, licences and consents remaining in full force and effect at Completion of the Proposed Acquisition;

(e) The passing of such resolutions as may be required for the creation and/or issue of such Consideration Shares as is proposed to be issued to satisfy part of the Purchase Consideration, and such Consideration Shares being approved for listing and quotation by the SGX-ST;

(f) 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; and

(g) The granting of 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 ("**FINAS**").

6. 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 Catalist (the "**Catalist Rules**"), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Catalist 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$750,853(2)	S$6,580,142(3)	11%
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 treasury shares	S$7,508,532	S$131,293,608(4)	6%
Rule 1006(d)	Number of equity securities issued by the Company as Purchase Consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue.	9,135,644	206,729,032	4%
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be	Not applicable	Not applicable	Not applicable

	disposed of, compared with the aggregate of the Group's proven and probable reserves			

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) Based on the undertaking given by the vendor for the period of twelve (12) months following the Completion Date, NPAT (MYR 1,700,000) of the Target Business being grossed up to EBITDA (MYR 2,200,000) to eliminate tax implications (Malaysian Tax rate: 25%).

(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$0.6351 based on trades done on the SGX-ST on 19 August 2015, being the market day preceding the date of the Term Sheet.

(5) Based on Bank Negara Malaysia, the exchange rate applied in the above computations was MYR 2.93 to S$1, as on 18 August 2015.

As the relative figures computed on the bases set out in Rule 1006(b) and (c) of the Catalist Rules exceed five percent (5%), the Proposed Acquisition constitutes a discloseable transaction. The Proposed 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 seventy-five percent (75%).

7. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed 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 undertaking given by the vendor for the period of twelve (12) months following the Completion Date. These pro forma financial effects of the Proposed 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 Proposed Acquisition.

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

(a) The financial effects of the Proposed Acquisition on the Group's earnings per share ("**EPS**") are computed assuming that the Proposed Acquisition was completed on 1 April 2014;

(b) The financial effects of the Proposed Acquisition on the consolidated net tangible assets ("**NTA**") of the Group are computed assuming that the Proposed Acquisition was completed on 31 March 2015;

(c) An aggregate of 9,135,644 Consideration Shares are issued at the Issue Price (of S$0.6351 per 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 fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered for the purpose of computing the financial effects of the Proposed Acquisition. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Company.

Share Capital

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Number of issued shares	206,729,032	215,864,676
Issued share capital	S$47,883,612	S$53,685,660

EPS

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Consolidated net profit attributable to shareholders	S$5,083,524	S$5,663,729
Weighted average number of issued shares outstanding as at 31 March 2015	206,729,032	215,864,676
Consolidated EPS (Singapore cents)	2.46	2.62

NTA

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA of the Group	S$19,180,627	S$24,982,675
Number of issued shares	206,729,032	215,864,676
Consolidated NTA per share (Singapore cents)	9.28	11.57

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

9. 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 Proposed Acquisition.

10. 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Term Sheet 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.

12. 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 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 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
20 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.