

**MM2 ASIA LTD.**  
(Incorporated in Singapore)  
(Registration No. 201424372N)

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**PROPOSED MERGER OF THE MM2 ASIA LTD. CINEMA BUSINESS WITH GOLDEN VILLAGE CINEMAS IN SINGAPORE**

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The Board of Directors (the “**Directors**” or “**Board**”) of mm2 Asia Ltd. (the “**Company**” and, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a Heads of Agreement for the possible merger of its cinema business with Golden Village cinemas in Singapore, with Orange Sky Golden Harvest Entertainment (Holdings) Limited (“**OSGH**”) dated 9 December 2020 (the “**Heads of Agreement**”).

**1. PROPOSED CINEMA BUSINESS MERGER**

- 1.1 The Group conducts the screen advertising and ownership and operation of cinema business through **mm CONNECT PTE LTD (“mm Connect”)**, a 100% subsidiary of mm2. mm Connect operates 8 cinemas in Singapore under the “Cathay” brand and 14 cinemas in Malaysia under the “Cathay Cineplexes Malaysia”, “Mega Cinemas” and “Lotus Fivestar” brands, as well as a movie film distribution business and an online streaming business (collectively the “**mm2 Cinema Business**”).
- 1.2 OSGH, which is incorporated in Bermuda, is listed on The Stock Exchange of Hong Kong Limited (“**HKSE**”). OSGH conducts a movie distribution, screen advertising and ownership and operation of cinema business through Dartina Development Ltd, a company incorporated in Hong Kong, with 14 cinemas in Singapore under the “Golden Village” brand (collectively the “**OSGH Cinema Business**”).
- 1.3 The Heads of Agreement sets out the principal terms on which the parties will pursue a possible merger of the mm2 Cinema Business and the OSGH Cinema Business (the “**Merger**”), on the basis that the parties will bring in one or more new investors (the “**New Investors**”) to inject capital into the merged businesses (the Merger and such new investment collectively the “**Proposed Transaction**”).
- 1.4 The Proposed Transaction is subject to the requisite approvals being sought and obtained including (without limitation):-
  - 1.4.1 the approval of the shareholders of mm2
  - 1.4.2. the approval of the shareholders of OSGH
  - 1.4.3 the approval of the SGX-ST
  - 1.4.4 the approval of HKSE
  - 1.4.5 the requisite approvals or rulings from the applicable governmental authorities, including the Competition and Consumer Commission of Singapore (“**CCCS**”) in relation to anti-trust issues

## **2. KEY TERMS OF THE HEADS OF AGREEMENT**

- 2.1 Under the Heads of Agreement, the parties will undertake an initial financial, legal and business due diligence review of the other party's business, and discuss and negotiate the terms of the definitive agreements relating to the Proposed Transaction (the "**Definitive Agreements**").
- 2.2 The Definitive Agreement will contain all the salient terms and conditions for the Merger which shall include the basis upon which the parties will inject their respective businesses into the combined entity. The Heads of Agreement provides that the injection will take into account the respective pre-IFRS16 EBITDA (*Earnings Before Interest, Tax, Depreciation and Amortisation*) values of the mm2 Cinema Business and the OSGH Cinema Business, based on the latest audited accounts of all entities under the mm2 Cinema Business for the pro-forma 12-months period from 1 January 2019 to 31 December 2019 and all entities under OSGH Cinema Business for the financial year ended 31 December 2019, subject to mutually agreed adjustments, including adjustments for net debt, property value, discontinued operations after 31 December 2019, additional operations after 31 December 2019 and revenue or cost that is non-recurring in nature.
- 2.3 At the same time, it is intended that the parties will shortly initiate a submission to the CCCS relating to the Merger which would be subject to CCCS clearance.
- 2.4 If the terms of the Definitive Agreements cannot be agreed, or the conditions for the Proposed Transaction satisfied, by 31 December 2021, the Heads of Agreement will terminate and neither party will have any further rights or obligations thereunder.

## **3. RATIONALE FOR THE PROPOSED TRANSACTION**

- 3.1 The Company believes the Proposed Transaction would be beneficial to the Group for the following reasons:-
  - 3.1.1 the Merger would make the combined business the largest cinema operator in Singapore and provide advantageous economies of scale to the mm2 Cinema Business;
  - 3.1.2 given the challenges faced by, among others, cinema operators since the COVID-19 outbreak, the Merger would provide more financial and operating stability to the mm2 Cinema Business;
  - 3.1.3 there has been general disruption to the movie and cinema business, with the advent of content streaming apps and the growth of video content on social media. The Merger would result in a stronger platform for the operation of the cinema business; and
  - 3.1.4 the cash investment by the New Investors would also provide additional working capital for the combined business to meet, among others, its operating costs, and strengthen the balance sheet of the combined business.

- 3.2 The Company announced on 1 December 2020 that it was evaluating a spinoff of its cinema business by way of a listing on the Catalist board of the SGX-ST ("IPO") and has appointed United Overseas Bank Limited and other professional advisers to advise on the IPO. That spinoff is being proceeded with in parallel with the work on the Proposed Transaction. In the event that the IPO is completed successfully, mm2 and OSGH will discuss in good faith the basis on which the Merger and the Proposed Transaction would take place, taking into account the listed spinoff business.

#### **4. CAUTIONARY STATEMENT**

This announcement is being made by the Company to keep its shareholders and stakeholders informed on developments in its business and on possible corporate actions. The Board wishes to caution that while the Heads of Agreement is stated to be binding, the Proposed Transaction is subject to the Definitive Agreements being negotiated and agreed, and to a comprehensive due diligence being completed by mm2 and OSGH into the OSGH Cinema Business and the mm2 Cinema Business, respectively. In addition, for the Proposed Transaction to be completed, the approvals of, among others, the shareholders of mm2 and OSGH would have to be obtained, along with various regulatory approvals including, importantly, from the CCCS (which may or may not be subject to material conditions). The Group has also not finalised any terms relating to the New Investors. As such, there is no assurance that the Proposed Transaction will proceed to completion (whether in its currently contemplated form or otherwise).

The Company will announce any material developments on the Proposed Transaction as and when appropriate.

**Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.**

**By Order of the Board**

Melvin Ang Wee Chye  
Executive Chairman  
9 December 2020