

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

PROPOSED ACQUISITION OF THE BUSINESS OF A CHAIN OF THIRTEEN (13) CINEMAS FROM LOTUS FIVESTAR CINEMAS (M) SDN BHD

– SIGNING OF SALE OF BUSINESS AGREEMENT AND MANAGEMENT AGREEMENT

The board of directors (the “Board”) of mm2 Asia Ltd. (the “Company”, and together with its subsidiaries, the “Group”) refers to the announcements released by the Company on 8 November 2016 (the “Announcement”). Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to them in the Announcement.

1 INTRODUCTION

- 1.1 The board of directors (the “Directors”) of mm2 Asia Ltd. (the “Company”, and together with its subsidiaries, the “Group”) wish to announce that:
- 1.1.1 mm2 Star Screen Sdn. Bhd. (“Purchaser”), a wholly-owned entity of mm2 Screen Management Sdn. Bhd. (“mm2 Screen Management”), has on 17 May 2017, entered into a sale of business agreement (the “Sale of Business Agreement”) with Lotus Fivestar Cinemas (M) Sdn Bhd (Malaysia Company Registration No. 877197-M with its registered address at 47B, Jalan Batai Laut 5, Kawasan 16, Taman Intan, 41300 Klang, Selangor Darul Ehsan, Malaysia) (the “Seller”); and
- 1.1.2 mm2 Screen Management has, on 17 May 2017, entered into a 2-year management agreement (“Management Agreement”) with Lotus Five Star Management Sdn. Bhd. (Company No.: 1017415-K) a company incorporated in Malaysia and having its registered office at No. 17-3, 2nd Floor, Jalan SP 2/1, Taman Serdang Perdana, Seksyen 2, 43300 Seri Kembangan, Selangor (“Manager”) for the management of the cinemas at the 13 locations.
- 1.2 The Proposed Acquisition is targeted to complete within four (4) months of the signing of the Sale of Business Agreement (or such other dates both parties shall mutually agree in writing) (“Completion Date”). The Management Agreement shall commence immediately upon on the date of completion.
- 1.3 Further to the Announcement made, there is no change to the business of the Seller and the payment structure.
- 1.4 The book value and net tangible asset value of the Business as at 31 December 2016, was RM 40,993,731 (approximately S\$ 13,267,438 based on the Bank Negara Malaysia exchange rate of S\$1 to RM3.0898 as of 5.00 p.m. on 16 May 2017, the date immediately prior to the date of the Sale of Business Agreement).

2 KEY TERMS UNDER THE SALE OF BUSINESS AGREEMENT

- 2.1 The obligation of the Purchaser and the Seller 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:
- (a) the Purchaser confirms that the results of the Due Diligence are satisfactory to the Purchaser and acknowledges and agrees with the Seller that it has entered into this agreement based upon the satisfactory results of the Due Diligence;
- (b) the Purchaser confirms that the results of the financial due diligence, based on the Seller’s management accounts, indicates that the Business has produced EBITDA of

at least Ringgit Malaysia Nine Million (RM9,000,000) for their most recently concluded financial year and Ringgit Malaysia Five Million (RM5,000,000) for the six (6) months period from January to June 2016 respectively;

- (c) the Purchaser (and/or its nominee under the Management Agreement) to fulfil all of its obligations and procure all necessary licences to allow the Business to operate as a going concern. The Seller shall extend all reasonable assistance to co-operate with and assist the Purchaser to apply for all licenses;
- (d) the Seller procuring the lessor(s) of the thirteen (13) Cinema Properties under the leases to novate or agree to novate the leases to the Purchaser (or its nominee) on terms that the remaining tenure of each lease shall be at least twelve (12) years (with clear rental rates specified for each renewal period and capped at 12% increase for each period of renewal, except for LFS IOI Mall Kulai which will be capped at 20% for each period of renewal) from the Completion Date, and such other terms acceptable to the Purchaser in the Purchaser's sole discretion, including the amendments to the tenancy agreements as further required;
- (e) the signing of Management Agreement between the Purchaser and the Seller (or its nominee) for the Seller's management of the Business for a period of two (2) years from the Completion Date on terms mutually agreed between the Purchaser and the Seller;
- (f) all consents as may be required for the sale of the Business pursuant to the terms of this Agreement, and where any consent of approval is subject to conditions, such conditions being reasonably satisfactory to the Purchaser;
- (g) the Seller shall deliver to the Purchaser a certified true copy of the shareholders' and board of directors' resolutions of the Seller authorising the Seller to enter into and execute this Agreement and to sell the Business and the Assets to the Purchaser upon the terms of this Agreement;
- (h) 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;
- (i) the warranties 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 Date, by reference to the facts and circumstances then existing;
- (j) there being no material breaches of any covenants, undertakings and agreements required to be performed or caused to be performed by the Seller under this Agreement on or before the Completion Date;
- (k) the Purchaser 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 this Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;
- (l) the Purchaser procuring adequate bank financing for the satisfaction of the Purchase Consideration;
- (m) the Seller providing evidence that the hire purchase facilities in respect of the Assets have been fully repaid; and
- (n) the Seller providing the executed tenancy agreements for the cinema located at Mahkota Parade (Melaka) and Shaw Centrepoint (Klang);

- 2.2 The Purchaser may waive all or any of the terms which are applicable to the Seller as set out in above at any time by notice in writing to the Seller, and vice versa. Any such waiver shall not preclude the Purchaser or the Seller to mutually agree on compliance with the relevant conditions that they have waived, respectively, if any, at a subsequent time.
- 2.3 In the event that any of the key terms shall not have been fulfilled (or waived pursuant to paragraph 2.2) before the Completion Date then the Parties shall not be bound to proceed with the sale and purchase of the Business and the Agreement shall cease to be of any effect whatsoever and none of the Parties will have any claims against the other under the Agreement save in respect of claims arising out of any antecedent breach of the Agreement.
- 2.4 Commencing from the date of this Agreement, the Seller further undertakes to the Purchaser to take such steps as for the time being lies within its powers to procure that the Seller does not enter into negotiations for, undertake or commence any new business of film exhibition in any location in Malaysia ("**New Venture**"), without first offering such opportunity to participate in the New Venture to the Purchaser.
- 2.5 The Seller agrees to grant to the Purchaser an option ("**Cinema Option**") to purchase the film screening and/or film exhibition business of the Seller at two (2) cinemas located in Terengganu and Sandakan ("**Terengganu and Sandakan Cinemas**") ("**Additional Cinemas Business**"), on terms and conditions not less favourable than the terms and conditions on which the Purchaser is purchasing the Business as set out in this Agreement. The price payable for the Additional Cinemas Business under the Cinema Option shall be eight (8) times the EBITDA achieved by the Additional Cinemas Business for Year 1 ("**Additional Cinemas Price**"), as evidenced by the audited financial statements in relation to the Additional Cinemas Business for Year 1. The Purchaser shall be entitled to exercise its Cinema Option at any time within three (3) months of the end of Year 1 ("**Cinema Option Period**").
- 2.6 If the Cinema Option is not exercised within the Cinema Option Period, the Seller undertakes to rebrand or procure the rebranding of the Terengganu and Sandakan Cinemas within three (3) months from the end of the Cinema Option Period to the satisfaction of the Purchaser, and undertakes to execute a management contract with the Purchaser to the Purchaser's satisfaction in relation to the management of the Terengganu and Sandakan Cinemas, for a period of at least eighteen (18) months from the Completion Date
- 2.7 Commencing from the date of the Agreement, the Seller agrees and undertakes that and/or to take such steps as for the time being lies within its powers to cause all future contracts in respect of and concerning the ownership and/or transfer of the property titles of Lotus Five Star Properties (M) Sdn Bhd or its successors and assigns, in relation to the Kampar and/or Bukit Jambul location(s) ("**Future Contracts**") shall be first offered to the Purchaser on terms and conditions not less favourable than those that the Seller intends to offer to a third party ("**Right of First Refusal**"). In the event the terms and conditions of the Future Contracts are revised more favourably in favour of the third party after the non-exercise of the Right of First Refusal by the Purchaser, the Seller shall offer the Right of First Refusal to the Purchaser again on such revised terms and conditions.

3 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

3.1 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 unaudited consolidated financial statements of the Group for the half-year financial results ended 30 September 2016 and the unaudited accounts prepared by the Seller in relation to the Business for the financial period ended 31 December 2016, 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:

- 3.1.1 the financial effects on the Group's net tangible assets (the "NTA") attributable to shareholders of the Company (the "Shareholders") and the NTA per ordinary share in the capital of the Company (the "Shares") have been computed assuming that the Proposed Acquisition was completed on 30 September 2016. The NTA also takes into account the expenses incurred by the Company in relation to the share split of every one (1) ordinary share in the capital of the Company into two (2) ordinary shares as completed on 14 October 2016 (the "Share Split"), and net proceeds for the issuance of Shares pursuant to the conversion of certain outstanding convertible securities and the placement of Shares since 31 March 2016;
- 3.1.2 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 2016. The earnings attributable to the Shareholders also takes into account the expenses incurred by the Company in relation to the Share Split, and net proceeds for the issuance of Shares pursuant to the conversion of certain outstanding convertible securities and the placement of Shares since 31 March 2016;
- 3.1.3 costs and expenses in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects; and
- 3.1.4 the number of Shares before Completion has been computed as of the date of this announcement, taking into account all the new Shares that have been issued by the Company pursuant to the conversion of certain outstanding convertible securities and the placement of Shares.

3.2 NTA per Share

	Before Completion	After Completion
NTA attributable to Shareholders (S\$)	31,566,169	69,756,343
Number of Shares	1,047,781,420	1,047,781,420
NTA per Share attributable to Shareholders (Singapore cents)	3.01	6.66

3.3 EPS

	Before Completion	After Completion
Net profit attributable to Shareholders (S\$)	7,796,913	7,980,532
Weighted average number of Shares	1,047,781,420	1,047,781,420
EPS (Singapore cents)	0.74	0.76

4 RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING RULES

- 4.1 For the purposes of Chapter 10 of the Listing Rules and based on the latest announced unaudited financial statements of the Group for the half-year financial results ending 30 September 2016 and unaudited accounts prepared by the Seller in relation to the Business for the financial period from 1 January 2016 to 31 December 2016, 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. ⁽¹⁾	S\$183,619 ₍₂₎	S\$10,811,180 ₍₃₎	1.70%
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\$38,190,174 ₍₂₎	S\$559,620,056 ₍₄₎	6.82%
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.	Not applicable		
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 Exchange Rate of S\$1 to RM3.0898 (based on Bank Negara Malaysia at 5pm on 16 May 2017).
- (3) Based on the Group's latest unaudited consolidated half year profits before income tax, minority interests and extraordinary items for the half-year financial results ending 30 September 2016 of S\$10,851,180.
- (4) The market capitalisation of the Company, determined by multiplying the 1,047,781,420 Shares in issue as at the date of this announcement by the weighted average price of the Company's shares of approximately S\$0.5341 on 16 May 2017, which is the market day preceding the date of the Sale of Business Agreement.

4.2 The relative figures computed under Rules 1006(b) and 1006(c) of the Listing Rules exceed 5% but are less than 75%. Accordingly, the Proposed Acquisition constitutes a "Disclosable Transaction" as defined under Chapter 10 of the Listing Rules.

5 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.

6 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.

7 DOCUMENTS FOR INSPECTION

The Sale of Business Agreement and the Management Agreement 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.

8 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.

9 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.

10 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
Executive Chairman
18 May 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (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.

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