



# mm2 Asia Ltd.

(Company Registration Number: 201424372N)  
(Incorporated in Singapore on 20 August 2014)

## OFFER DOCUMENT DATED 2 DECEMBER 2014

(Registered by the Singapore Exchange Securities Trading Limited (the "SGX-ST") acting as agent on behalf of the Monetary Authority of Singapore (the "Authority") on 2 December 2014).

This offer is made in or accompanied by an Offer Document (the "Offer Document") that has been registered by the SGX-ST acting as agent on behalf of the Authority on 2 December 2014. The registration of this Offer Document by the SGX-ST on behalf of the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with. We have not lodged or registered this Offer Document in any other jurisdiction.

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser(s).**

Hong Leong Finance Limited (the "Sponsor and Issue Manager") has made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares (the "Shares") in the capital of mm2 Asia Ltd. (the "Company") already issued (including the Vendor Shares), the New Shares (the "New Shares") and the New Shares which may be allotted and issued pursuant to the mm2 Performance Share Plan (the "Award Shares") on Catalist (as defined herein). The Sponsor has submitted this Offer Document to the SGX-ST. The dealing in and quotation of the Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor and Issue Manager confirming that the Company is suitable to be listed and complies with the Catalist Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares or units of Shares being offered for investment.

Acceptance of applications will be conditional upon the issue of the New Shares and the listing and quotation of all our existing issued Shares (including the Vendor Shares), the New Shares and the Award Shares on Catalist. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, you will not have any claims against us, the Sponsor, Issue Manager and the Placement Agent (as defined herein).

**Placement of  
37,400,000 Shares  
comprising 31,000,000  
New Shares and  
6,400,000 Vendor  
Shares at \$0.25 for each  
Share, payable in full on  
application.**

*Sponsor, Issue Manager and Placement Agent*



**HONG LEONG FINANCE LIMITED**

(Company Registration No.: 196100003D)  
(Incorporated in the Republic of Singapore)

**Investing in our Shares involves risks which are described in the section entitled "RISK FACTORS" of this Offer Document.**

**After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this Offer Document; and no officer or equivalent person or promoter of the Company will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this Offer Document.**

# Investing in the Future of Asia's Movies



# OUR TRACK RECORD

We have produced or co-produced and/or distributed in excess of 20 movies including the following notable titles:

## Notable Production Titles

**Ah Boys to Men (2012)**  
 Highest grossing local production in Singapore of 2012 grossing S\$6.21 million at the Singapore box office.

**Ah Boys to Men II (2013)**  
 Grossed S\$7.89 million at the Singapore box office.



**做你爱做的事 (2013)**  
 Our first co-produced movie in Taiwan.

**为你转身 (2013)**  
 Our first co-produced movie in the PRC.

## Notable Distribution Titles

**The Journey (2014)**  
 Highest grossing local film of all time in Malaysia grossing RM17 million at the box office.

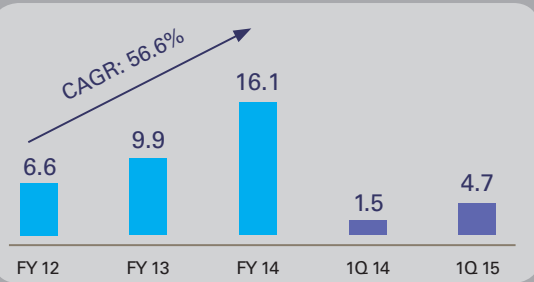
**Café.Waiting.Love (2014)**  
 Lead actors: Vivian Chow, Megan Lai, Vivian Sung, Bruce



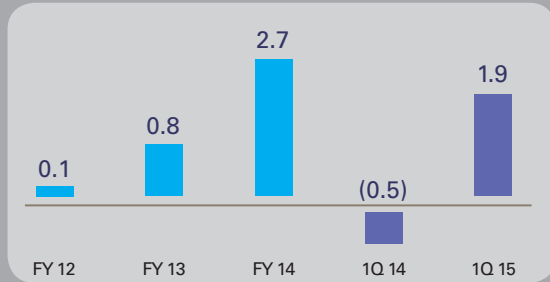
## FINANCIAL HIGHLIGHTS

Financial Year ended 31 March

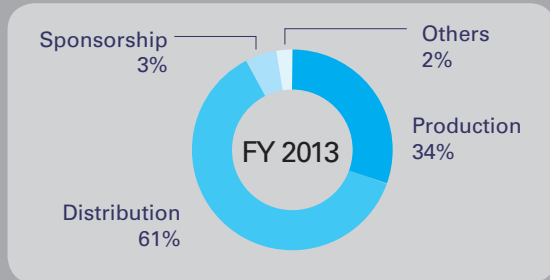
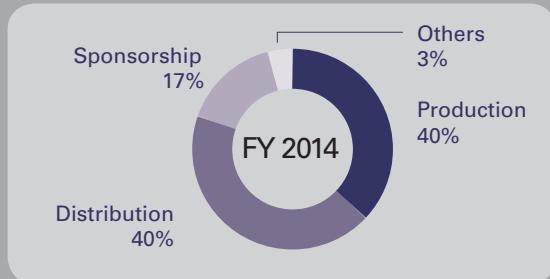
Revenue (S\$'M)



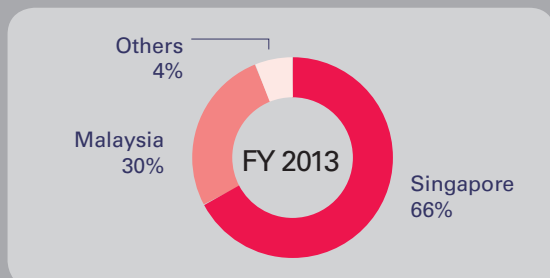
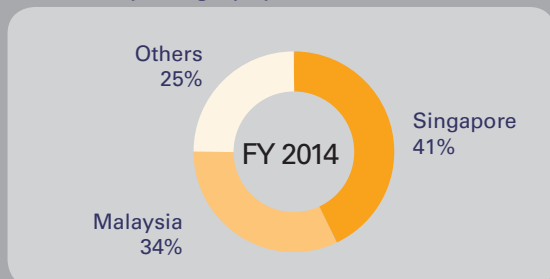
Net Profit Attributable to Equity Holders (S\$'M)



Revenue By Activities (%)



Revenue By Geography (%)



## CORPORATE PROFILE

Headquartered in Singapore, with a history that dates back to 2008, we are a producer of movies and TV/online content. As a Producer, we provide services over the entire filmmaking process, from financing to production and distribution. We have a presence in Malaysia, Hong Kong, Taiwan and the PRC through our Group companies and/or strategic working partnerships.



## OUR BUSINESS MODEL

Our revenue streams are derived from three principal sources:

### Production

- **We obtain income from various stages of the production process. This includes fees for**
  - Securing financing for a production from Stakeholders who have acquired a share of the production/movie's revenue rights; and
  - Script development, appointment of cast and crew, undertaking principal photography and managing the post-production process.
- **We receive income from consultancy and producers' fees as well as government grants and other contributions.**

### Distribution

- **We distribute movies produced/co-produced by us or third parties. This occurs across various platforms – local and overseas cinemas, Pay-TV, Free-TV, Online, DVD, airlines and others.**
- **We also receive income from the licensing of script rights, adaptation and sequel rights of our library of movies via third-party licensing arrangements.**

### Sponsorship

- **We offer advertisers a platform to promote their products and services by featuring them in movies produced or co-produced by us.**



## COMPETITIVE STRENGTHS

### **Ability to provide full spectrum of services in the entire Production and Distribution process**

- We have the capability and experience to service and derive revenue from all relevant stages of the filmmaking process. This also enables us to capitalise on a wide range of industry opportunities and not be solely dependent on box office revenue.

### **Strong network of business relationships with key industry players**

- Leveraging our established commercial track record, production brand names, reputation and extensive experience, we have forged and maintained strong business relationships with key industry players in Singapore, Malaysia, Hong Kong, Taiwan and the PRC.

### **An established multi-market presence**

- With subsidiaries in Singapore, Malaysia and Hong Kong, and business partners in Taiwan and the PRC, we are able to tap on business opportunities in these markets.
- By engaging talented individuals from different countries, we are able to produce movies that have a wider appeal across territories, thus increasing the commercial potential.

### **Experienced in various movie genres with quick response to changing consumer preferences**

- We have produced and distributed various genres of movies including comedies, dramas and horror.
- Our team of media industry veterans is quick to identify and react to changes in consumer preferences, resulting in commercially viable movies which enable us to maximise their revenue potential.

### **Effective development of movie marketing strategies**

- As proven by our profitability track record, we believe that we have significant experience in developing marketing strategies for our movies.



### **Committed and experienced management team with extensive relevant expertise**

- Our CEO and Controlling Shareholder, Melvin Ang, and Executive Officers, Ng Say Yong and Angelin Ong, have each been involved in the TV and entertainment industries for more than a decade, and have established a wide network of personal relationships with various key players in the movie industry in Singapore and Malaysia.
- Melvin Ang was named Top 5 on the Straits Times annual Power List in the arts, entertainment and lifestyle sectors.
- Our management team is supported by members with strong finance and accounting experience, lending financial discipline and knowledge to our approach on movie-making.

## **PROSPECTS**

### **Growing demand for locally-produced content in Singapore and Malaysia**

- Box office successes such as the '*Ah Boys to Men*' series in Singapore and '*The Journey*' in Malaysia indicate strong demand for locally-produced content.

### **Access to larger markets and audiences in Taiwan, Hong Kong and the PRC**

- We have managed to participate in more projects and grow our presence in Taiwan, Hong Kong and the PRC due to business relationships we have established.
- We believe that gaining access to bigger audiences in these markets will increase our revenue streams and growth opportunities.

### **Increasing box office receipts in Asia**

- The trend of increasing box office receipts both globally and in Asia indicates an increase in demand for movies and thus more revenue opportunities.
- Globally, box office revenues increased by 4% in 2013<sup>1</sup>, while in Singapore, box office receipts for major commercial cinemas rose by 4.7% to \$200 million in 2013<sup>2</sup>. In Malaysia, box office receipts have reached an all-time high of more than RM692 million in gross receipts in 2013.

### **Increasing distribution channels, including online platforms**

- The number of distribution channels for audio-visual content, including online platforms, has been growing due to increased internet use over the years.
- In Singapore, the percentage of households with internet access has risen from 65% in 2003 to 87% in 2013<sup>3</sup>, while in the PRC, the number of internet users has increased by 14 million since January 2014<sup>4</sup>.

<sup>1</sup> Motion Pictures Association of America

<sup>2</sup> Singapore Film Commission

<sup>3</sup> Info-communications Development Authority of Singapore

<sup>4</sup> China Internet Network Information Centre

## **BUSINESS STRATEGIES AND FUTURE PLANS**

- To expand in Singapore and overseas, through acquisitions, joint ventures and/or strategic alliances.
- To expand into North Asia through co-production ventures in the PRC, Hong Kong and Taiwan.
- Produce more movies with bigger production budgets so as to earn higher production fees.
- Increase library of movies to gain more licensing opportunities and provide potential future revenue streams from sequels and spin-offs.

## ORDER BOOK

### Upcoming Movie Productions/Co-productions (to be released before 31 March 2015)

- **'Wayang Boy'** – Comedy about Singaporeans adjusting to the influx of foreign immigrants and learning to live as one.
- **'Ah Boys To Men 3 – Frogmen'** – Third instalment of the successful **'Ah Boys to Men'** series.
- **'ATM'** – First Hong Kong comedy co-produced by mm2 which explores the generation gap between youths and elderly in Hong Kong.
- **'Bring Back the Dead'** – A grieving mother resorts to supernatural forces to bring back the soul of her dead son.

We have more than **10 movies** in various development, pre-production and production stages.

### In Development (planned for release in FY2016)

- **'Revenge'** – A collection of three inter-connected horror stories.
- **'1965'** – A political thriller centered around the pre-independence racial riots in Singapore.
- **'SG50 Project'** (Title to be confirmed) – A story of a Singaporean family from 1965 to 2015 and their indomitable spirit in the face of adversity.
- **'3688'** – A story about Fei Fei, a parking warden, who dreams of becoming a singer like her famous namesake.



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## CORPORATE INFORMATION

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<b>BOARD OF DIRECTORS</b>	:	Tan Liang Pheng, Non-Executive Chairman and Independent Director Ang Wee Chye (“ <b>Melvin Ang</b> ”), CEO Chia Seng Hee (“ <b>Jack Chia</b> ”), Independent Director Thomas Lei Chee Kong (“ <b>Thomas Lei</b> ”), Independent Director Mak Chi Hoo (“ <b>Terry Mak</b> ”), Non-Executive Director
<b>COMPANY SECRETARY</b>	:	Loh Mei Ling (ACIS)
<b>REGISTERED OFFICE</b>	:	1002 Jalan Bukit Merah #07-11 Singapore 159456
<b>SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT</b>	:	Hong Leong Finance Limited 16 Raffles Quay, #01-05 Hong Leong Building Singapore 048581
<b>INDEPENDENT AND REPORTING AUDITOR</b>	:	Nexia TS Public Accounting Corporation Public Accountants and Chartered Accountants 100 Beach Road #30-00 Shaw Tower Singapore 189702  Director-in-charge: Loh Hui Nee (A member of the Institute of Singapore Chartered Accountants)
<b>SOLICITORS TO THE PLACEMENT AND LEGAL ADVISER TO OUR COMPANY ON SINGAPORE LAW</b>	:	Colin Ng & Partners LLP 36 Carpenter Street Singapore 059915
<b>LEGAL ADVISER TO THE COMPANY ON MALAYSIAN LAW</b>	:	Zaid Ibrahim & Co Level 19 Menara Milenium Pusat Bandar Damansara 50490 Kuala Lumpur
<b>LEGAL ADVISER TO THE COMPANY ON HONG KONG LAW</b>	:	Chiu, Szeto & Cheng Solicitors Unit 818, 8th Floor, China Insurance Group Building, 73 Connaught Road Central, Hong Kong SAR
<b>SOLICITORS TO THE SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT</b>	:	RHTLaw Taylor Wessing LLP Six Battery Road, #10-01 Singapore 049909
<b>SHARE REGISTRAR</b>	:	B.A.C.S. Private Limited 63 Cantonment Road Singapore 089758

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## CORPORATE INFORMATION

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**PRINCIPAL BANKER** : Oversea-Chinese Banking Corporation Limited  
65 Chulia Street  
OCBC Centre  
Singapore 049513

**RECEIVING BANKER** : Bank of East Asia Limited  
60 Robinson Road  
BEA Building  
Singapore 068892

**VENDORS** : Melvin Ang  
c/o 1002 Jalan Bukit Merah  
#07-11  
Singapore 159456

Wong Li Foon  
32 Upper Serangoon View  
#03-44  
Singapore 534209

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## DEFINITIONS

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In this Offer Document and the accompanying Application Forms, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

### **Companies and Persons within our Group**

<i>“Angelin Ong”</i>	:	Angelin Ong Pei Sian
<i>“Company”</i>	:	mm2 Asia Ltd.
<i>“Ha Yu”</i>	:	Wong Shing
<i>“Jack Neo”</i>	:	Neo Chee Keong
<i>“Kent Chan”</i>	:	Chan Teck Kian
<i>“mm2 Singapore”</i>	:	mm2 Entertainment Pte. Ltd.
<i>“mm2 Malaysia”</i>	:	mm2 Entertainment Sdn. Bhd.
<i>“mm2 Hong Kong”</i>	:	mm2 Entertainment Hong Kong Limited
<i>“MJX”</i>	:	MJX Studios Sdn. Bhd.

### **Other Companies, Organisations and Agencies**

<i>“Authority” or “MAS”</i>	:	Monetary Authority of Singapore
<i>“BNM”</i>	:	Bank Negara Malaysia
<i>“CDP” or “Depository”</i>	:	The Central Depository (Pte) Limited
<i>“Clover Films”</i>	:	Clover Films Pte. Ltd.
<i>“CPF”</i>	:	Central Provident Fund
<i>“DBS Trustee”</i>	:	DBS Trustee Limited
<i>“FINAS”</i>	:	Perbadanan Kemajuan Filem Nasional or National Film Development Corporation Malaysia
<i>“Mapletree”</i>	:	Mapletree Industrial Trust
<i>“MCC”</i>	:	MyChinaChannel Pte. Ltd.
<i>“MDA”</i>	:	Media Development Authority of Singapore
<i>“MMSync”</i>	:	MMSync Pte. Ltd.

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## DEFINITIONS

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“Orix”	:	ORIX Credit Malaysia Sdn. Bhd.
“PAPOF”	:	Phillip Asia Pacific Opportunity Fund Ltd.
“PBB”	:	Public Bank Berhad
“Receiving Bank”	:	Bank of East Asia Limited
“RHB”	:	RHB Bank Berhad
“SCB”	:	Standard Chartered Bank Malaysia Berhad
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	B.A.C.S. Private Limited
“Solicitors to the Placement”	:	Colin Ng & Partners LLP
“Sponsor”, “Issue Manager”, “Placement Agent” or “HLF”	:	Hong Leong Finance Limited

### General

“1Q”	:	Financial period of the three months ended, or as the case may be, ending 30 June
“Application Forms”	:	The official printed application forms to be used for the purpose of the Placement and which form part of this Offer Document
“Application List”	:	The list of applications for the subscription and/or purchase of the Placement Shares
“Articles” or “Articles of Association”	:	The articles of association of our Company, as amended, supplemented or modified from time to time
“Associate”	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:  (i) his immediate family;  (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or

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## DEFINITIONS

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- (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more of the total votes attached to all the voting shares; and
  - (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”* : In relation to a corporation, means:
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the nominal amount of all the voting shares; or
  - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
- “Audit Committee”* : The audit committee of our Company as at the date of this Offer Document, unless otherwise stated
- “Award Shares”* : The Shares which are the subject of the Awards under the Performance Share Plan
- “Awards”* : The contingent awards of Shares granted or which may be granted pursuant to the Performance Share Plan
- “Board” or “Board of Directors”* : The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated
- “Catalist”* : The sponsor-supervised listing platform of the SGX-ST
- “Catalist Rules”* : Any or all of the rules in the SGX-ST Listing Manual Section B: Rules of Catalist, as the case may be, as may be amended, varied or supplemented from time to time
- “CEO”* : Chief Executive Officer

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## DEFINITIONS

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<i>“Certificate A”</i>	:	The certificate named “Certificate A” under the Film Censorship Act 2002 of Malaysia
<i>“CFO”</i>	:	Chief Financial Officer
<i>“Companies Act”</i>	:	Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
<i>“Consideration Shares”</i>	:	The 149,992,500 Shares issued to shareholders of mm2 Singapore, in satisfaction of the acquisition of mm2 Singapore, details of which are set out in the section entitled “Restructuring Exercise” of this Offer Document
<i>“Controlling Shareholder”</i>	:	In relation to a corporation, means:  (a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or  (b) a person who has an interest in 15% or more of the aggregate of the total votes attached to all the voting shares in a corporation, unless he does not exercise control over the corporation
<i>“Conversion Shares”</i>	:	The 25,729,032 Shares issued and allotted to the Pre-IPO Investors, credited as fully paid up, upon conversion of the Convertible Notes, particulars of which are set out in the section entitled “Pre-IPO Investors” of this Offer Document
<i>“Convertible Notes”</i>	:	The redeemable convertible notes issued by mm2 Singapore to the Pre-IPO Investors
<i>“Director”</i>	:	A director of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Entity at Risk”</i>	:	(a) Our Company;  (b) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or  (c) an Associated Company that is not listed on the SGX-ST or an approved exchange, provided that our Group or our Group and our Interested Person(s), has control over the Associated Company
<i>“EPS”</i>	:	Earnings per Share

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## DEFINITIONS

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<i>“Executive Director”</i>	:	The executive Director of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Executive Officers”</i>	:	The executive officers of our Company as at the date of this Offer Document, who are also key executives as defined under the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, unless otherwise stated
<i>“Films Act”</i>	:	Films Act (Chapter 107) of Singapore, as amended, supplemented or modified from time to time
<i>“FY”</i>	:	Financial year ended or, as the case may be, ending 31 March
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“GST”</i>	:	Goods and Services Tax
<i>“Hong Kong”</i>	:	The Hong Kong Special Administrative Region of China
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Interested Person”</i>	:	(a) a director, chief executive officer or Controlling Shareholder of our Company; or  (b) an Associate of any such director, chief executive officer or Controlling Shareholder
<i>“Interested Person Transaction”</i>	:	Means a transaction between an Entity at Risk and an Interested Person
<i>“Latest Practicable Date” or “LPD”</i>	:	31 October 2014, being the latest practicable date before the lodgement of this Offer Document with the SGX-ST acting as agent on behalf of the Authority
<i>“Management Agreement”</i>	:	The Full Sponsorship and Management Agreement, dated 2 December 2014, entered into between our Company, the Vendors and HLF, details as described in the section entitled “Management and Placement Arrangements”
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net asset value

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## DEFINITIONS

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<i>“New Shares”</i>	:	The 31,000,000 new Shares for which our Company invites applications to subscribe, pursuant to the Placement, subject to and on the terms and conditions of this Offer Document
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Non-Executive Director”</i>	:	The non-executive Director of our Company as at the date of this Offer Document, unless otherwise stated
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer Document”</i>	:	This Offer Document dated 2 December 2014 issued by our Company in respect of the Placement
<i>“PBT”</i>	:	Profit before tax
<i>“PER”</i>	:	Price earnings ratio
<i>“Performance Share Plan” or “Plan”</i>	:	The share plan of our Company, which was approved on 4 November 2014
<i>“Period under Review”</i>	:	The period which comprises FY2012, FY2013, FY2014 and 1Q2015
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors for subscription and/or purchase at the Placement Price, subject to and on the terms and conditions as set out in this Offer Document
<i>“Placement Agreement”</i>	:	The placement agreement, dated 2 December 2014, entered into between our Company and HLF pursuant to which HLF agreed to subscribe and/or procure subscribers for the Placement Shares, details as described in the section entitled – “Management and Placement Arrangements” of this Offer Document
<i>“Placement Price”</i>	:	S\$0.25 for each Placement Share
<i>“Placement Shares”</i>	:	The 37,400,000 Placement Shares which are the subject of the Placement comprising 31,000,000 New Shares and 6,400,000 Vendor Shares
<i>“PRC”</i>	:	The People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region for the purposes of this Offer Document

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## DEFINITIONS

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<i>“Pre-IPO Investors”</i>	:	PAPOF, Chua Teck Hiong, Tan Koon Tat Patrick, Ng Toon Lee, Lim Chee Wee, Lim Kar Tian, Wong Li Foon, Cornerstone Pictures Pte Ltd, Sng Siew Lin and Hesheng Media Co, Ltd.
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise implemented in connection with the Placement. Further details are described in the section entitled “Restructuring Exercise” of this Offer Document
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
<i>“Service Agreement”</i>	:	The service agreement entered into between our Company and our CEO and Controlling Shareholder, Melvin Ang, as described in the section entitled “Directors, Management and Staff – Service Agreements” of this Offer Document
<i>“SFR”</i>	:	The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, as amended, supplemented or modified from time to time
<i>“SFRS”</i>	:	Singapore Financial Reporting Standards
<i>“SFRS Combined Financial Statements”</i>	:	The audited combined financial statements of our Group for the financial years ended 31 March 2012, 2013 and 2014, the unaudited combined financial statements of our Group for the three-month period ended 30 June 2014, together with the related notes thereto, each of which has been prepared in accordance with SFRS
<i>“SGXNET”</i>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<i>“Share(s)”</i>	:	Ordinary share(s) in the capital of our Company

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## DEFINITIONS

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<i>“Shareholder(s)”</i>	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholder” shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
<i>“Singapore”</i>	:	The Republic of Singapore
<i>“Sub-Division”</i>	:	Sub-division of each Share into 7,500 Shares, as described in the section entitled “Share Capital” of this Offer Document
<i>“Substantial Shareholder(s)”</i>	:	Persons who have an interest in one or more voting Shares, and the total votes attaching to that Share or those Shares, represent not less than 5% of the total votes attaching to all the voting Shares in our Company
<i>“Taiwan”</i>	:	Republic of China
<i>“Transferees”</i>	:	PAPOF, Tan Chee Yean, Tay Joo Heng, Su Jufang, Ng Say Yong, Toong Soo Wei, Jack Neo, Ha Yu, Chong How Kiat, Hung Yeow Huat, Tee Mei Gaik, Lim Boon Ser, Lim Kien Nam, Angelin Ong and Kent Chan
<i>“Vendors”</i>	:	Melvin Ang and Wong Li Foon
<i>“U.S.A.”</i>	:	United States of America
<i>“Vendor Shares”</i>	:	The 6,400,000 Shares owned by the Vendors for which the Vendors invite applications to purchase on the terms and subject to the conditions set out in this Offer Document

### **Currencies, Units and Others**

<i>“HK\$”</i>	:	Hong Kong dollar
<i>“RM”</i>	:	Malaysian ringgit
<i>“S\$”, “SGD” and “cents”</i>	:	Singapore dollar and cents respectively
<i>“%” or “per cent.”</i>	:	Per centum or percentage

The expression “subsidiary” shall have the meaning ascribed to it in the SFR and the Companies Act.

The expression “business trust” has the same meaning ascribed to it in Section 2 of the Business Trusts Act (Chapter 31A) of Singapore.

The expression “Entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

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## DEFINITIONS

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The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

References in this Offer Document to Appendix or Appendices are references to an appendix or appendices respectively in this Offer Document.

Any discrepancies in tables included herein between the total sum of amounts listed and the total shown thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document and the Application Forms to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted.

Any word defined under the Companies Act, the SFA, SFR or any statutory modification thereof and used in this Offer Document and the Application Forms shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA, SFR or any statutory modification thereto, as the case may be.

Any reference in this Offer Document and the Application Forms to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Offer Document and the Application Forms is a reference to Singapore time unless otherwise stated.

Any reference in this Offer Document to the “Group”, “we”, “our”, “us” or their other grammatical variations is a reference to our Company, or Group, or any member of our Group, as the context requires.

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## GLOSSARY OF TECHNICAL TERMS

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To facilitate a better understanding of the business of our Group, the following glossary provides a description of some of the technical terms and abbreviations commonly used in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings or usage of these terms:

“Distribution”	:	The process of distributing Movies and TV/Online content, including theatrical distribution and distribution via Pay-TV, Free-TV, Online, DVD, airlines and other platforms
“Distributor”	:	A company responsible for undertaking activities relating to Distribution
“DVD”	:	Digital versatile disc
“Exhibitor”	:	A company responsible for the theatrical screening of a Movie
“Free-TV”	:	A free viewership service offered by TV stations
“Gross Receipts”	:	Income generated from theatrical release of the Film including fees received from releases from all other media platforms such as PayTV, DVD and Online media
“Internet”	:	The global computer network that allows almost all computers worldwide to connect and exchange information
“Movie” or “Film”	:	Any cinematographic film or full-length motion picture
“Net Receipts”	:	Gross Receipts less all pre-agreed deductions, expenses, taxes incurred in the course of generating the Gross Receipts which are consistent with proper business and accounting practice in the international motion picture industry and properly allocable to the Movie and any other permitted deductions, including, without limitation, in-Movie advertising sponsorships, commissions, expenses and fees relating to the distribution and representation of the Movie
“Online”	:	Any digital platform, including the Internet, VOD and mobile platforms
“Pay-TV”	:	A service offered by TV stations that allows subscribers to view programmes by making subscription payments (such as cable TV)

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## GLOSSARY OF TECHNICAL TERMS

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“Producer”	:	A company that provides services in relation to securing finance, Production, Distribution and the commercial exploitation of the rights in or to audio-visual content
“Production”	:	The entire process of creating audio-visual content, including script development, appointment of cast and crew, principal photography and managing the post-production process, as well as the resulting product of such activities
“Sponsorship”	:	Activities in relation to securing sponsorship for Productions
“Stakeholder”	:	A person who has made a financial contribution towards the budget of a Production/Movie in return for a share of a Production/Movie’s revenue rights which is computed in accordance with a contractually-agreed percentage of the Net Receipts but does not own the copyright in the scripts and various ancillary rights for the Production/Movie
“TV”	:	Television, including Free-TV and Pay-TV
“VOD”	:	Video on demand, a platform that allows users to select and watch/listen to audio-visual content on demand

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf or the Vendors' behalf, that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "expects", "believes", "plans", "intends", "estimates", "anticipates", "may", "will", "would" and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements which include, without limitation, statements as to the following:

- (a) our revenue and profitability;
- (b) projections of capital expenditures in general and other financial terms;
- (c) expected growth in demand;
- (d) expected industry trends;
- (e) anticipated expansion plans and whether we can successfully execute, manage and/or implement them;
- (f) anticipated commencement and completion date for projects; and
- (g) other matters discussed in this Offer Document regarding matters that are not historical fact, are only predictions.

Forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These forward-looking statements are based on our beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and hence the forward-looking statements based on these assumptions could be incorrect.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- (a) changes in political, social and economic conditions and the regulatory environment in the countries in which we conduct business or expect to conduct business;
- (b) our anticipated growth strategies and expected internal growth;
- (c) changes in the availability and prices of resources which we require for the operation of our business;
- (d) changes in customers' preferences;
- (e) changes in competitive conditions and our ability to compete under such conditions;

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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- (f) changes in our future capital needs and the availability of financing and capital to fund such needs;
- (g) changes in government regulations and their interpretation;
- (h) changes in currency exchange rates or interest rates; and
- (i) other factors beyond our control.

Some of these risk factors are discussed in greater detail under the section entitled “Risk Factors” of this Offer Document. All forward-looking statements by or attributable to us, or persons acting on our or the Vendors’ behalf, contained in this Offer Document are expressly qualified in their entirety by such factors.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer Document. Neither our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent, nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendors, the Sponsor, Issue Manager and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, we may lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority if, after the registration of the Offer Document but before the close of the Placement, we become aware of:

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST and would have been required by Section 243 of the SFA to be included in the Offer Document if it had arisen before the Offer Document was lodged and that is materially adverse from the point of view of an investor.

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## SELLING RESTRICTIONS

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This Offer Document does not constitute an offer, solicitation or invitation to subscribe for our Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the filing and/or registration of this Offer Document in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendors, the Sponsor, Issue Manager and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

By accepting this Offer Document, you agree to be bound by the foregoing limitations.

No part of this Offer Document may be copied, photocopied or duplicated in any form by any means or distributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose.

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## DETAILS OF THE PLACEMENT

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### LISTING ON CATALIST

A copy of this Offer Document has been lodged with the SGX-ST acting as agent on behalf of the Authority. The registration of this Offer Document by the SGX-ST acting on behalf of the Authority does not imply that the SFA, the Catalist Rules or any other legal or regulatory requirements, have been complied with. The SGX-ST has not, in any way, considered the merits of our existing issued Shares (including the Vendor Shares), the New Shares and the Award Shares, as the case may be, being offered or in respect of which an invitation is made for investment. We have not lodged this Offer Document in any other jurisdiction.

The Sponsor has made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all our Shares already issued (including the Vendor Shares), the New Shares and the Award Shares on Catalist. Such permission will be granted when we have been admitted to Catalist. Acceptance of applications will be conditional upon, *inter alia*, the issue of the New Shares and permission being granted by the SGX-ST for the listing and quotation of all our existing issued Shares (including the Vendor Shares), the New Shares and the Award Shares on Catalist. If the admission, listing and trading of our Shares already issued and the New Shares do not proceed or the said permission is not granted for any reason, monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, and the applicant will not have any claim against us, our Directors, the Vendors, the Sponsor, the Issue Manager and Placement Agent. No Shares will be allotted on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission to Catalist but relies on the Sponsor confirming that our Company is suitable to be listed and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares or units of Shares (including the Vendor Shares) being offered for investment.

Admission to Catalist is not to be taken as an indication of the merits of the Placement, our Company, our subsidiaries, our existing issued Shares (including the Vendor Shares), the New Shares or the Award Shares.

We are subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, if after the registration of this Offer Document but before the close of the Placement, we become aware of:

- (a) a false or misleading statement or matter in this Offer Document;
- (b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or

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## DETAILS OF THE PLACEMENT

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- (c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST that would have been required by Section 243 of the SFA to be included in the Offer Document if it had arisen before this Offer Document was lodged,

that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement offer document with the SGX-ST.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST, the Application List shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Placement Shares and:

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, we and the Vendors shall either:
- (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same, and provide the applicants with an option to withdraw their applications and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;
  - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
  - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we (on behalf of the Vendors) shall, within seven (7) days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk; or
- (b) where the Placement Shares have been issued and/or transferred to the applicants, we and the Vendors shall either:
- (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same, and provide the applicants with an option to return to our Company and/or the Vendors the Placement Shares which they do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;

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## DETAILS OF THE PLACEMENT

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- (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to our Company and/or the Vendors the Placement Shares which they do not wish to retain title in; or
- (iii) treat the issue and/or transfer of the Placement Shares as void, in which case the issue and/or transfer shall be deemed void and our Company (and on behalf of the Vendors) shall within seven (7) days from date of lodgement of the supplementary or replacement offer document, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (a)(ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this, whereupon our Company (and on behalf of the Vendors) shall, within seven (7) days from the receipt of such notification, return to him all monies paid by him on account of his application for those Placement Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk.

An applicant who wishes to exercise his option under paragraph (b)(i) or (b)(ii) to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Placement Shares to our Company, whereupon our Company (and on behalf of the Vendors) shall, within seven (7) days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Placement Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue and/or transfer of those Placement Shares shall be deemed to be void, and he will not have any claim against our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (the “**Stop Order**”) to our Company, directing that no Shares or no further Shares to which this Offer Document relates, be allotted, issued and/or transferred. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter which, in the Authority’s opinion, is false or misleading, (ii) omits any information that should have been included in it under the SFA, or (iii) does not, in the Authority’s opinion, comply with the requirements of the SFA.

In the event that the Authority issues a Stop Order and applications to subscribe for the Placement Shares have been made prior to the Stop Order, then:

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, the applications for the Placement Shares shall be deemed to have been withdrawn and cancelled and we (and on behalf of the Vendors) shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or
- (b) where the Placement Shares have been issued and/or transferred to the applicants, the issue and/or transfer of the Placement Shares shall be deemed to be void and our Company (and on behalf of the Vendors) shall, (i) if no documents purporting to evidence title to those Placement Shares have been issued and/or transferred to the applicants, within seven (7) days from the date of the Stop Order, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares, or (ii) if documents purporting to evidence title to those Placement Shares have been issued and/or transferred to the

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## DETAILS OF THE PLACEMENT

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applicants, within seven (7) days from the date of the Stop Order, inform the applicants to return such documents to our Company within 14 days from that date and within seven (7) days from the date of receipt of such documents or the date of the Stop Order, whichever is the later, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares.

Where monies are to be returned to applicants for the Placement Shares, it shall be paid to the applicants without any interest or share of revenue or benefit arising therefrom at the applicants' own risk, and the applicants will not have any claims against our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent.

This Offer Document has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and all expressions of opinion, intention and expectation in this Offer Document are fair and accurate in all material respects as at the date of this Offer Document and that there are no material facts the omission of which would make any statements in the Offer Document misleading, and that this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group.

Neither our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent nor any other parties involved in the Placement is making any representation to any person regarding the legality of an investment by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Sponsor, Issue Manager and Placement Agent. Neither the delivery of this Offer Document and the Application Forms nor any documents relating to the Placement, nor the Placement shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we may make an announcement of the same to the SGX-ST and/or the Authority and/or the public and if required, we may lodge a supplementary or replacement offer document with the SGX-ST and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST and/or Authority. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The Placement Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Placement and may not be relied upon by any other persons other than the applicants in connection with their application for the Placement Shares or for any other purpose.

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## DETAILS OF THE PLACEMENT

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**This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Offer Document may be obtained on request, subject to availability, during office hours, from:

**Hong Leong Finance Limited  
16 Raffles Quay, #01-05  
Hong Leong Building  
Singapore 048581**

A copy of this Offer Document is also available on the SGX-ST website at <http://www.sgx.com>.

**The Application List will open immediately upon the registration of the Offer Document by the SGX-ST acting as agent on behalf of the Authority and will remain open until 12.00 noon on 5 December 2014 or for such further period or periods as our Directors and the Vendors may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion, decide, subject to any limitation under all applicable laws and regulations. In the event a supplementary offer document or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.**

Details of the procedures for application to subscribe for the Placement Shares are set out in Appendix E of this Offer Document.

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## INDICATIVE TIMETABLE FOR LISTING

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An indicative timetable on the trading of our Shares is set out below:

Indicative date/time	Event
2 December 2014	Opening of Application List
5 December 2014 at 12.00 noon	Close of Application List
9 December 2014 at 9.00 a.m.	Commence trading on a “ready” basis
12 December 2014	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List will be on 5 December 2014, the date of admission of our Shares to Catalist will be 9 December 2014, the SGX-ST shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 9 December 2014.

The Placement will be open from 2 December 2014 to 12.00 noon on 5 December 2014.

The above timetable and procedures may be subject to such modification(s) as the SGX-ST may, in its absolute discretion, decide, including the commencement of trading on a “ready” basis and the commencement date of such trading.

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:–

- (i) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) in a major local English language newspaper such as The Straits Times or The Business Times.

We will publicly announce the level of subscription and the results of the distribution of the Placement Shares pursuant to the Placement, as soon as it is practicable after the close of the Application List through the channels set out in (i) and (ii) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Placement Shares, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allotment and/or allocation, due consideration will be given to the desirability of allotting and/or allocating the Placement Shares to a reasonable number of applicants with a view to establish an adequate market for our Shares.

**Investors should consult the SGX-ST’s announcement on the “ready” trading date released on the Internet (at the SGX-ST website <http://www.sgx.com>) or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.**

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## OFFER DOCUMENT SUMMARY

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*The following summary is qualified in its entirety by, and is subject to, the more detailed information (including the notes thereto) appearing elsewhere in this Offer Document. Terms defined elsewhere in this Offer Document have the same meaning when used herein. You should carefully consider all the information presented in this Offer Document, particularly the matters set out in the section entitled "Risk Factors" of this Offer Document before deciding to invest in our Shares.*

### **OUR COMPANY**

On 20 August 2014, our Company was incorporated in Singapore under the Companies Act as a limited exempt private company under the name of mm2 Asia Pte. Ltd.. Our Company Registration Number is 201424372N.

On 12 November 2014, our Company was converted into a public company limited by shares and our name was changed to "mm2 Asia Ltd."

Pursuant to the completion of the Restructuring Exercise as described in the section entitled "Restructuring Exercise" in this Offer Document, our Company became the holding company of our Group on 20 November 2014.

### **OUR BUSINESS**

We are principally involved in the provision of services as a Producer of Movies and TV/Online content. As Producer, we provide services in relation to the Production, Distribution and sales of a share of a Production/Movie's revenue rights, in Singapore and Malaysia. We are headquartered in Singapore and have a presence in Malaysia, Hong Kong, Taiwan and the PRC, through our Group companies and/or strategic working partnerships.

As Producer, we undertake the following three (3) key activities:

1. Production;
2. Distribution; and
3. Sponsorship.

#### **Production**

Our Production activities cover the entire process of creating audio-visual content, including securing financing for a Production/Movie from Stakeholders (who have acquired a share of the Production/Movie's revenue rights), script development, appointment of cast and crew, carrying out principal photography and managing the post-production process. We may undertake these activities in collaboration with a co-producer. We also receive income from consultancy and Producer's fees, as well as other contributions.

#### **Distribution**

We distribute both third-party Movies and Movies produced by us or in collaboration with other co-producers primarily in Singapore and Malaysia. We may distribute Movies in both local and overseas cinemas, as well as via Pay-TV, Free-TV, Online, DVD, airlines and other platforms. In our capacity as co-owner of the rights to the Movies that we produce, we are also able to license the rights to produce spin-offs or remakes of these Movies. After the theatrical run of a Movie has

## OFFER DOCUMENT SUMMARY

ended, we may also license the script rights, adaptation and sequel rights of Movies in our library of Movies, via third-party licensing arrangements. Please refer to the section titled “Intellectual Property” of this Offer Document for further details on the intellectual property rights that we hold.

### Sponsorship

We actively solicit for Sponsorship for the Production of Movies and offer advertisers an alternative platform to promote their products and services through product placements, where products are featured in Movies Produced or co-produced by us.

A detailed discussion of our business and the products and services we provide is set out in the section entitled “General Information on our Company and our Group – Business Overview” of this Offer Document.

### SUMMARY OF OUR FINANCIAL INFORMATION

The following summary of our financial data should be read in conjunction with the full text of this Offer Document, including the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document and the “Independent and Reporting Auditor’s Report on the Audited Combined Financial Statements for the Financial Years Ended 31 March 2012, 2013 and 2014” as set out in **Appendix A** and “Independent and Reporting Auditor’s Report on the Unaudited Combined Financial Statements for the Three-Month Period ended 30 June 2014” as set out in **Appendix B** of this Offer Document.

#### Selected items from the Combined Statements of Comprehensive Income<sup>(1)</sup>

S\$’000	Audited			Unaudited	
	FY2012	FY2013	FY2014	1Q2014	1Q2015
Revenue	6,572	9,907	16,121	1,462	4,708
(Loss)/Profit before income tax	(49)	948	3,703	(418)	2,706
Net Profit attributable to equity holders of the Company	93	815	2,741	(466)	1,854
EPS (cents) <sup>(2)</sup>	0.05	0.46	1.56	(0.27)	1.06
EPS (fully diluted) (cents) <sup>(3)</sup>	0.04	0.39	1.33	(0.23)	0.89

#### Selected items from the Combined Balance Sheets<sup>(4)</sup>

S\$’000	Audited			Unaudited
	FY2012	FY2013	FY2014	1Q2015
Current assets	2,890	9,166	13,455	17,820
Non-current assets	314	1,264	3,999	4,457
Current liabilities	3,085	9,196	11,723	11,176
Total equity	(54)	724	3,772	5,997
NAV per share (cents) <sup>(5)</sup>	(0.03)	0.41	2.15	3.41

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## OFFER DOCUMENT SUMMARY

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### Notes:

- (1) Our combined statements of comprehensive income for the Periods under Review have been prepared on the basis that our Group has been in existence throughout the Periods under Review.
- (2) For comparative purposes, EPS is calculated based on net profit attributable to equity holders of the Company for the year or period, as the case may be, and the pre-Placement share capital of the Company of 175,729,032 Shares.
- (3) For comparative purposes, EPS is calculated based on net profit attributable to equity holders of the Company for the year or period, as the case may be, and the post-Placement share capital of the Company of 206,729,032 Shares.
- (4) Our combined balance sheets as at 31 March 2012, 2013, 2014 and 30 June 2014 have been prepared on the basis that our Group has been in existence on these dates.
- (5) The NAV per share is computed based on the net asset value of our Group as at 31 March 2014 and 30 June 2014 and our pre-Placement share capital of 175,729,032 Shares.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

- We have the capability to provide services over the entire Production and Distribution process for Movies, TV and Online content;
- We have established and developed a strong network of business relationships with key participants in the Singapore and Malaysia Movie industries and certain overseas Movie industries;
- We have an established multi-market presence and the flexibility to develop and produce Movies across various markets;
- We are experienced in Producing and Distributing Movies across various genres and are quick to react to changing consumer preferences;
- We have significant experience in developing effective marketing strategies for Movies; and
- We have a committed and experienced management team, with extensive expertise in the Movie, TV and entertainment industries.

A detailed discussion of our competitive strengths is set out in the section entitled “General Information on our Company and our Group – Our Competitive Strengths” of this Offer Document.

### OUR PROSPECTS

Our Directors believe that the prospects of our Group are encouraging for the following reasons:

- Demand for locally-produced content in Singapore and Malaysia is growing;
- We are able to access larger markets and audiences, such as those in Taiwan, Hong Kong and the PRC;
- Box office receipts in Asia have been increasing; and
- The number and/or mode of distribution channels, including Online platforms, have been increasing.

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## OFFER DOCUMENT SUMMARY

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A detailed discussion of our prospects is set out in the section entitled “Prospects, Business Strategies and Future Plans” of this Offer Document.

### OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the continued growth of our business are as follows:

- Expansion of our Group’s business via acquisitions, joint ventures and/or strategic alliances;
- Expand our presence regionally;
- Produce more Movies and/or invest in Movies with a higher production budget; and
- Increase the size of our library of Movies and further exploit our existing intellectual property.

#### *Upcoming projects*

The following are selected Movies produced or co-produced by us, which are scheduled for release between the date of this Offer Document and 31 March 2015:



#### *WAYANG BOY*

A comedy about Singaporeans adjusting to the influx of foreign immigrants and their journey to rediscover what it means to live together as one united people, regardless of race, language or religion. The Movie is expected to be released in the last quarter of 2014.



#### *AH BOYS TO MEN 3 – FROGMEN*

A spin-off of the popular Movies ‘Ah Boys to Men’ and ‘Ah Boys to Men II’ released in November 2012 and February 2013 respectively, this Movie is co-produced by the Company, together with Jack Neo’s J Team Productions Pte. Ltd. and is expected to be released in the first quarter of 2015.

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## OFFER DOCUMENT SUMMARY

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### *ATM*

A lighthearted comedy that explores the generation gap between the youths and the elderly in Hong Kong. Co-produced with Hong Kong's Samart Limited and involving various Stakeholders, such as Shanghai Best TV and Fox International Channel, the Movie is expected to be released in the first quarter of 2015. Samart Limited is a Movie and TV Production company founded by veteran Hong Kong actor Ha Yu.



### *BRING BACK THE DEAD*

When her seven-year-old son dies in a tragic accident, a grieving mother resorts to supernatural forces to bring back the soul of her dead son. However, she begins to suspect something amiss after she is beset by one strange occurrence after another. The Movie is expected to be released in the first quarter of 2015.

Set forth below are some Movies to be produced or co-produced by us that are currently in development and planned for release in FY2016, the definitive release dates of which have yet to be fixed:

- **REVENGE:** A collection of three inter-connected horror stories about a pregnant lady who suspects her husband of plotting her murder, three former schoolmates who are invited to attend an orientation gathering for new students at their alma mater and a haunted office building. The story comes full circle at the end, when the audience realises how each story is connected to each other.
- **1965:** A political thriller centered around the racial riots that occurred in Singapore during the period leading up to Singapore's independence.
- **SG50 Project** (Title to be confirmed): The SG50 Project follows the story of a Singaporean family from 1965 to 2015. On 9 August 1965, Chen Ya Juan is driven out of her husband's home and gives birth to twins, Shun Fa and Su Mei. Born with a heart condition, doctors expect Shun Fa to live for no more than 12 years. Shun Fa's fragile life mirrors Singapore's precarious situation in 1965. Ya Juan's indomitable spirit allows her and her children to overcome the adversity and setbacks faced in the 50 years from 1965.
- **3688:** Fei Fei, a parking warden, has always dreamed of becoming a singer like her famous namesake. However, she loses her job after her employer installs automated parking systems in all its carparks. Broke and jobless, Fei Fei enters a national singing competition and, unexpectedly, Fei Fei reaches the final round of the competition.

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## OFFER DOCUMENT SUMMARY

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A detailed discussion of our business strategies and future plans is set out in the section entitled “Prospects, Business Strategies and Future Plans” of this Offer Document.

### **OUR CONTACT DETAILS**

Our Company’s registered office and principal place of business is located at 1002 Jalan Bukit Merah, #07-11, Singapore 159456. Our Company’s telephone number is +65 6376 0177 and our facsimile number is +65 6272 0711. Our Company Registration Number is 201424372N. Our Internet address is [www.mm2entertainment.com](http://www.mm2entertainment.com).

**Information contained in our website does not constitute part of this Offer Document.**

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## THE PLACEMENT

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<b>Placement Price</b>	:	S\$0.25 for each Placement Share, payable in full on application.
<b>Issue Size</b>	:	37,400,000 Placement Shares, comprising of 31,000,000 New Shares and 6,400,000 Vendor Shares.  The New Shares, which form part of the Placement, will, upon issue and allotment, rank <i>pari passu</i> in all respects with the existing issued Shares, including the Vendor Shares.
<b>The Placement</b>	:	The Placement comprises a placement by the Placement Agent on behalf of our Company and the Vendors of 37,400,000 Placement Shares, at the Placement Price, subject to and on the terms and conditions of this Offer Document.
<b>Purpose of the Placement</b>	:	Our Directors believe that the listing of our Company and the quotation of our Shares on Catalist will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. The Placement will also provide members of the public, our employees, our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
<b>Listing Status</b>	:	Our Shares will be quoted on Catalist, in Singapore dollars, subject to admission of our Company to Catalist and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST.
<b>Risk Factors</b>	:	Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Offer Document.
<b>Use of Proceeds</b>	:	Please refer to the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document for more details.

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## EXCHANGE RATES

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The reporting currency of our Group is the Singapore Dollar. The exchange rates between RM and S\$ as outlined in the tables below are from Bloomberg L.P.<sup>(1)</sup> and have been presented solely for informational purposes only. The tables and figures below should not be construed as representations that those S\$ could have been, could be or would be, converted or convertible into RM, as the case may be, at any particular rate, the rate stated below, or at all.

The exchange rate between RM and S\$ as at the Latest Practicable Date is RM1.00 to S\$0.3883. The table below sets out the highest and lowest exchange rates between RM and S\$ in each of the six (6) completed months prior to the Latest Practicable Date. The table indicates how much S\$ may be bought with RM1.00 in each such month.

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	<b>S\$: RM1.00</b>	
	<b>Highest</b>	<b>Lowest</b>
May 2014	0.3836	0.3909
June 2014	0.3874	0.3909
July 2014	0.3884	0.3918
August 2014	0.3897	0.3973
September 2014	0.3886	0.3955
October 2014	0.3874	0.3915

The table below sets out, for each of the financial years and periods indicated, the average and closing exchange rates between RM and S\$. The average exchange rate is calculated by using the average of the closing exchange rates on the last day of each month during each financial year/period. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements disclosed elsewhere in this Offer Document.

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	<b>S\$: RM1.00</b>	
	<b>Average</b>	<b>Closing</b>
FY2012	0.4093	0.4108
FY2013	0.4014	0.4017
FY2014	0.3592	0.3865
7M2015 <sup>(2)</sup>	0.3889	0.3883

**Notes:**

(1) The above information is extracted and compiled from Bloomberg L.P. on the Latest Practicable Date and is included in its proper form and context in this Offer Document. The accuracy of the information has not been verified by our Directors, the Vendors, the Issue Manager, Sponsor and Placement Agent. Bloomberg L.P. has not consented to the inclusion of the information in this Offer Document for the purposes of Section 249 of the SFA, and is not liable under Sections 253 and 254 of the SFA.

(2) For the period from 1 April 2014 to 31 October 2014.

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## RISK FACTORS

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*You should evaluate carefully each of the following risk factors and all of the other information set forth in this Offer Document before deciding to invest in our Shares. Some of the following considerations relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general social, economic, political and regulatory conditions, the securities market and ownership of our Shares, including possible future dilution in the value of our Shares.*

*You should also note that certain statements set forth below constitute “forward-looking statements” that involve risks and uncertainties. If any of the following risk factors and uncertainties develops into actual events, our business, financial condition, results of operations or cash flows could be materially and adversely affected. In such circumstances, the trading price of our Shares could decline due to any of these risk factors, and you may lose all or part of your investment. To the best of our Directors’ and the Vendors’ belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **We do not have any long term financing arrangements for our Productions**

The commencement of each Production is dependent on our ability to secure funding by way of loans, sale of commercial exploitation rights associated with the Production, Sponsorship from third-parties, Stakeholders, advertisers and government grants. As we do not have any long term arrangements with such parties, there is no assurance that there will be continued availability of such financing arrangements on commercial terms acceptable to us. Further, there is no guarantee that we will be awarded government grants for Movies produced by us. If we are unable to obtain sufficient funds to finance our Productions, it would have a material adverse effect on our business, financial condition and results of operations.

#### **Our Productions may be adversely affected by delays and cost overruns**

The Production process is subject to a number of uncertainties, most of which are beyond our control. We would need to source for replacements if any existing cast and/or crew members fail or are unable to continue to provide their services for any reason. There is no guarantee that we will be able to find replacements on commercially acceptable terms and this may result in delays and cost overruns.

Other risks, such as shortages of necessary equipment, technical difficulties with special effects or other aspects of Production, damage to film negatives, master tapes and recordings or adverse weather conditions may also result in delays and cost overruns.

In the event that the cost of a Production exceeds its budget, we are generally required to fund the overrun ourselves. We may have to seek additional financing from other sources and we cannot guarantee that we would be able to do so on commercially acceptable terms, or at all. In addition, we may be unable to recoup those additional costs. Substantial budget overruns could also prevent a Production from being completed or released.

Delays in completing a Production may also result in any such Production not being ready for release at the intended date and the postponement of release to a potentially less favourable date, all of which could have a negative impact on the Production’s performance at the box office. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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### **Our insurance coverage may be inadequate**

While we believe that we have adequately insured our operations and properties in a way that we understand is customary in the Singapore and Malaysia Movie industries and in amounts that we understand to be commercially appropriate, we may be subject to liabilities against which we are not adequately insured or against which we cannot be insured, including losses suffered that are not easily quantifiable and which may damage our reputation.

In addition, in the future, we may not be able to maintain insurance of the types or in the amounts that we deem necessary or adequate or at premiums that we consider appropriate. The occurrence of an event for which we are not adequately or sufficiently insured, the successful assertion of one or more large claims against us that exceed our existing insurance coverage, any successful assertion of claims against our co-producers, or changes in the terms of our insurance policies could have a material adverse effect on our business, financial condition and results of operations.

### **We are unable to predict the commercial success of Movies produced or co-produced by us with certainty**

Operating in the Movie industry involves a substantial degree of risk as our success is affected by the commercial success of our Productions, which is primarily determined by inherently unpredictable audience reactions. Generally, the popularity and commercial success of Movies produced or co-produced by us depend on many factors, including critics' reviews, negative publicity of the cast and other key talent, the genre and subject matter, the quality and popularity of our competitors' Movies released at or around the same time, the success of our promotional efforts, the availability of alternative forms of entertainment, general economic conditions and other factors such as prevailing consumer preferences. We are unable to control many of these factors, which may change from time to time. Any of these factors could have a material adverse effect on our business, financial condition and results of operations. Further, as a Movie's performance in ancillary markets, such as Pay-TV, Free-TV, Online, DVD and airlines may be related to its box office performance, this may negatively affect future revenue streams.

Our success will also depend on the experience and judgment of our management and Production team to select and develop new Production opportunities. We cannot provide an assurance that Movies produced or co-produced by us will perform well at the box office or in ancillary markets. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may invest in the Production of Movies in exchange for a percentage of the Net Receipts of the Movie. We cannot assure you that the Movies we invest in will be profitable or will, at least, break even. In addition, we may provide a minimum guarantee to third-party Producers as part of our Distribution activities. We may suffer losses in such investments, if we invest in or provide a minimum guarantee for a Movie that performs poorly at the box office. This could have a material adverse effect on our business, financial condition and results of operations.

### **We are dependent on Exhibitors for the screening of Movies produced or co-produced by us**

The decisions made by the Exhibitors regarding the timing of release and promotional support of Movies that we produce or acquire are important in determining the success of these Movies. We generally cannot exercise much control over the time of day and manner in which Movies produced or co-produced by us are exhibited. Decisions made by our Exhibitors not to screen or

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## RISK FACTORS

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promote any Movies produced or co-produced by us or to promote our competitors' Movies to a comparatively greater extent than Movies produced or co-produced by us, could have a material adverse effect on our business, financial condition and results of operations.

### **Movies produced or co-produced by us are subject to censorship laws and regulations**

The content of our Productions and scripts are subject to censorship laws and regulations in Singapore, Malaysia and other countries where we have Production or Distribution activities. Any tightening of censorship laws and regulations may result in us incurring additional costs to comply with the new censorship laws and regulations. This may have an adverse effect on our business, financial condition and results of operations. Please refer to the section titled "General Information on our Company and our Group – Permits, Approvals and Government Regulations" of this Offer Document for further details on the censorship laws and regulations in Singapore and Malaysia.

### **We may not be able to obtain the necessary licences and/or approvals for our Production and Distribution activities**

Depending on the location of our Production and Distribution activities, it may be necessary for us to obtain licences and/or approvals from the relevant government authorities in order to carry out such activities.

For example, a Licence to Engage in the Production of Film ("**FINAS Production Licence**") and Licence to Engage in the Distribution of Film ("**FINAS Distribution Licence**") issued by FINAS are required to carry out Production and Distribution activities in Malaysia. In order for a company to obtain and maintain a FINAS Production Licence and/or a FINAS Distribution Licence, a majority of its shares must be held by Malaysians. These licences are renewable on an annual basis and the National Film Development Corporation Malaysia (Licensing) Regulations 1983 also provide that FINAS may at any time vary or revoke such additional conditions or impose new additional conditions attached to such licences.

If we do not directly hold the necessary licences from FINAS, we need to collaborate with third parties holding the applicable licences to facilitate our Production and Distribution activities in Malaysia.

Our Associated Company, MJX, has both a FINAS Production Licence and a FINAS Distribution Licence and has been maintaining these licences since 2012. Pursuant to a share subscription and shareholders' agreement entered into between mm2 Malaysia, MJX, Angelin Ong and Kent Chan, on 1 September 2014, as revised on 23 October 2014 ("**MJX Agreement**"), mm2 Malaysia and MJX have agreed to collaborate together to undertake Production and Distribution activities in Malaysia. Under the terms of the MJX Agreement, MJX has agreed to maintain and preserve its existing FINAS Production Licence and FINAS Distribution Licence and to support any Production and/or Distribution activities undertaken by mm2 Malaysia which may require such licences.

If MJX is, for any reason, unable to maintain its FINAS Production Licence and/or FINAS Distribution Licence, we would need to source for and work with one or more alternative duly licensed third parties to support our Production and Distribution activities in Malaysia. If we are unable to promptly engage such alternative licensee(s) on commercially acceptable terms, this may delay our Production and Distribution activities and adversely affect our business, financial condition and results of operations. Please refer to the section titled "Restructuring Exercise" of this Offer Document for further details on the MJX Agreement.

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## RISK FACTORS

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### **We may be subject to claims of infringement of intellectual property rights of others**

We may be subject to claims that our Productions misappropriate or infringe the intellectual property rights of third parties with respect to their Movies and other intellectual property. We may seek to settle such claims against us by obtaining a licence from the claimant covering the disputed intellectual property rights. However, we cannot be assured that, under such circumstances, a licence or any other form of settlement would be available to us on reasonable terms or at all. Any claim or litigation against us in respect of infringement of intellectual property rights of third parties, whether with or without merit, could take up a significant amount of our management's time and our financial and other resources and could also affect our reputation in the industry, which may, in turn, have an adverse effect on our business, financial condition and results of operations.

### **Protecting and defending our intellectual property rights may have a material adverse effect on our business**

Our commercial success depends, in part, upon the successful protection of our intellectual property rights. We take steps to protect intellectual property rights to our Productions through existing laws, as well as entering into licensing and distribution arrangements with reputable companies in specific territories and media for a limited period of time. Despite these measures, existing copyright laws provide only limited practical protection in certain countries. Furthermore, Movies produced or co-produced by us may be distributed in other countries where there is no copyright protection. As a result, it may be possible for unauthorised third parties to copy and distribute Movies produced or co-produced by us, which could have a material adverse effect on our business, financial condition and results of operations.

In the event that third parties unlawfully infringe our intellectual property rights, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of our intellectual property rights. Such litigation could result in substantial costs which could have a material adverse effect on our business, financial condition and results of operations.

### **We operate in a highly competitive industry**

We operate in a highly competitive industry and Movies released by our competitors may result in an oversupply of Movies in the market, which could reduce our share of box office receipts and render it more difficult for Movies produced or co-produced by us to succeed commercially. As described earlier, poor box office performance may affect future revenue streams such as Pay-TV, Free-TV, Online, DVD, airlines and other platforms. An oversupply of Movies may become more pronounced during peak periods, such as school holidays and national holidays, when the number of cinema-goers is expected to be higher. The foregoing could have a material adverse effect on our business, financial condition and results of operations.

The Singapore and Malaysia Movie industries have come under increasing competitive pressure from Movies produced overseas in recent years, in particular, Movies produced in the U.S.A. and Movies from other Asian territories, including Japan, Korea and Taiwan. Any significant change in customers' preferences towards foreign Movies may affect the demand for Movies produced or co-produced by us and could have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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### **Our business involves risks of liability claims for media content**

As a Producer of media content, we may face potential liability for defamation, invasion of privacy and other claims based on the nature and content of the materials distributed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

### **We may be affected by any adverse impact on our reputation and goodwill**

We have built our reputation as one of the leading providers of Production and Distribution services in Singapore and Malaysia. Any negative publicity about us, our Directors, our Executive Officers or our Substantial Shareholders, whether founded or unfounded, may tarnish our reputation and goodwill amongst our customers and suppliers. Such negative publicity may include, *inter alia*, unsuccessful attempts in joint ventures, acquisitions, takeovers or involvement in litigation, insolvency proceedings or investigations by government authorities.

Under these circumstances, our customers and suppliers may lose confidence in our business, our Directors, our Executive Officers or our Substantial Shareholders, and this could affect our business relationships with them. This may have a material adverse effect on our business, financial condition and results of operations.

### **We are dependent on our key management team for our continued success and growth**

We attribute our success to the leadership and contributions of our management team, comprising our CEO and Controlling Shareholder, Melvin Ang, and our Executive Officers. Our continued success is, therefore, dependent to a large extent on our ability to retain our key management personnel who have extensive experience in the Movie industry and who are responsible for formulating and implementing our growth, corporate development and overall business strategies. The demand for such experienced personnel is intense and the search for personnel with the relevant skill sets can be time consuming. We have not purchased any keyman insurance policies for our key management personnel. The loss of our key management personnel, without suitable or comparable replacements in a timely manner, will have an adverse effect on our business, financial condition and results of operations.

### **We are exposed to risks arising from credit terms extended to our customers**

We may face payment delays and/or defaults by our customers who are granted credit terms, comprising mainly Exhibitors and third-party Distributors. Please refer to the section entitled "General Information on our Company and our Group – Credit Policy" of this Offer Document for details on our average trade receivables' turnover days. The credit terms extended to our customers are usually 30 days. Due to unforeseen events or circumstances, our customers may not be able to make timely repayments or fulfil their payment obligations. There is no assurance that there will not be any write-offs for trade receivables in the future. If we are unable to collect our debts on time or have to write-off our debts partially or entirely, our business, financial condition and results of operations will be adversely affected.

### **Our future plans may not be commercially successful**

We intend to expand our operations locally and overseas and such expansion plans may involve the setup of new offices, expansion of current facilities, joint ventures and/or the acquisition of companies that are complementary to our existing businesses.

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## RISK FACTORS

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There is no assurance that such expansion plans will be commercially successful. Such expansion plans may be expensive and we may be unable to secure the necessary financing to implement these plans, which, in turn, may divert our management's attention and expose our business to unforeseen liabilities or risks associated with entering new markets or new businesses.

We may also not be successful in integrating any acquired businesses and might not achieve the anticipated synergies for revenue growth and cost benefits. If we (i) fail to achieve a sufficient level of revenue; (ii) experience performance problems with an acquired company, such as the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets; or (iii) encounter any other unanticipated events or circumstances, our business, financial conditions and results of operations may be materially and adversely affected.

### **Our business, financial condition, results of operations and prospects may be adversely affected by exchange rate instability**

We are incorporated in Singapore and the reporting currency of our statutory financial statement is presented in Singapore dollars. A portion of our business operations are in Malaysia, through mm2 Malaysia, which, for FY2014, accounted for 35% of our total revenue. The financial results of mm2 Malaysia and mm2 Hong Kong, whose functional currencies are not in Singapore dollars, must be translated into Singapore dollars on every reporting date.

Any currency exchange gain or loss resulting from the translation is recognised as other comprehensive income and accumulated in the foreign currency translation reserve, under equity. If the resulting translation differences are significant, they may materially affect the results and shareholders' fund position of our Group. In addition, the computation of bank covenants and debt ratios may also be affected.

### **We face risks from doing business regionally**

We mainly provide our services as a Producer in Singapore and Malaysia but our business activities also extend to Taiwan, Hong Kong and the PRC. As a result, our business is subject to certain risks inherent in international business, many of which are beyond our control. These risks include:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- changes in local regulatory requirements, including restrictions on content;
- differing cultural tastes and attitudes;
- differing degrees of protection for intellectual property;
- the instability of foreign economies and governments;
- the spread of communicable diseases in such jurisdictions, which may impact business in such jurisdictions; and
- war and acts of terrorism.

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## RISK FACTORS

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Events or developments related to these and other risks associated with international trade could adversely affect our revenues, which could have a material adverse effect on our business, financial condition and operating results.

### **RISKS RELATING TO BUSINESS OPERATIONS IN MALAYSIA**

#### **Malaysia is an emerging market and we are exposed to the general risks associated with operating in emerging economies**

We are generally subject to greater risks, including legal, regulatory, economic and political risks, in emerging markets, such as Malaysia, compared to more developed markets. Accordingly, investors should exercise particular care in evaluating the risks involved and should consider whether, in light of these risks, investing in the shares of a company whose assets and/or operations are based in an emerging market is appropriate.

Financing costs and the availability of credit to companies operating within emerging markets is also significantly influenced by the level of investor confidence in these markets, and, as such, any factor that impacts market confidence, for example, a decrease in credit ratings or state or central bank intervention in one market may affect the price and/or availability of funding for entities within any of these markets. Any reduction in the availability of credit or increase in financing costs could have a material adverse effect on our Group's business, financial condition and results of operations.

#### **We may be subject to foreign exchange controls in Malaysia**

As at the Latest Practicable Date, the Foreign Exchange Administration Rules in Malaysia do not impose restrictions on foreign investors with respect to the repatriation of capital, profits, dividends, rental, fees and interest arising from investments in Malaysia. However, in the event that the Malaysian government were to tighten or otherwise change the relevant laws and regulations, such exchange controls may affect our repatriation of profits from mm2 Malaysia and may, in turn, limit our ability to repatriate dividends out of Malaysia.

#### **Exchange rate policy could have an adverse impact on our Group**

In the event that the Malaysian government imposes more restrictive foreign exchange controls, any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increase exposure of the Malaysian economy to the potential risks and vulnerabilities of external developments in the international markets. As a result, this may adversely affect our business prospects, financial condition and results of operations in Malaysia.

### **RISKS RELATING TO AN INVESTMENT IN OUR SHARES**

#### **Investment in shares quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST**

An application has been made for our Shares to be listed for quotation on Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached, as compared to larger or more established companies listed on the Main Board of the SGX-ST. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST.

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## RISK FACTORS

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### **Control by our Controlling Shareholder may limit your ability to influence the outcome of decisions requiring the approval of Shareholders**

Upon completion of the Placement, our CEO and Controlling Shareholder, Melvin Ang, will own approximately 63.18% of our post-Placement share capital. Therefore, he will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. He will also have veto power with respect to any shareholders' action or approval requiring a majority vote, except where he is required by the rules of the SGX-ST to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group, even if such change may be beneficial to our minority public Shareholders.

### **There is no prior market for our Shares and the Placement may not result in an active or liquid market for our Shares**

Prior to the Placement, there has been no public market for our Shares. Although we have made an application to the SGX-ST to list our Shares on Catalist, there is no assurance that an active trading market for our Shares will develop or, if it develops, it will be sustained after the Placement. Active or liquid markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. Liquidity in the market for a particular security is often a function of the volume of the underlying shares that are publicly held by unrelated parties.

There is also no assurance that the market price for our Shares will not decline below the Placement Price. The Placement Price may not be indicative of prices that may prevail in the trading market after the Placement. Investors may not be able to sell their Shares at or above the Placement Price. The market price of our Shares could be subject to significant fluctuations as investors' sentiments may be affected by external factors, such as the liquidity of our Shares in the market, differences between our actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations may also result in significant fluctuations in the market price of our Shares.

### **Our Share price may be volatile, which could result in substantial losses for investors subscribing for Shares pursuant to the Placement**

The trading price of our Shares may fluctuate significantly and rapidly after the Placement as a result of, among others, the following factors, some of which are beyond our control:

- (i) variations of our operating results;
- (ii) changes in our assets and liabilities;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) announcements made by us of significant acquisitions, strategic alliances or joint ventures;
- (v) additions or departures of key personnel;
- (vi) fluctuations in stock market prices and volume;
- (vii) material changes or uncertainty in the political, economic and regulatory environment in the markets in which we operate;

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## RISK FACTORS

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- (viii) success or failure of our efforts in implementing business and growth strategies;
- (ix) involvement in litigation; and
- (x) changes in general economic and stock market conditions.

### **Any future sale, availability or issuance of our Shares could adversely affect our Share price**

Any future sale, availability or issuance of a large number of our Shares can have a downward pressure on our Share price. The sale of a significant amount of our Shares in the public market after the Placement, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section entitled “Shareholders – Moratorium” of this Offer Document, there will be no restriction on the ability of our existing Shareholders to sell their Shares, either on Catalist or otherwise.

In addition, our Share price may be under downward pressure if Shareholders who are subject to a moratorium sell their Shares upon the expiry of their respective moratorium periods.

### **We may require additional funding for our growth plans and such funding may result in a dilution of our Shareholders’ investment**

We attempted to estimate our funding requirements in order to implement our growth plans, as set out in the section entitled “Prospects, Business Strategies and Future Plans” of this Offer Document.

In the event that the costs of implementing such plans should exceed these estimates significantly or we come across opportunities to grow through expansion plans which cannot be predicted at this juncture and the funds generated from our operations prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements.

These additional funds may be raised by issuing equity or debt securities or by borrowing from banks or from other resources. We cannot ensure that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully. Such financing, even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders’ consent for the payment of dividends or restrict our freedom to operate our business by requiring lenders’ consent for certain corporate actions.

Further, in the event that we raise additional funds by way of a limited placement or by a rights offering or through the issuance of new Shares, any Shareholders who are unable or unwilling to participate in such additional rounds of fundraising may suffer dilution in their investments.

### **Investors in our Shares would face immediate and substantial dilution in the NAV per Share and may experience future dilution**

The Placement Price of our Placement Shares is higher than our Group’s NAV per Share of S\$0.07 based on the post-Placement issued share capital after conversion of the Convertible Notes. If we were to be liquidated immediately following this Placement, each investor subscribing

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## RISK FACTORS

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to this Placement would receive less than the price they paid for their Shares. Please refer to the section entitled “Dilution” of this Offer Document for details of the immediate dilution of our Shares incurred by new investors.

In addition, we may issue Award Shares under our Performance Share Plan. To the extent that such Award Shares are issued, there may be further dilution to investors participating in our Placement, as well as impact to the financial performance of our Group. Please refer to the section entitled “Performance Share Plan” of this Offer Document for details of the Performance Share Plan.

### **We may not be able to pay dividends in the future**

Our ability to declare dividends to our Shareholders will depend on our future financial performance and distributable reserves of our Company. Our Company’s future financial performance and distributable reserves depend on several factors, such as the successful implementation of our strategies, general economic conditions, demand for and selling prices of our products and services. Many of these factors may be beyond our control. As such, there is no assurance that our Company will be able to pay dividends to our Shareholders after the completion of the Placement. In the event that any Group Company enters into any loan agreements in the future, covenants therein may also limit when and how much dividends we can declare and pay.

### **The actual performance of our Group may differ from forward-looking statements in this Offer Document**

Forward-looking statements in this Offer Document relating to the economy and the demand for Movie Production and Distribution services have been collected from materials from official government sources and industry sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications and we have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading, neither we nor any of our respective affiliates or advisers have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources and industry sources. Therefore, no representation is given as to the accuracy of such information or statistics. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources and industry sources used in this Offer Document may not be consistent with other information available from other sources and, therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

### **Foreign Shareholders may not be able to participate in future rights issues or certain other equity issues of our Shares**

In the event that we elect to conduct a rights issue or certain other equity issues, we may be subject to regulatory procedures to be followed in making such rights available to our existing Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. Accordingly, as a result of such regulatory constraints, foreign holders of our Shares may be unable to participate in future offerings of our Shares and may experience dilution of their shareholdings.

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## PLACEMENT STATISTICS

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**Placement Price** S\$0.25

**Net Asset Value per Share**

NAV per Share based on the unaudited combined balance sheet of our Group as at 30 June 2014 after adjusting for the conversion of the Convertible Notes (“Adjusted NAV”):

- |   |            |
|---|------------|
| (a) before adjusting for the estimated net proceeds from the issue of New Shares and based on the pre-Placement share capital of 175,729,032 Shares | 5.23 cents |
| (b) after adjusting for the estimated net proceeds from the issue of New Shares and based on the post-Placement share capital of 206,729,032 Shares | 7.23 cents |

Premium of Placement Price over the Adjusted NAV per Share as at 30 June 2014:

- |   |      |
|---|------|
| (a) before adjusting for the estimated net proceeds from the issue of New Shares and based on the pre-Placement share capital of 175,729,032 Shares | 378% |
| (b) after adjusting for the estimated net proceeds from the issue of New Shares and based on the post-Placement share capital of 206,729,032 Shares | 246% |

**Earnings per Share**

Historical net EPS of our Group for FY2014 based on our Company’s pre-Placement share capital of 175,729,032 Shares 1.56 cents

Historical net EPS of our Group for FY2014 based on our Company’s pre-Placement share capital of 175,729,032 Shares, assuming that the Service Agreement had been in place from the beginning of FY2014 1.52 cents

**Price Earnings Ratio**

Historical PER based on the Placement Price and the historical net EPS of our Group for FY2014 16.0 times

Historical PER based on the Placement Price and the historical net EPS of our Group for FY2014, assuming that the Service Agreement had been in place from the beginning of FY2014 16.5 times

**Net Operating Cash Flow<sup>(1)</sup>**

Historical net operating cash flow per Share of our Group for FY2014 based on the pre-Placement share capital of 175,729,032 Shares 0.15 cents

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## PLACEMENT STATISTICS

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Historical net operating cash flow per Share of our Group for FY2014 based on the pre-Placement share capital of 175,729,032 Shares, assuming that the Service Agreement had been in place from the beginning of FY2014 0.11 cents

### Price to Net Operating Cash Flow Ratio

Ratio of Placement Price to historical net operating cash flow per Share of our Group for FY2014 based on the pre-Placement share capital of 175,729,032 Shares for FY2014 163.3 times

Ratio of Placement Price to historical net operating cash flow per Share of our Group for FY2014 based on the pre-Placement share capital of 175,729,032 Shares, assuming that the Service Agreement had been in place from the beginning of FY2014 221.3 times

### Market Capitalisation

Market capitalisation based on the Placement Price and post-Placement share capital of 206,729,032 Shares S\$51.7 million

#### Note:

(1) Net operating cash flow refers to net cash inflows from operating activities.

## USE OF PROCEEDS AND LISTING EXPENSES

The total net proceeds to be raised by our Company from the Placement (comprising the New Shares and the Vendor Shares), after deducting the estimated cash expenses in relation to the Placement of approximately S\$2.05 million, is estimated to amount to approximately S\$7.3 million. We will not receive any of the proceeds from the Vendor Shares sold by the Vendors in the Placement. The net proceeds attributable to the Vendors from the sale of the Vendor Shares, after deducting the Vendors' share of the estimated expenses (comprising the placement commission and brokerage in respect of the Vendor Shares) of approximately S\$45,000, will be approximately S\$1.6 million.

The following table sets out the breakdown of the use of proceeds to be raised by our Company:

Use of proceeds from the Placement	Amount in Aggregate (S\$'000)	Estimated amount allocated for each dollar of the gross proceeds raised from the Placement (as a percentage of the gross proceeds) (%)
Expansion of our Group's business via acquisitions, joint ventures and/or strategic alliances	2,347	30.3
Investment in Production activities or acquisition of Movie rights	1,700	21.9
General working capital	1,700	21.9
<b>Net Proceeds</b>	<b>5,747</b>	<b>74.2</b>
<b>Expenses<sup>(1)</sup></b>		
Listing and application fees	34	0.4
Professional fees	1,420	18.3
Miscellaneous expenses	316	4.1
Placement commission <sup>(2)</sup>	233	3.0
<b>Gross Proceeds</b>	<b>7,750</b>	<b>100<sup>(3)</sup></b>

**Notes:**

- (1) The total estimated expenses will be borne by our Company, out of which approximately S\$1.7 million will be capitalised against the capital of our Company and the balance of the estimated expenses will be charged to the profit and loss of our Company.
- (2) The amount of placement commission per Placement Share, agreed upon between the Sponsor, Issue Manager and Placement Agent, our Company and the Vendors is 3.0% of the Placement Price payable for each Placement Share. Please refer to the section entitled "General and Statutory Information – Management and Placement Arrangements" of this Offer Document for more details.
- (3) Figures do not add up due to rounding differences.

Further details of our use of proceeds may be found in the section entitled "Prospects, Business Strategies and Future Plans" of this Offer Document.

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## USE OF PROCEEDS AND LISTING EXPENSES

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The foregoing discussion represents our Company's best estimate of its allocation of the net proceeds of the Placement based on our current plans and estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that our Company decides to reallocate the net proceeds of the Placement for other purposes, our Company will publicly announce its intention to do so through an SGXNET announcement on the Internet at the SGX-ST's website, <http://www.sgx.com>. In addition, our Company will make periodic announcements on the use of the proceeds from the Placement as and when the proceeds from the Placement are materially disbursed, and provide a status report on the use of the proceeds from the Placement in our annual reports.

Pending the deployment of the net proceeds from the Placement as aforesaid, the funds will be placed in short-term deposits or money market instruments as our Directors may, in their absolute discretion, deem fit.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised by the Placement.

None of the proceeds of the Placement will be used to discharge, reduce or retire any indebtedness of our Group.

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## PLAN OF DISTRIBUTION

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The Placement Price is determined by us and the Vendors in consultation with the Sponsor, Issue Manager and Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Placement Shares determined through a book-building process. The Placement Price is the same for all the Placement Shares and is payable in full on application.

### **Placement Shares**

The Placement Shares are made available to retail and institutional investors in Singapore who may apply through their brokers or financial institutions by way of the Application Forms.

Application for the Placement Shares may only be made by way of the Application Forms. The terms, conditions and procedures for application and acceptance are set out in Appendix E of this Offer Document entitled “Terms, Conditions and Procedures for Application and Acceptance”.

Pursuant to the Placement Agreement, we have appointed HLF as the Placement Agent and HLF has agreed to subscribe and/or procure subscribers for the Placement Shares for a placement commission of 3% of the aggregate Placement Price for each Placement Share, payable by our Company and the Vendors. Subject to any applicable laws and regulations, our Company agrees that HLF may, at its absolute discretion, appoint one (1) or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of the Placement Shares may be required to pay brokerage or selling commission of up to 1% of the Placement Price (and the prevailing goods and services tax thereon, if applicable) to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

### **Subscription for Placement Shares**

None of our Directors or Substantial Shareholders intends to subscribe for the Placement Shares. As far as we are aware, none of our Independent Directors, the members of our Company’s management or employees intends to subscribe for more than 5% of the Placement Shares in the Placement.

To the best of our knowledge and belief, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for more than 5% of the Placement Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for Shares amounting to more than 5% of the Placement Shares. If such person(s) were to make an application for more than 5% of the Placement Shares pursuant to the Placement and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406 of the Catalist Rules.

No Shares shall be allotted and/or allocated on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

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## DIVIDEND POLICY

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Neither our Company nor our Subsidiaries have declared or paid any dividends since their incorporation.

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares will depend on our earnings, general financial position, results of operations, capital requirements, cash flow, general business condition, our development plans and other factors as our Directors may, in their absolute discretion, deem appropriate. Therefore, there can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

Subject to our Articles of Association and in accordance with the Companies Act, our Company may, in a general meeting, from time to time, declare a dividend or other distribution (subject to the approval of our Shareholders), but no dividend or other distribution shall be declared in excess of the amount recommended by our Directors. Our Directors may also declare an interim dividend without the approval of our Shareholders.

All dividends are paid *pro rata* among the Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge our Company from any liability to that Shareholder in respect of that payment.

For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" of this Offer Document.

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## SHARE CAPITAL

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Our Company was incorporated in Singapore on 20 August 2014 under the Companies Act as a private company limited by shares under the name of “mm2 Asia Pte. Ltd.”. On 12 November 2014, our Company changed its name to “mm2 Asia Ltd.” in connection with its conversion into a public company limited by shares.

As at the date of incorporation, our issued and paid-up share capital was S\$1, comprising one (1) ordinary share. As at the Latest Practicable Date, our issued and paid-up share capital was S\$1 comprising one (1) Share. Pursuant to the completion of the Restructuring Exercise on 20 November 2014, our issued and paid-up share capital is S\$41,498,126 comprising 175,729,032 Shares. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for more details.

Pursuant to an extraordinary general meeting held on 4 November 2014, our Shareholder approved, *inter alia*, the following:

- (a) the Sub-Division of Shares in the issued share capital of our Company, of which one (1) issued and fully-paid Share has been subdivided into 7,500 Shares;
- (b) the conversion of our Company into a public company limited by shares and the consequential change of our name to “mm2 Asia Ltd.”;
- (c) our adoption of a new set of Articles of Association;
- (d) the approval of the listing and quotation of all the issued Shares (including the New Shares to be issued and allotted pursuant to the Placement) on Catalist;
- (e) the issue and allotment of 31,000,000 New Shares which are the subject of the Placement on the basis that the New Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares;
- (f) the adoption of the Performance Share Plan, and the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to allot and issue Shares upon the release of Awards granted under the Performance Share Plan;
- (g) the participation in the Performance Share Plan by our CEO and Controlling Shareholder, Melvin Ang;
- (h) that authority be and is hereby given to our Directors, pursuant to Section 161 of the Companies Act and the Catalist Rules to:
  - (A) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or
  - (iii) notwithstanding that such authority may have ceased to be in force at the time that Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,

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## SHARE CAPITAL

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at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and

- (B) issue Shares in pursuance of any Instrument made or granted by our Directors pursuant to (A)(ii) and/or (A)(iii) above, while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments (“**Adjustments**”) effected under any relevant Instrument, which Adjustments shall be made in compliance with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company), does not exceed 100% of the post-Placement issued share capital excluding treasury shares, and provided further that the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority but excluding Shares which may be issued pursuant to Adjustments effected under any relevant Instrument) shall not exceed 50% of the post-Placement issued share capital excluding treasury shares;
- (2) in exercising such authority, our Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company; and
- (3) unless revoked or varied by our Company in general meeting by ordinary resolution, the authority so conferred shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Catalist Rules, the “post-Placement issued share capital” shall mean the total number of issued Shares of our Company (excluding treasury shares) immediately after the Placement, after adjusting for: (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from exercising share options or vesting of Award Shares outstanding or subsisting at the time such authority is given, provided the options or Awards were granted in compliance with the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or sub-division of Shares;

- (i) the issue and allotment of 149,992,500 Consideration Shares, pursuant to the share swap agreement to be entered into between our Company and the Shareholders of mm2 Singapore; and
- (j) the issue and allotment of Conversion Shares as may be required to satisfy a conversion of the Convertible Notes, to the holders of the Convertible Notes, at the discount to the issue price of the Shares, upon listing as prescribed in the applicable Convertible Note subscription agreements pursuant to the conversion of the Convertible Notes.

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## SHARE CAPITAL

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As at the date of this Offer Document, there is only one (1) class of Shares in the capital of our Company, being the Shares. A summary of the Articles of Association of our Company relating to, among others, the voting rights of our Shareholders are set out in Appendix C entitled “Selected Extracts of our Articles of Association” of this Offer Document.

As at the date of this Offer Document, the issued and paid-up share capital of our Company is S\$41,498,126 comprising 175,729,032 Shares. Upon the issue and allotment of the New Shares which are the subject of the Placement, the resultant issued and paid-up share capital of our Company will be increased to S\$47,548,126 comprising 206,729,032 Shares.

There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose.

As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by, any of our Directors or Executive Officers.

Details of the changes in the issued and paid-up share capital of our Company since the date of incorporation and immediately after the Placement are set out below:

	Number of Issued Shares	Issued and paid-up share capital (S\$)
Issued and fully paid Shares as at incorporation	1	1
Sub-Division	7,500	1
Issue of 149,992,500 Consideration Shares pursuant to the completion of the Restructuring Exercise <sup>(1)</sup>	149,992,500	37,498,125
Issue of Conversion Shares to the Pre-IPO Investors pursuant to the conversion of the Convertible Notes	25,729,032	4,000,000
Pre-Placement issued and paid-up share capital	175,729,032	41,498,126
New Shares issued pursuant to the Placement	31,000,000	7,750,000
Post-Placement issued and paid-up share capital	206,729,032	47,548,126 <sup>(2)</sup>

**Notes:**

- (1) The Consideration Shares were issued to shareholders of mm2 Singapore pursuant to the Restructuring Exercise. Please refer to the section entitled “Restructuring Exercise” of this Offer Document for more information on the Consideration Shares.
- (2) After deducting expenses incurred in relation to the Placement of approximately S\$1.7 million which is capitalised against share capital as described in the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document.

## SHARE CAPITAL

The issued share capital and the shareholders' equity of our Company as at the date of incorporation, after adjustments to reflect the Restructuring Exercise, the Sub-Division, the Issue of Convertible Shares to Pre-IPO Investors, and the issue and allotment of the New Shares pursuant to the Placement, are set forth below.

	As at Incorporation	After adjustment to reflect the Restructuring Exercise, the Sub-Division and Conversion of notes to Shares of Pre-IPO Investors	Assuming the allotment and issue of the New Shares
Issued and fully paid-up shares (number of shares)	1	175,729,032	206,729,032
Issued and fully paid-up share capital (S\$)	1.00	41,498,126	47,548,126 <sup>(1)</sup>
Total shareholders' equity (S\$) <sup>(2)</sup>	1.00	41,498,126	47,548,126

Save as disclosed above, there have been no other changes in the share capital of our Company since the date of its incorporation on 20 August 2014.

**Note:**

- (1) The share capital is net of expenses incurred in relation to the Placement of approximately S\$1.7 million which is capitalised against our Company's share capital, such treatment being in accordance with applicable accounting standards.
- (2) Total shareholders' equity reflected is based on the non-consolidated financial statements of the Company.

Save as set out in this section and in the following table, there were no changes in the issued and paid-up share capital or the number and classes of shares of each of our subsidiaries and Associated Company, within the three years preceding the Latest Practicable Date:

Name of Subsidiary	Date of shares issued/registered capital contributed	Number of shares issued/registered share capital contributed	Placement Price per share	Purpose of change in capital	Resultant paid-up share capital/ registered share capital
mm2 Singapore	8 February 2012	15,000	S\$1	Working capital	S\$16,000
	28 May 2012	4,000	S\$1	Working capital	S\$20,000
mm2 Hong Kong <sup>(1)</sup>	26 May 2014	10,000	HK\$1	Incorporation	HK\$10,000
MJX	26 April 2014	50,000	RM1	Incorporation	RM50,000

**Note:**

- (1) mm2 Hong Kong is a wholly-owned subsidiary of mm2 Singapore.

Save as disclosed in this section, no Share in or debenture of our Company or our subsidiaries has been issued, or is proposed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash, since the date of incorporation of our Company and up to the date of lodgement of this Offer Document.

## SHAREHOLDERS

### SHAREHOLDING AND OWNERSHIP STRUCTURE

Our Directors and Substantial Shareholders and their respective shareholdings immediately before and after the Placement are summarised below:

	Before the Placement				After the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares ('000)	%	Number of Shares ('000)	%	Number of Shares ('000)	%	Number of Shares ('000)	%
<b>Directors</b>								
Tan Liang Pheng	–	–	–	–	–	–	–	–
Melvin Ang	136,605	77.74	–	–	130,605	63.18	–	–
Jack Chia	–	–	–	–	–	–	–	–
Thomas Lei	–	–	–	–	–	–	–	–
Terry Mak	–	–	–	–	–	–	–	–
<b>Substantial Shareholder</b>								
PAPOF <sup>(1)</sup>	19,256	10.96	–	–	19,256	8.56	–	–
<b>Other Shareholders</b>								
Pre-IPO Investors	9,600	5.46	–	–	9,200	4.45	–	–
Transferees	10,268	5.84	–	–	10,268	4.97	–	–
<b>Public</b>								
	–	–	–	–	37,400	18.84		
Total <sup>(2)</sup>	175,729	100	–	–	206,729	100	–	–

**Notes:**

(1) Pursuant to a Convertible Note Subscription and Share Sale Agreement entered into between mm2 Singapore, our CEO and Controlling Shareholder, Melvin Ang and PAPOF. Further details are described in the sections entitled “Restructuring Exercise” and “General and Statutory Information – Material Contracts” of this Offer Document.

(2) Figures do not add up due to rounding differences.

Save as disclosed above and in the section entitled “Directors, Management and Staff” of this Offer Document, there are no other relationships among our Directors, Substantial Shareholders and Executive Officers.

Save as disclosed in the section entitled “Restructuring Exercise” of this Offer Document, there has been no change in the percentage ownership of Shares by our Directors and Substantial Shareholders from its incorporation until the Latest Practicable Date.

The Shares held by our Directors and Substantial Shareholders do not carry voting rights that are different from the New Shares. Our Directors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

As at the Latest Practicable Date, our Company has only one (1) class of shares, being our Shares which are in registered form. There is no restriction on the transfer of fully paid ordinary shares in scripless form except where required by law or the Catalist Rules.

There has not been any public takeover offer by a third-party in respect of our Shares or by our Company in respect of the shares of another corporation or units of business trust which has occurred between the date of its incorporation to the Latest Practicable Date.

Save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly by any other corporation, any government or person.

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## SHAREHOLDERS

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Save as disclosed above and in the sections entitled “Restructuring Exercise” and “Share Capital” of this Offer Document, no shares or debentures were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three (3) years preceding the date of lodgement of this Offer Document.

There are no Shares in our Company that are held by or on behalf of our Company or by the subsidiaries of our Company.

### SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

Save as disclosed above and in the sections entitled “Share Capital” and “Restructuring Exercise” of this Offer Document, there were no significant changes in the percentage of ownership of our Directors and Substantial Shareholders in our Company between the date of incorporation on 20 August 2014 and the Latest Practicable Date.

### MORATORIUM

#### CEO and Controlling Shareholder

Our CEO and Controlling Shareholder, Melvin Ang, who will hold 130,605,000 Shares representing approximately 63.18% of our Company’s issued share capital immediately after the Placement, has undertaken to the Sponsor, Issue Manager and Placement Agent not to, amongst others, transfer, directly or indirectly, sell, offer, assign, pledge, grant any option to purchase, grant any security over, encumber, realise or otherwise dispose of all or any part of his shareholding interests in our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months commencing from our Company’s date of admission to Catalist (“**Initial Period**”), and for a period of six (6) months thereafter not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise or dispose of any part of his shareholding interests in our Company to below 50% of his original shareholdings in our Company.

#### Pre-IPO Investors

Each of the Pre-IPO Investors has undertaken to the Sponsor, Issue Manager and Placement Agent not to, amongst others, transfer, directly or indirectly, sell, offer, assign, pledge, grant any option to purchase, grant any security over, encumber, realise or otherwise dispose of all or any part of their shareholdings in our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares) for a period of 12 months commencing from the date of our Company’s admission to Catalist.

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Name	Number of Pre-IPO Investors’ Moratorium Shares	% of share capital immediately after the Placement
PAPOF <sup>(1)</sup>	16,129,032	7.80
Wong Li Foon	880,000	0.43
Cornerstone Pictures Pte Ltd	1,600,000	0.77
Sng Siew Lin	1,920,000	0.93
Hesheng Media Co, Ltd.	1,920,000	0.93

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**Note:**

- (1) Pursuant to the Convertible Note subscription and share sale agreement dated 8 May 2014, PAPOF subscribed for Convertible Notes having an aggregate principal value of S\$2.5 million, which were converted to Conversion Shares prior to the Placement. These Conversion Shares are hence moratorised for 12 months.

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## SHAREHOLDERS

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Please refer to the section entitled “Shareholders – Shareholding and Ownership Structure” of this Offer Document for further details on the number of Shares issued.

### Others

Each of the following Shareholders has undertaken to the Sponsor, Issue Manager and Placement Agent not to, amongst others, transfer, directly or indirectly, sell, offer, assign, pledge, grant any option to purchase, grant any security over, encumber, realise or otherwise dispose of all or any part of his shareholding interests as set out in the table below (“**Moratorised Shares**”) in our Company immediately after the Placement for the Initial Period, and for a period of six (6) months thereafter not to sell, transfer or dispose any part of such Moratorised Shares in our Company to below 50% of his original shareholdings in our Company:

Name	Number of Moratorised Shares for the Initial Period	% of share capital immediately after the Placement
PAPOF <sup>(1)</sup>	3,127,500	1.51
Tan Chee Yean	3,127,500	1.51
Tay Joo Heng	1,747,500	0.85
Su Jufang	1,327,500	0.64
Ng Say Yong	1,155,000	0.56
Toong Soo Wei	1,110,000	0.54
Kent Chan	397,500	0.19
Angelin Ong	397,500	0.19
Jack Neo	397,500	0.19
Ha Yu	120,000	0.06
Chong How Kiat	120,000	0.06
Hung Yeow Huat	120,000	0.06
Tee Mei Gaik	82,500	0.04
Lim Boon Ser	82,500	0.04
Lim Kien Nam	82,500	0.04

#### Note:

- (1) Pursuant to the Convertible Note subscription and share sale agreement dated 8 May 2014, PAPOF purchased 417 shares in mm2 Singapore from Melvin Ang. PAPOF’s shareholding in mm2 Singapore was subsequently acquired by our Company. In consideration of PAPOF’s transfer of its shareholding in mm2 Singapore to our Company, our Company allotted and issued 3,127,500 New Shares to PAPOF. These Shares are hence fully moratorised for the Initial Period, and 50% moratorised for the 6-month period thereafter.

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## VENDORS

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The name of the Vendors and the number of Vendor Shares which the Vendors will offer pursuant to the Placement are set out below:

Vendor	Shares held immediately before the Placement		Vendor Shares offered pursuant to the Placement			Shares held after the Placement	
	Number of Shares	% of pre-Placement share capital	Number of Shares	% of pre-Placement share capital	% of post-Placement share capital	Number of Shares	% of post-Placement share capital
Melvin Ang	136,605,000	77.74	6,000,000	3.41	2.90	130,605,000	63.18
Wong Li Foon	1,280,000	0.73	400,000	0.23	0.19	880,000	0.43

## CAPITALISATION AND INDEBTEDNESS

The following table, which should be read in conjunction with the “Independent and Reporting Auditor’s Report on the Combined Financial Statements for the Financial Years Ended 31 March 2012, 2013 and 2014” as set out in **Appendix A** of this Offer Document and the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document, shows our cash and cash equivalents, capitalisation and indebtedness:

- (i) as at 31 March 2014 based on our audited combined financial statements;
- (ii) as at the Latest Practicable Date based on our unaudited management accounts; and
- (iii) as adjusted to give effect to the application of the net proceeds from the Placement, after deducting estimated listing expenses related to the Placement.

(\$'000)	As at 31 March 2014	As at the Latest Practicable Date	As adjusted for the net proceeds from the Restructuring and Placement
<b>Cash and cash equivalents</b>	601	1,906	7,653
<b>Indebtedness</b>			
<u>Current</u>			
Secured and guaranteed	100	196	196
	100	196	196
<u>Non-current</u>			
Secured and guaranteed	169	117	117
Unsecured and guaranteed	855	4,105	105
	1,024	4,222	222
<b>Total Indebtedness</b>	1,124	4,418	418
<b>Total shareholders’ equity<sup>(1)</sup></b>	3,772	7,704	17,451
Total capitalisation and indebtedness	4,896	12,122	17,869

**Notes:**

(1) Includes share capital, retained earnings and non-controlling interests.

As at the Latest Practicable Date, there were no material changes to our capitalisation and indebtedness as disclosed above, save for changes in our reserves arising from day-to-day operations in the ordinary course of business.

As at the Latest Practicable Date, the total banking facilities available to our Group amounted to approximately S\$519,700, of which approximately S\$24,300 remain unutilised.

## CAPITALISATION AND INDEBTEDNESS

### Credit Facilities

As at the Latest Practicable Date, our Group's credit facilities from various financial institutions are as follows:

Financial Institutions	Nature of facility	Facility (S\$'000)	Utilised Amount as at the Latest Practicable Date (S\$'000)	Unutilised Amount as at the Latest Practicable Date (S\$'000)	Interest rate (per annum)	Maturity Profile
OCBC Bank	Term loan	70	70	Nil	1.12% below OCBC's prevailing business term rate	Repayable within 60 months
SCB	Term loan	134.6	134.6	Nil	8.8%	Repayable within 36 months
RHB	Term loan	76.9	76.9	Nil	1.5% above RHB's base lending rate	Repayable within 60 months
	Overdraft	115.4	91.1	24.3	1.75% above RHB's base lending rate	Repayable on demand
PBB	Hire purchase facility	80.1	80.1	Nil	5.04%	Repayable within 108 months
Orix	Hire purchase facility	42.7	42.7	Nil	8.43%	Repayable within 108 months
<b>Total</b>		519.7	495.4	24.3		

Save as disclosed above, we do not have any committed borrowing facilities.

As at the Latest Practicable Date, we had utilised approximately S\$495,400 of our banking facilities, which comprise hire purchase lease facilities for the purposes of improvement and upgrading of our facilities.

As at the Latest Practicable Date, all our borrowings are secured by deeds of guarantee and indemnities, joint and several personal guarantees provided by our CEO and Controlling Shareholder, Melvin Ang, and our Executive Officers, Angelin Ong and Kent Chan. Please refer to the section entitled "Interested Person Transactions" of this Offer Document for further details of the joint and several guarantees provided by our CEO and Controlling Shareholder, Melvin Ang, and our Executive Officers, Angelin Ong and Kent Chan.

As at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our Group's financial position and results of business operations, or the investments of our Shareholders.

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## CAPITALISATION AND INDEBTEDNESS

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### Operating Lease Commitments

As at 31 March 2014 and the Latest Practicable Date, our operating lease commitments are as follows:

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<b>(S\$'000)</b>	<b>31 March 2014</b>	<b>Latest Practicable Date</b>
Within 1 year	119	153
After 1 year but within 5 years	77	29
<b>Total</b>	<b>196</b>	<b>182</b>

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### Capital Commitments

As at the Latest Practicable Date, our Group has no material capital commitments.

### Contingent Liabilities

As at the Latest Practicable Date, to the best of our knowledge, information and belief, we are not aware of any contingent liabilities which may have a material effect on the financial position and profitability of our Group.

## DILUTION

Dilution is the amount by which the Placement Price paid by the subscribers of our Shares in this Placement exceeds our NAV per Share of our Group immediately after the Placement. Our NAV per Share as at 30 June 2014, after adjusting for the conversion of the Convertible Notes but before adjusting for the estimated net proceeds due to our Company from the Placement and based on our Company's pre-Placement issued and paid-up share capital of 175,729,032 Shares, was approximately 5.23 cents per Share.

Pursuant to the Placement in respect of 31,000,000 New Shares at the Placement Price, our NAV per Share as at 30 June 2014 after adjusting for the conversion of the Convertible Notes and the estimated net proceeds due to our Company from the Placement and based on our Company's post-Placement issued and paid-up share capital of 206,729,032 Shares would have been approximately 7.23 cents. This represents an immediate increase in NAV per Share of approximately 2.00 cents to our existing Shareholders and an immediate dilution in NAV per Share of approximately 17.77 cents or approximately 71.08% to our new public investors.

The following table illustrates the dilution on a per Share basis as at 30 June 2014:

	Cents
Placement Price per Share	25.00
NAV per Share based on the pre-Placement share capital of 175,729,032 Shares	5.23
Increase in NAV per Share attributable to existing Shareholders	2.00
NAV per Share after the issue of New Shares and based on the post-Placement share capital of 206,729,032 Shares <sup>(1)</sup>	7.23
Dilution in NAV per Share to new public investors	17.77
Dilution in NAV per Share to new public investors (%)	71.08

**Note:**

(1) The computed NAV per Share after the Placement does not take into account our actual financial performance from 1 July 2014. Depending on our actual financial results, our NAV per Share may be higher or lower than the above computed NAV.

The following table summarises the total number of Shares (as adjusted for the Restructuring Exercise and the Sub-Division) acquired by our Directors and/or Substantial Shareholders since our incorporation, the total consideration paid by them and the effective cash cost per Share to our Directors and/or Substantial Shareholders of Shares acquired by them from the date of incorporation, and the public Shareholders who subscribe for the New Shares at the Placement Price pursuant to the Placement:

	Number of Shares	Total Consideration (S\$'000)	Effective cash Cost per Share (cents)
<b>Directors</b>			
Tan Liang Pheng	–	–	–
Melvin Ang	136,605,000	83	0.06
Jack Chia	–	–	–
Thomas Lei	–	–	–
Terry Mak	–	–	–

## DILUTION

	Number of Shares	Total Consideration (S\$'000)	Effective cash Cost per Share (cents)
<b>Other Shareholders</b>			
PAPOF (CN) <sup>(1)</sup>	16,129,032	2,500	15.5
PAPOF (equity) <sup>(2)</sup>	3,127,500	500	16.0
Tan Chee Yean	3,127,500	500	16.0
Hesheng Media	1,920,000	300	15.5
Sng Siew Lin	1,920,000	300	15.5
Tay Joo Heng	1,747,500	279.6	16.0
Lim Kar Tian	1,600,000	250	15.5
Cornerstone Pictures Pte Ltd	1,600,000	250	15.5
Su Jufang	1,327,500	220	16.0
Wong Li Foon	1,280,000	200	15.5
Ng Say Yong	1,155,000	184.3	16.0
Toong Soo Wei	1,110,000	177.9	16.0
Chua Teck Hiong	896,000	140	15.6
Jack Neo	397,500	63.5	16.0
Angelin Ong	397,500	63.5	16.0
Kent Chan	397,500	63.5	16.0
Ng Toon Lee	192,000	30	15.5
Tan Koon Tat Patrick	128,000	20	15.5
Ha Yu	120,000	19.1	16.0
Chong How Kiat	120,000	19.1	16.0
Hung Yeow Huat	120,000	19.1	16.0
Tee Mei Gaik	82,500	12.7	16.0
Lim Boon Ser	82,500	12.7	16.0
Lim Kien Nam	82,500	12.7	16.0
Lim Chee Wee	64,000	10	15.6
<b>Public Investors</b>	<b>31,000,000</b>	<b>7,750</b>	<b>25.0</b>

**Notes:**

- (1) Pursuant to the Convertible Note subscription and share sale agreement dated 8 May 2014, PAPOF subscribed for Convertible Notes having an aggregate principal value of S\$2.5 million, which were converted to 16,129,032 Conversion Shares prior to the Placement.
- (2) Pursuant to the Convertible Note subscription and share sale agreement dated 8 May 2014, PAPOF purchased 417 shares in mm2 Singapore from Melvin Ang. PAPOF's shareholding in mm2 Singapore was subsequently acquired by our Company. In consideration of PAPOF's transfer of its shareholding in mm2 Singapore to our Company, our Company allotted and issued 3,127,500 New Shares to PAPOF.

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## RESTRUCTURING EXERCISE

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Our Group was formed through the Restructuring Exercise which involved acquisitions and the rationalisation of our corporate and shareholding structure for the purposes of the Placement. Pursuant to the Restructuring Exercise, our Company became the holding company of our Group.

### **(a) Incorporation of our Company**

Our Company was incorporated in the Republic of Singapore on 20 August 2014, as an investment holding company of our Group, in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of S\$1 comprising one (1) Share held by Melvin Ang. On 12 November 2014, our Company changed its name to “mm2 Asia Ltd.” in connection with its conversion into a public company limited by shares.

### **(b) Acquisition of 49% interest in MJX by mm2 Malaysia**

Pursuant to the MJX Agreement, mm2 Malaysia acquired an aggregate interest of 49% in the issued and paid-up share capital of MJX for cash consideration of RM49. The remaining 51% shareholding in MJX is held by Angelin Ong and Kent Chan, each holding 25.5%.

Our Group entered into the MJX Agreement and acquired its interest in MJX with a view of maintaining an interest in a company having the relevant FINAS Production Licence and FINAS Distribution Licence in order to facilitate our Group’s Production and Distribution activities in Malaysia. However, should MJX cease to possess these licences for any reason, our Board is of the view that our Group would be able to source for and team up with other suitable third parties in Malaysia, who are similarly in possession of the applicable licences, on reasonable commercial terms, to facilitate the Group’s continued Production and Distribution activities in Malaysia. Our Malaysian legal advisers have confirmed that such arrangements are in compliance with Malaysian laws applicable to the film industry.

Pursuant to the terms of the MJX Agreement, none of the shareholders of MJX may sell, transfer, assign, dispose of and/or in any way encumber all or any part of their respective shareholdings in MJX without the unanimous written consent of the other shareholders and mm2 Malaysia is entitled to nominate and appoint such number of directors as would constitute a simple majority of the board of directors of MJX.

Further, in the event of any breach of the terms of the MJX Agreement by MJX or if either Angelin Ong or Kent Chan are at risk of losing their respective shareholdings in MJX by reason of bankruptcy or death, mm2 Malaysia has an option to acquire the entire shareholding of each of Angelin Ong and Kent Chan in MJX pursuant to the terms of the MJX Agreement.

### **(c) Acquisition of mm2 Malaysia**

On 1 September 2014, our Company acquired the entire shareholding of mm2 Malaysia from Melvin Ang, Angelin Ong and Kent Chan for a consideration of RM35.

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## RESTRUCTURING EXERCISE

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**(d) Share transfers between Melvin Ang and various parties**

The following Transferees purchased shares in mm2 Singapore from our CEO Melvin Ang for cash consideration as set out below:

Transferee	Date of Transfer	Number of mm2 Singapore Shares	Total Consideration paid (S\$)
PAPOF	8 May 2014	417	500,000
Tan Chee Yean	18 September 2014	417	500,000
Tay Joo Heng	18 September 2014	233	279,616
Su Jufang	18 September 2014	177	220,000
Ng Say Yong	18 September 2014	154	184,293
Toong Soo Wei	18 September 2014	148	177,938
Jack Neo	18 September 2014	53	63,549
Angelin Ong	18 September 2014	53	63,549
Kent Chan	18 September 2014	53	63,549
Ha Yu	18 September 2014	16	19,065
Chong How Kiat	18 September 2014	16	19,065
Hung Yeow Huat	18 September 2014	16	19,065
Tee Mei Gaik	18 September 2014	11	12,710
Lim Boon Ser	18 September 2014	11	12,710
Lim Kien Nam	18 September 2014	11	12,710

**(e) Share Split**

On 4 November 2014, our sole Shareholder approved the Sub-Division whereby every one (1) Share was sub-divided into 7,500 Shares.

**(f) Acquisition of mm2 Singapore (and, indirectly, mm2 Hong Kong)**

Pursuant to a share swap agreement dated 12 November 2014 between our Company, Melvin Ang and the Transferees, our Company acquired the entire shareholding of mm2 Singapore from Melvin Ang and our Transferees who held 91.07% and 8.93% shareholding in mm2 Singapore, representing 18,214 and 1,786 mm2 Singapore shares respectively.

In consideration of Melvin Ang and the Transferees' transfer of their shareholding in mm2 Singapore to our Company, our Company allotted and issued 136,597,500 new Shares to Melvin Ang and an aggregate of 13,395,000 new Shares to the Transferees.

**(g) Conversion of the Convertible Notes**

On 20 November 2014, 100% of the principal amount and any accrued and/or unpaid interest in respect of the Convertible Notes were converted into 25,729,032 Conversion Shares pursuant to the terms and conditions of the Notes. The Convertible Notes of all the Pre-IPO

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## RESTRUCTURING EXERCISE

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Investors were converted at a conversion price that is 62.5% of the Placement Price, with the exception of PAPOF whose Convertible Notes were converted at a conversion price that is 62% of the Placement Price.

The aggregate principal amounts of Convertible Notes issued by mm2 Singapore to the following Pre-IPO Investors are set out below:

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<b>Pre-IPO Investors</b>	<b>Aggregate principal amount (S\$'000)</b>
Chua Teck Hiong	140
Tan Koon Tat Patrick	20
Ng Toon Lee	30
Lim Chee Wee	10
Lim Kar Tian	250
PAPOF	2,500
Wong Li Foon	200
Cornerstone Pictures Pte Ltd	250
Sng Siew Lin	300
Hesheng Media Co, Ltd	300

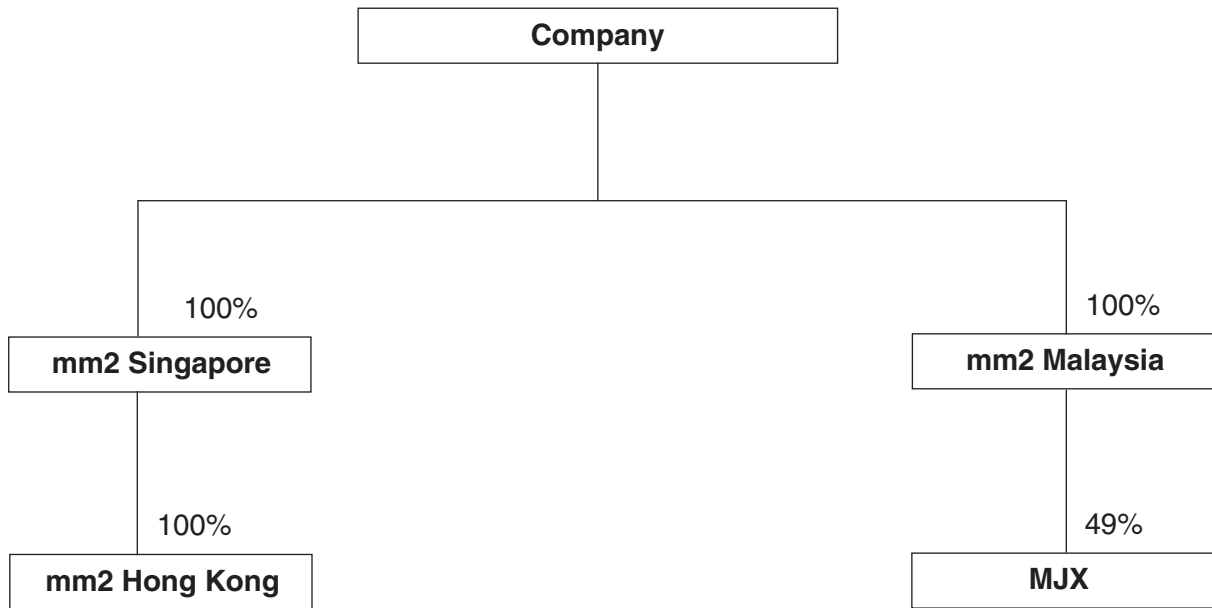
Our Group structure immediately after this Restructuring Exercise is as set out in the section entitled "Group Structure" of this Offer Document.

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## GROUP STRUCTURE

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Our Group structure after the Restructuring Exercise and as at the date of this Offer Document is as follows:



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## SELECTED COMBINED FINANCIAL INFORMATION

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The following summary financial data should be read in conjunction with the full text of this Offer Document, including the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position”, the “Independent and Reporting Auditor’s Report on the Audited Combined Financial Statements for the Financial Years Ended 31 March 2012, 2013 and 2014” as set out in **Appendix A** and the “Independent and Reporting Auditor’s Report on the Unaudited Combined Financial Statements for the Three-Month Period Ended 30 June 2014” as set out in **Appendix B** of this Offer Document and the related notes elsewhere in the Offer Document.

A summary of the financial information of our Group in respect of FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 is set out on the following page:

## SELECTED COMBINED FINANCIAL INFORMATION

Combined Statements of Comprehensive Income <sup>(1)</sup> S\$'000	← Audited →	← Unaudited →			
	FY2012	FY2013	FY2014	1Q2014	1Q2015
<b>Revenue</b>	6,572	9,907	16,121	1,462	4,708
Cost of sales	(6,254)	(8,250)	(11,033)	(1,604)	(1,461)
Gross profit	318	1,657	5,088	(142)	3,247
Other income					
– Interest income from bank deposits	–	3	3	–	–
Other gains/(losses) – net Expenses	2	(12)	(27)	9	18
– Administrative	(369)	(658)	(1,316)	(275)	(512)
– Finance	–	(42)	(45)	(10)	(47)
	(369)	(700)	(1,361)	(285)	(559)
<b>(Loss)/profit before income tax</b>	(49)	948	3,703	(418)	2,706
Income tax credit/(expense)	38	(174)	(667)	(64)	(484)
<b>(Loss)/profit for the year</b>	(11)	774	3,036	(482)	2,222
Other comprehensive income, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences arising from consolidation	–	–	12	–	3
– Gains	–	–	12	–	3
<b>Total comprehensive (loss)/income</b>	(11)	774	3,048	(482)	2,225
(Loss)/profit attributable to:					
Equity holders of the Company	93	815	2,741	(466)	1,854
Non-controlling interests	(104)	(41)	295	(16)	368
	(11)	774	3,036	(482)	2,222
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company	93	815	2,745	(466)	1,855
Non-controlling interests	(104)	(41)	303	(16)	370
	(11)	774	3,048	(482)	2,225
<b>EPS/(LPS)</b>					
Basic EPS/(LPS) (cents) <sup>(2)</sup>	0.05	0.46	1.56	(0.27)	1.06
Adjusted EPS/(LPS) (cents) <sup>(3)</sup>	0.04	0.39	1.33	(0.23)	0.89

**Notes:**

- (1) Our combined statements of comprehensive income for the Period under Review have been prepared on the basis that our Group had been in existence throughout the Period under Review.
- (2) For comparative purposes, the basic EPS for the Period under Review have been computed based on the profit net of tax attributable to equity holders of the Company and the pre-Placement share capital of 175,729,032 Shares.
- (3) For comparative purposes, the adjusted EPS for the Period under Review have been computed based on the profit net of tax attributable to equity holders of the Company and the post-Placement share capital of 206,729,032 Shares.

## SELECTED COMBINED FINANCIAL INFORMATION

Combined Balance Sheets <sup>(1)</sup> S\$'000	←	Audited	→	Unaudited
	FY2012	FY2013	FY2014	1Q2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	223	458	601	2,221
Trade and other receivables	2,397	8,369	11,363	11,601
Film products and films under production	270	339	1,491	3,998
	2,890	9,166	13,455	17,820
<b>Non-current assets</b>				
Property, plant and equipment	172	141	100	112
Film rights	68	1,006	3,762	4,180
Deferred income tax assets	74	117	137	165
	314	1,264	3,999	4,457
<b>Total assets</b>	<b>3,204</b>	<b>10,430</b>	<b>17,454</b>	<b>22,277</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	2,745	8,922	11,385	10,895
Deferred income	224	105	238	102
Borrowings	116	169	100	179
	3,085	9,196	11,723	11,176
<b>Non-current liabilities</b>				
Borrowings	143	263	1,024	3,655
Deferred income tax liabilities	30	247	935	1,449
	173	510	1,959	5,104
<b>Total liabilities</b>	<b>3,258</b>	<b>9,706</b>	<b>13,682</b>	<b>16,280</b>
<b>Net (Liabilities)/Assets</b>	<b>(54)</b>	<b>724</b>	<b>3,772</b>	<b>5,997</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to</b>				
Share capital	79	83	83	83
Other reserves	–	–	4	5
Retained profits	3	818	3,559	5,413
	82	901	3,646	5,501
Non-controlling interest	(136)	(177)	126	496
<b>Total equity</b>	<b>(54)</b>	<b>724</b>	<b>3,772</b>	<b>5,997</b>
NAV per Share (cents) <sup>(2)</sup>	(0.03)	0.41	2.15	3.41

**Notes:**

- (1) Our combined balance sheets as at 31 March 2012, 2013 and 2014 and 30 June 2014 were prepared on the basis that our Group had been in existence on these dates.
- (2) The NAV per share is computed based on the NAV of our Group and our pre-Placement share capital of 175,729,032 Shares.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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*The following discussion of our results of operations and financial position has been prepared by our management and should be read in conjunction with the "Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years Ended 31 March 2012, 2013 and 2014" and "Independent and Reporting Auditor's Report on the Unaudited Combined Financial Statements for the Three-Month Period Ended 30 June 2014" as set out in Appendices A and B respectively of this Offer Document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled "Risk Factors" of this Offer Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note on Forward-Looking Statements" of this Offer Document.*

*Except as otherwise indicated, the following discussion is based on our audited combined financial statements, which have been prepared in accordance with the Singapore Financial Reporting Standards.*

### OVERVIEW

Our Group mainly engages in the provision of a full range of services as a Producer of Movies and TV/Online content. As a Producer, we provide services in relation to Production, Distribution, securing Sponsorship and the commercial exploitation of the rights of the Movies. Over the years, we have built a wide Movie Production and Distribution network in Singapore and Malaysia, as well as having a presence in Hong Kong. Our Group continues to explore more business opportunities in Asia, especially in Taiwan and the PRC.

We release our Productions primarily in Singapore and Malaysia. In addition, we also distribute our Productions and Movies acquired from non-related parties for theatrical release. We also distribute our library of Movies through other post-theatrical channels, such as Pay-TV, Free-TV, Online, DVD, airlines and other platforms.

Please refer to the section entitled "General Information on Our Company and Our Group" of this Offer Document for further details of our business activities and our Productions.

### Revenue

Our revenue is derived primarily from the following three (3) principal sources:

- Production income, which includes (a) sales of a share of the Production/Movie's revenue rights, (b) Producer fees and consultancy income and (c) grants and other contributions. Revenue from Production income accounted for 77.3%, 33.7%, 39.6%, 3.1% and 71.7% of our revenue in FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively. Historically, the majority of our revenue was derived from productions based in Singapore and Malaysia, with increasing presence in other territories such as Hong Kong, Taiwan and the PRC.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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- (a) Sales of a share of a Production/Movie's revenue rights represent an assignment, to Stakeholders, of rights to a contractually-agreed percentage of the Net Receipts.
- (b) Producer fees and consultancy income are derived from the management and supervision of Productions.
- (c) Grants and other contributions comprise mainly grants obtained from MDA.
- Distribution income includes revenue received from Exhibitors and other Distribution channels. Revenue from Distribution activities accounted for 18.0%, 60.9%, 40.1%, 89.4% and 17.6% of our revenue in FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively.
  - (a) Revenue from Exhibitors is derived from the licensing of our Productions and that of third-party Productions.
  - (b) Revenue from other Distribution channels is derived from adaptation, sequel rights or remakes of our library of Movies via third-party licensing arrangements.
- Sponsorship income comprises of advertising revenue from offering advertisers brand and product exposure opportunities to be associated with our Productions. Sponsorship income accounted for 1.5%, 3.6%, 17.3%, 3.1% and 6.7% of our revenue in FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively.

Our revenue is mainly dependent on the following factors:

- (a) Timely release of our Films and promotional support from the Exhibitors. Timely release of our Movies also allows us to avoid direct competition. Increased promotional support from the Exhibitors increases our exposure which will directly impact our revenue;
- (b) Critical acclaim and reviews of our Films. The popularity of our Movies, which in turn affects the length of each Movie's theatrical run, depends heavily on word of mouth and reviews;
- (c) Quality and reception of our competitors' Movies is also partially dependent on the release dates of these Movies. The relative quality of our competitors' Movies may impact our market share;
- (d) Genre or subject matter of our Movies. Certain genres are usually geared toward a narrow market segment, attracting various compositions of target audiences while certain genres are expected to have a much larger potential audience;
- (e) Marketing and promotional efforts. The marketing intensity directly impacts the reception of our Movies which affects our revenue. We develop innovative and creative marketing strategies to promote our Movies to increase our market share and presence in the industry; and
- (f) Reputation and popularity of directors, scriptwriters and other key talents employed such as cast members.

Please refer to the section entitled "Risk Factors" of this Offer Document for factors which may affect our revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The breakdown of our revenue for the period FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 is presented below:

	← Audited →						← Unaudited →			
	FY2012		FY2013		FY2014		1Q2014		1Q2015	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Production	5,083	77.3	3,337	33.7	6,376	39.6	45	3.1	3,376	71.7
Distribution	1,180	18.0	6,032	60.9	6,471	40.1	1,307	89.4	829	17.6
Sponsorship	98	1.5	353	3.6	2,789	17.3	45	3.1	315	6.7
Others	211	3.2	185	1.8	485	3.0	65	4.4	188	4.0
	<u>6,572</u>	100.0	<u>9,907</u>	100.0	<u>16,121</u>	100.0	<u>1,462</u>	100.0	<u>4,708</u>	100.0

Geographically, our sales were generated mainly from Production and Distribution activities in Singapore and Malaysia. Other overseas sales include revenue generated from the PRC, Hong Kong and Taiwan. We have recently released our first Taiwanese production, “*做你愛做的事*” on 21 March 2014 in Taiwan and commenced co-production of a new Movie, “*ATM*”, in Hong Kong. Both Movies have attracted Stakeholders from the PRC, Taiwan and Hong Kong.

The breakdown of revenue by geographical segmentation is as follows:

	← Audited →						← Unaudited →			
	FY2012		FY2013		FY2014		1Q2014		1Q2015	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Singapore	2,103	32.0	6,569	66.3	6,632	41.1	379	25.9	2,309	49.1
Malaysia	4,111	62.6	2,953	29.8	5,465	33.9	1,033	70.7	1,494	31.7
Others	358	5.4	385	3.9	4,024	25.0	50	3.4	905	19.2
	<u>6,572</u>	100.0	<u>9,907</u>	100.0	<u>16,121</u>	100.0	<u>1,462</u>	100.0	<u>4,708</u>	100.0

### Cost of sales and gross profit margin

Our cost of sales for the period FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 is presented below:

	← Audited →						← Unaudited →			
	FY2012		FY2013		FY2014		1Q2014		1Q2015	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Production and Distribution of Film costs	6,192	99.0	7,669	93.0	7,628	69.1	1,202	74.9	1,226	83.9
Amortisation of Film rights	62	1.0	581	7.0	3,405	30.9	402	25.1	235	16.1
	<u>6,254</u>	100.0	<u>8,250</u>	100.0	<u>11,033</u>	100.0	<u>1,604</u>	100.0	<u>1,461</u>	100.0

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Our cost of sales refers to Production and Distribution costs as well as amortisation of our Film rights. Our cost of sales attributable to the Production and Distribution of Films amount to 99.0%, 93.0%, 69.1%, 74.9% and 83.9% of our cost of sales for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively.

Production and Distribution costs comprise mainly subcontracting costs, artiste fees, copyright fees, production crew payroll, transport, rental of equipment and Stakeholders' shares in the Net Receipts of our Productions.

Cost of sales accounted for 95.2%, 83.3%, 68.4%, 109.7% and 31.0% of our revenue for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively. We expect our cost of sales to increase due to an increase in the number of Productions. However, cost of sales, as a percentage of sales, is expected to decline as we shift our focus towards Productions with higher budgets, thereby increasing our overall gross profit margin.

Our cost of sales is mainly dependent on the following factors:

- (a) Production costs, which comprise subcontracting costs, artiste fees, copyright fees, Production crew and staff payroll and rental of equipment;
- (b) Distribution costs, which mainly include the costs of exhibiting Movies in cinemas and other post-theatrical channels, Stakeholders' shares in the Net Receipts of our Productions and other related print and advertising costs;
- (c) Amortisation of our Film rights; and
- (d) Our ability to manage Productions efficiently and avoid cost overruns.

Please refer to the section entitled "Risk Factors" of this Offer Document for factors which may affect our cost of sales.

In addition, the amortisation of Film rights also affects our cost. (Please see Appendix A, Note 2.5, Note 2.13 and Note 3 of the Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years ended 31 March 2012, 2013 and 2014).

The costs of Film rights and Film products, less residual values, are amortised in proportion to the estimated projected revenue over the economic beneficial period subject to a maximum of five (5) years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each Film on the historical performance of similar Films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the Film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales and exploitations.

Such estimated projected revenue can change significantly due to a variety of factors. Based on information available on the actual results of Films, management reviews and revises, when necessary, the estimated projected revenue at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying amounts of Film products and Film rights. This could have an impact on the Group's

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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results of operations. The carrying amounts of Film products and Film rights as at 31 March 2012, 2013 and 2014 and 1Q2015 are disclosed in Appendix A, Notes 13 and 15 of the Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years ended 31 March 2012, 2013 and 2014 and Appendix B, Notes 13 and 15 of the Independent and Reporting Auditor's Report on the Unaudited Combined Financial Statements for the Three-Month Period ended 30 June 2014, respectively.

The key determinants of gross profit are the revenue generated from our Production and Distribution activities as well as the related cost of sales. Gross profit margin for Production revenue is highly dependent on our ability to control costs, whilst that for Distribution revenue is pegged to a fixed range of market rates. Sponsorship revenue has minimal cost of sales, save for any commission payable.

Our overall gross profit/loss amounted to S\$0.3 million, S\$1.7 million, S\$5.1 million, -\$S\$0.1 million and S\$3.2 million, which represented 4.8%, 16.7%, 31.6%, -9.7% and 69.0% of our revenue, for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively. The gross profit in 1Q2015 is due to better performance from Production and Sponsorship activities, with less reliance on Distribution.

### **Other gains/(losses) – net**

Other gains/(losses) comprise net gains/(losses) on foreign currency translation.

### **Administrative expenses**

The major components of administrative expenses are employee compensation, which includes all staff wages and salaries, employer's contribution to defined contribution plans, staff welfare and allowances. These costs in total accounted for 56.4%, 61.6%, 64.1%, 65.5% and 59.8% of total administrative expenses for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively. Other administrative expenses mainly comprises of depreciation of property, plant and equipment, rental expense on operating leases, printing and advertising, as well as travelling and transportation.

### **Finance expenses**

Finance expenses relate mainly to interest expense on bank borrowings and finance leases taken up to purchase our motor vehicles.

### **Income tax expense**

We were subjected to Singapore corporate income tax at 17.0% for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015 respectively.

Income tax expense comprises mainly tax charges in relation to the assessable profit of the Group. Our effective income tax rate was approximately 18.4%, 18.0%, 15.3% and 17.9% in FY2013, FY2014, 1Q2014 and 1Q2015 respectively. In FY2012, we recorded a tax credit of approximately S\$38,000.

The Malaysian tax regime is a self-assessment tax regime and taxes are paid in advance based on estimated taxable profit. Therefore, the tax credit of S\$38,000 is in respect of advance tax payments made to the Malaysian tax authorities.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Deferred income tax was provided on all timing differences arising from the tax bases of assets and liabilities and their carrying amounts in the financial statements.

### REVIEW OF PAST PERFORMANCE

#### *FY2012 vs FY2013*

##### **Revenue**

Our Group's revenue increased by 50.7% or S\$3.3 million from S\$6.6 million in FY2012 to S\$9.9 million in FY2013. This was mainly attributable to revenue generated from Distribution which increased approximately four fold from S\$1.2 million in FY2012 to S\$6.0 million in FY2013 from the release of the Movies 'Ah Boys To Men' and 'Ah Boys To Men II'. In addition, other activities related to these Movies, such as income from the licensing of the musical spin off of 'Ah Boys To Men', also added to the revenue in FY2013.

##### **Cost of sales, gross profit and gross profit margin**

Our cost of sales increased by approximately S\$2.0 million or 31.9% from S\$6.3 million in FY2012 to S\$8.3 million in FY2013. This was mainly due to increased Production and Distribution costs in relation to the Movies produced in FY2013, namely 'Ah Boys To Men' and 'Ah Boys To Men II'. An increase in revenue from FY2012 to FY2013, resulted in a rise in Stakeholders' shares of Net Receipts. There was also an increase of S\$0.5 million in the amortisation of Movie rights from S\$62,000 in FY2012 to S\$0.6 million in FY2013.

With a higher percentage of revenue from Movies, we saw an increase in gross profits as Movies have a higher gross profit margin as compared to TV dramas. In addition, due to the exceptional performance of 'Ah Boys to Men' and 'Ah Boys to Men II', our share of Net Receipts have increased, resulting in our gross profit margin increasing from 4.8% in FY2012 to 16.7% in FY2013.

We do not present cost of sales and gross profit margin by geographical region as such information is neither meaningful nor practicable. Moreover, we do not allocate resources and assess the performance of our Group based on such information.

##### **Other gains/(losses) – net**

We recorded a decrease in other gains of S\$14,000 from a gain of S\$2,000 in FY2012 to a loss of S\$12,000 in FY2013 due to the foreign currency exchange translation loss from the fluctuations of the Malaysian ringgit against Singapore dollar.

##### **Administrative expenses**

Administrative expenses increased by approximately S\$0.3 million or 78.3% from S\$0.4 million in FY2012 to S\$0.7 million in FY2013. This was mainly due to an increase of approximately S\$0.2 million or 94.7% in employee compensation which was mainly attributable to an increase in the number of employees from the end of FY2012. The number of staff increased from 25 in FY2012 to 34 in FY2013.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### ***Finance expenses***

Our Group incurred finance expenses of S\$42,000 in FY2013 as we had undertaken bank borrowings and incurred finance lease liabilities towards the end of FY2012. We commenced repayment only at the start of FY2013.

### ***Profit before tax***

As a result of the above, we recorded a profit before tax of S\$0.9 million in FY2013 compared to a loss before tax of S\$49,000 in FY2012.

### ***FY2013 vs FY2014***

#### ***Revenue***

Our Group's revenue had increased by S\$6.2 million or 62.7% in our Group's revenue, from S\$9.9 million, in FY2013, to approximately S\$16.1 million in FY2014. The increase was mainly due to revenue generated from Production which recorded an increase of S\$3.0 million or 91.1% from S\$3.3 million in FY2013 to S\$6.4 million in FY2014. This was due to the increase in the number of Productions in FY2014, including a bigger production 'The Lion Men' in Singapore, and the Distribution of the highly successful theatrical release of the Movie 'The Journey' in Malaysia.

#### ***Cost of sales, gross profit and gross profit margin***

Cost of sales increased by S\$2.7 million or 33.7%, from S\$8.3 million in FY2013 to S\$11.0 million in FY2014. The increase was due to costs incurred for the Production and Distribution of the Movie 'The Lion Men'.

In addition, the increase in the number of Movies produced and to be released resulted in a higher production budgets and hence, a higher cost of sales.

Amortisation of Film rights also increased by S\$2.9 million from S\$0.6 million in FY2013 to S\$3.4 million in FY2014.

Our gross profit margin doubled from 16.7% in FY2013 to 31.6% in FY2014 as a bigger proportion of our revenue in FY2014 was derived from Production and Sponsorship revenue, which has a better margin.

#### ***Other gains/(losses) – net***

The foreign currency exchange translation loss from the fluctuations of the Malaysian ringgit against Singapore dollar resulted in a higher total net loss of S\$15,000 from a loss of approximately S\$12,000 in FY2013 to a loss of S\$27,000 in FY2014.

#### ***Administrative expenses***

Our administrative expenses increased in FY2014 by S\$0.7 million or 99.8% from S\$0.7 million in FY2013 to S\$1.3 million in FY2014. This was mainly attributable to an increase in employee compensation of S\$0.4 million or 108.1% due to an increase in the number of senior management staff.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### ***Finance expenses***

Finance expenses remained relatively constant at approximately S\$42,000 and S\$45,000 for both FY2013 and FY2014 respectively.

### ***Profit before tax***

We recorded an increase of S\$2.7 million or 290.8% in profit before tax from S\$0.9 million in FY2013 to S\$3.7 million in FY2014.

### ***1Q2014 vs 1Q2015***

#### ***Revenue***

Our revenue increased by approximately S\$3.2 million or 222.0% from S\$1.5 million in 1Q2014 to S\$4.7 million in 1Q2015. The increase was mainly attributable to the revenue generated from our Productions which has increased from S\$45,000 in 1Q2014 to S\$3.4 million in 1Q2015. This was due to the increase in the number of Productions in 1Q2015, and the extended run of the highly successful theatrical release of 'The Journey' in Malaysia, as well as the release of 'The Lion Men' in Singapore.

#### ***Cost of sales, gross profit and gross profit margin***

Our cost of sales decreased by approximately S\$0.1 million or 8.9% from S\$1.6 million in 1Q2014 to S\$1.5 million in 1Q2015, mainly due to a decrease in the amortisation of Film rights. Production and Distribution costs remained constant at S\$1.2 million in both 1Q2014 and 1Q2015.

Our Group recorded a gross loss in 1Q2014 mainly due to the timing of the release of our films that resulted in lower revenue recognised in 1Q2014.

Gross profit increased to S\$3.2 million in 1Q2015 and recorded a gross profit margin of 69.0%.

#### ***Other gains/(losses) – net***

Other gains of S\$9,000 and S\$18,000 in 1Q2014 and 1Q2015 respectively were solely due to foreign currency exchange translation gains made from the fluctuations of the Malaysian ringgit against Singapore dollar.

#### ***Administrative expenses***

Administrative expenses increased by approximately S\$0.2 million or 86.2% from S\$0.3 million in 1Q2014 to S\$0.5 million in 1Q2015 mainly due to an increase of approximately S\$0.2 million or 70.0% in employee compensation and other expenses such as travelling and transportation, as well as rental expense on operating leases amounting to S\$0.1 million in aggregate.

#### ***Finance expenses***

Finance expenses increased by S\$37,000 or 370.0% from S\$10,000 in 1Q2014 to S\$47,000 in 1Q2015 mainly due to interest expenses for the Convertible Notes.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### ***Profit before tax***

As a result of the above, profit before tax had increased by approximately S\$3.1 million from a loss before tax of S\$0.4 million in 1Q2014 to a profit before tax of S\$2.7 million in 1Q2015.

### **REVIEW OF FINANCIAL POSITION**

#### **Summary**

	<b>Audited</b> <b>As at 31 March 2014</b> <b>S\$'000</b>	<b>Unaudited</b> <b>As at 30 June 2014</b> <b>S\$'000</b>
Non-current assets	3,999	4,457
Current assets	13,455	17,820
<b>Total assets</b>	<b>17,454</b>	<b>22,277</b>
Non-current liabilities	1,959	5,104
Current liabilities	11,723	11,176
<b>Total liabilities</b>	<b>13,682</b>	<b>16,280</b>

#### **Assets**

##### Non-current assets

###### **As at 31 March 2014**

Our non-current assets amounted to S\$4.0 million or approximately 22.9% of our total assets. This mainly comprises Film rights of S\$3.8 million. Deferred income tax assets and property, plant and equipment, mainly comprising motor vehicles and furniture and fittings, aggregate to approximately S\$0.2 million.

###### **As at 30 June 2014**

Our non-current assets increased by S\$0.5 million or 12.5% from S\$4.0 million as at 31 March 2014 to S\$4.5 million as at 30 June 2014 mainly due to an increase in Film rights of S\$0.4 million.

##### Current assets

###### **As at 31 March 2014**

Our current assets amounted to approximately S\$13.5 million, constituting 77.1% of our total assets and comprise the following:

- (i) Cash and cash equivalents of approximately S\$0.6 million, representing 4.5% of our current assets, of which S\$81,000 or 13.5% were bank deposits pledged to financial institutions for banking facilities;

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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- (ii) Trade and other receivables of approximately S\$11.4 million, representing 84.4% of our current assets, which comprise trade receivables of approximately S\$8.6 million and other receivables of S\$2.8 million. Other receivables mainly consist of amounts due from related parties and Directors with an aggregate value of S\$2.3 million; and
- (iii) Capitalisation of all costs in relation to the Production of our Movies (including all Film products and Films under production) prior to the release of the Movies of approximately S\$1.5 million, representing 11.1% of our total current assets.

All Production costs relating to a Movie are capitalised when incurred. Typically, capitalisation of such costs shall cease upon completion and/or when transferred from Film under Production to Film products or Film rights. Our accounting policy is disclosed in Appendix A, Note 2.5 and Note 2.13 of the Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years ended 31 March 2012, 2013 and 2014. Set out below are the extracts of our policies:

### Note 2.5

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. Film rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of 5 years. Additional amortisation and/or impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

### Note 2.13

Film products are stated at the lower of cost less accumulated impairment losses. Film products pending theatrical release are included in current assets. Cost of Film products, accounted for on a film-by-film basis includes production costs, costs of services, direct labour costs and facilities in the creation of a Film.

Films under Production include Production costs, costs of services, direct labour costs and facilities in the creation of Films. Upon completion, these Films under Production are reclassified as Film products. Films under Production are accounted for on a film-by-film basis and are stated at cost, less any accumulated impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

### **As at 30 June 2014**

Our current assets increased by S\$4.4 million or 32.4% from S\$13.5 million as at 31 March 2014 to S\$17.8 million as at 30 June 2014. This was mainly due to an increase in cash and cash equivalents and Film products and Films under production of S\$1.6 million and S\$2.5 million respectively.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Liabilities

#### Non-current liabilities

##### **As at 31 March 2014**

Our non-current liabilities of S\$2.0 million accounted for 14.3% of our total liabilities. It comprises of borrowings and deferred tax liabilities of S\$1.0 million each.

##### **As at 30 June 2014**

Our non-current liabilities increased by S\$3.1 million or 160.5% from S\$2.0 million as at 31 March 2014 to S\$5.1 million as at 30 June 2014. This was mainly due to the issuance of Convertible Notes of S\$2.8 million.

#### Current liabilities

##### **As at 31 March 2014**

Our current liabilities amounted to approximately S\$11.7 million, representing 85.7% of our total liabilities and comprised the following:

- (i) Trade and other payables of approximately S\$11.4 million, representing 97.1% of our current liabilities which is mainly trade payables of S\$10.9 million;
- (ii) Deferred income of approximately S\$0.2 million, representing 2.0% of our current liabilities; and
- (iii) Borrowings of approximately S\$0.1 million, representing 0.9% of our current liabilities.

##### **As at 30 June 2014**

Our current liabilities decreased by S\$0.5 million from S\$11.7 million as at 31 March 2014 to S\$11.2 million as at 30 June 2014. This was due to the decrease in trade and other payables.

### Capital and reserves

##### **As at 31 March 2014**

Our capital and reserves comprises of share capital, other reserves and retained profits. The share capital is S\$83,000, other reserves of S\$4,000 while retained profits amounted to S\$3.6 million.

##### **As at 30 June 2014**

As at 30 June 2014, we have a Shareholders' equity of S\$6.0 million, comprising of S\$83,000 of issued and fully paid share capital, S\$5,000 of other reserves and S\$5.4 million of retained profits.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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As at 31 March 2014 and 30 June 2014, our net working capital amounted to approximately S\$1.7 million and S\$6.6 million respectively, as set out below:

	<b>Audited</b>	<b>Unaudited</b>
	<b>As at 31 March 2014</b>	<b>As at 30 June 2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Cash and cash equivalents	601	2,221
Trade and other receivables	11,363	11,601
Film products and films under production	1,491	3,998
<i>Less:</i>		
Trade and other payables	11,385	10,895
Deferred income	238	102
Borrowings	100	179
<b>Net working capital</b>	<b>1,732</b>	<b>6,644</b>

### LIQUIDITY AND CAPITAL RESOURCES

We financed our operations through both internal and external sources and generated a positive cash flow of S\$0.5 million and S\$2.1 million in FY2014 and 1Q2015 respectively. Our internal sources of funds comprised mainly cash generated from our operating activities. Our external sources of funds comprised mainly banking facilities from financial institutions.

As at the Latest Practicable Date, we had available credit facilities of approximately S\$519,700, of which approximately S\$24,300 was unutilised. Please refer to the section entitled "Capitalisation and Indebtedness" of this Offer Document for more details on our banking facilities.

Our Directors are of the reasonable opinion that, after taking into account the cash flows generated from our operations, our banking facilities and our existing cash and cash equivalents, the working capital available to us as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

The Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows generated from our Group's operations, our Group's banking facilities and our Group's existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following table sets out a summary of our Group's net cash flow for the FY2012, FY2013, FY2014, 1Q2014 and 1Q2015:

	← Audited →			← Unaudited →	
	FY2012 S\$'000	FY2013 S\$'000	FY2014 S\$'000	1Q2014 S\$'000	1Q2015 S\$'000
Net cash provided by operating activities	87	320	269	736	468
Net cash used in investing activities	(35)	(208)	(524)	(3)	(1,284)
Net cash (used in)/provided by financing activities	(44)	125	463	(32)	2,372
Net increase in cash and cash equivalents	8	237	208	701	1,556
Cash and cash equivalents at beginning of the year/period	53	61	298	298	506
Cash and cash equivalents at end of the year/period	61	298	506	999	2,062

### FY2012

#### Net cash generated from operating activities

In FY2012, we generated cash inflows from operating activities before movement in working capital of approximately S\$46,000, with net changes in working capital of S\$55,000 and income tax paid of approximately S\$14,000.

Our net working capital inflow was mainly due to cash inflows from an increase in trade and other payables and deferred income of approximately S\$0.6 million and S\$0.2 million respectively, which was offset by cash outflow from an increase in trade and other receivables of S\$0.4 million and additions of films under productions amounting to S\$0.4 million during the year.

The increase in trade and other receivables was due to the increase in box office Net Receipts for the numerous Movies released as at year-end. The increase in trade and other payables was due to an increase in the Production and Distribution costs incurred.

Our net cash generated from operating activities amounted to S\$87,000.

#### Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$35,000 due to purchases of property, plant and equipment.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **Net cash used in financing activities**

Net cash used in financing activities amounted to approximately S\$44,000 mainly due to the repayment of our finance leases and bank borrowings of S\$56,000 and S\$3,000 respectively, partially offset by proceeds of S\$15,000 from the issuance of ordinary shares in mm2 Singapore.

As at 31 March 2012, our cash and cash equivalents were approximately S\$61,000.

### **FY2013**

#### **Net cash generated from operating activities**

We generated cash inflows from operating activities before movement in working capital of approximately S\$1.6 million with cash outflows due to net changes in working capital of S\$1.3 million.

Our net working capital outflow was mainly due to cash outflows from an increase in trade and other receivables and additional films under production of S\$6.0 million and S\$1.4 million respectively. The cash inflows from an increase in trade and other payables amounted to approximately S\$6.2 million.

The increase in trade and other receivables was due to the increase in box office Net Receipts for the numerous Movies released as at year-end. The increase in trade and other payables was due to an increase in the Production and Distribution costs incurred.

Our net cash generated from operating activities amount to approximately S\$0.3 million.

#### **Net cash used in investing activities**

Net cash used in investing activities amounted to approximately S\$0.2 million in FY2013 primarily for the additions to Film rights, which represents investments into script rights. In addition, S\$8,000 worth of property, plant and equipment were acquired during the year.

Our net cash used in investing activities amounted to approximately S\$0.2 million.

#### **Net cash generated from financing activities**

Net cash generated from financing activities of approximately S\$0.1 million was mainly due to the cash inflow from borrowings of approximately S\$0.2 million, partially offset by cash outflow of S\$0.1 million due to the repayment of borrowings and interests.

As at 31 March 2013, our cash and cash equivalents were approximately S\$0.3 million.

### **FY2014**

#### **Net cash generated from operating activities**

We generated a net cash inflow of S\$7.2 million from operating activities before working capital changes of approximately S\$6.9 million.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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Our net working capital outflow was mainly due to cash outflows of S\$3.0 million from an increase in trade and other receivables and S\$6.8 million from additional Movies under production. Our cash inflows were due to an increase in trade and other payables of approximately S\$2.7 million.

The increase in trade and other receivables was due to the increase in Net Receipts from the numerous Movies released at the end of FY2014. The increase in trade and other payables was due to an increase in the Production and Distribution costs incurred.

Our net cash generated from operating activities amount to S\$0.3 million.

### **Net cash used in investing activities**

Net cash used in investing activities amounted to approximately S\$0.5 million mainly due to the additions to Movie rights which represent payments made for script rights. In addition, S\$7,000 worth of property, plant and equipment were acquired in FY2014.

### **Net cash generated from financing activities**

Net cash generated from financing activities of S\$0.5 million was mainly due to the cash inflow from the net proceeds from borrowings of S\$0.3 million and issuance of convertible bonds of S\$0.2 million.

As at 31 March 2014, our cash and cash equivalents amounted to S\$0.5 million.

## **1Q2014**

### **Net cash generated from operating activities**

In 1Q2014, we generated cash flow from operating activities before movement in working capital of approximately S\$4,000 with a net change in working capital inflow of S\$0.7 million.

Our net working capital inflow was mainly due to cash inflow from an increase in trade and other payables and deferred income of S\$1.3 million and S\$0.1 million respectively. The cash inflow was offset by cash outflows from an increase in Film products and Films under Production of approximately S\$0.8 million.

The increase in trade and other payables was due to an increase in the Production and Distribution costs incurred.

Hence, our net cash generated from operating activities amounts to S\$0.7 million.

### **Net cash used in investing activities**

Net cash used in investing activities was solely due to the purchase of property, plant and equipment of S\$3,000.

### **Net cash used in financing activities**

Net cash used in financing activities of S\$32,000 was due to the repayment of our finance leases and bank borrowings amounting to S\$16,000 and S\$6,000 respectively and an interest payment of S\$10,000.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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As at 30 June 2013, our cash and cash equivalents totaled S\$1.0 million.

### **1Q2015**

#### **Net cash generated from operating activities**

In 1Q2015, we generated a net cash inflow from operating activities before movement in working capital of approximately S\$3.0 million with net changes in working capital outflows of S\$2.5 million.

Our net working capital outflows were due to an increase of S\$3.1 million in Film products and Films under Production in relation to the increased number of Productions during the year and the decrease in trade and other payables of approximately S\$0.3 million and deferred income of approximately S\$0.1 million. This was partially offset by cash inflows on the decrease in trade and other receivables of S\$1.0 million due to better collections during the period.

As at 30 June 2014, our net cash generated from operations stood at S\$0.5 million.

#### **Net cash used in investing activities**

Net cash used in investing activities of S\$1.3 million was attributable to additions to Film rights which represent deposits and payment for script rights. In addition, the Group also used S\$1,000 for purchasing property, plant and equipment.

#### **Net cash generated from financing activities**

Net cash generated from financing activities of S\$2.4 million was mainly due to net proceeds from the issuance of Convertible Notes of an aggregate value of S\$2.5 million which was partially offset by the repayment of our borrowings, lease liabilities and interests amounting to S\$0.1 million in aggregate.

As at 30 June 2014, our cash and cash equivalents were approximately S\$2.1 million.

### **INFLATION**

Our financial performance for the Period under Review was not materially affected by inflation.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### CAPITAL EXPENDITURES AND DIVESTMENTS

The capital expenditures and divestments made by us in FY2012, FY2013 and FY2014 and for the period from 1 April 2014 to the Latest Practicable Date are as follows:

#### Capital Expenditures

	← Audited →		→	
	FY2012	FY2013	FY2014	From 1 April 2014 up to the Latest Practicable Date
	S\$'000	S\$'000	S\$'000	S\$'000
Motor vehicles	99	–	–	–
Office equipment and computers	16	18	5	20
Furniture and fittings	1	1	2	–
Tools and equipment	–	1	–	–
<b>Total</b>	<b>116</b>	<b>20</b>	<b>7</b>	<b>20</b>

#### Divestments

There was no material divestment made by our Group during the Period under Review.

#### Capital Commitments

We have no material capital commitments made by our Group during the Period under Review.

#### Operating Lease Commitments

Our Group leases office space under non-cancellable lease agreements. These leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payables under non-cancellable operating leases contracted for as at 31 March 2014 and the Latest Practicable Date, but not recognised as liabilities, are analysed as follows:

	Audited As at 31 March 2014 S\$'000	As at the Latest Practicable Date S\$'000
Within one year	119	153
After one year but within five years	77	29
	196	182

These operating lease commitments will be fulfilled by internally generated funds.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Finance Lease Commitments

As at 31 March 2014 and the Latest Practicable Date, our Group's finance lease commitments for future minimum lease payments are as follows:

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	<b>Audited As at 31 March 2014 S\$'000</b>	<b>As at the Latest Practicable Date S\$'000</b>
Within one year	12	23
After one year but within five years	52	61
Later than five years	3	–
	<hr/> <b>67</b>	<hr/> <b>84</b>

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### Contingent Liabilities

As at the Latest Practicable Date, our Group does not have any material contingent liabilities.

## FOREIGN EXCHANGE MANAGEMENT

### Accounting Treatment of Foreign Currencies

Our Group maintains our respective books and accounts in functional currencies. As we transact predominantly in Singapore dollars, our Group's reporting currency is in S\$. Our Malaysia subsidiary, mm2 Malaysia, maintains its books and records in RM.

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the respective operating subsidiaries' functional currencies using the exchange rates at the respective transaction dates. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in the profit and loss statement.

In the preparation of the audited and/or unaudited combined financial statements of our Group, the financial statements of mm2 Malaysia were translated to S\$ at the rates of exchange prevailing at the end of the reporting period except share capital and reserves, which are translated at historical exchange rates and income and expense items, which are translated at the average exchange rates for the year. Foreign exchange differences arising from translation are accounted for as translation reserves in the Shareholder's equity and other comprehensive income.

To the extent that our revenue and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to fluctuations of the various currencies against the S\$, which will affect our earnings. The appreciation or depreciation in the value of other currency other than the functional currency will have either a positive or negative effect on the financial result. During the Period under Review, the net foreign exchange gain/(loss) to our Group is not significant.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS  
OF OPERATIONS AND FINANCIAL POSITION**

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Set out below is our net foreign exchange gain/(loss) for FY2012, FY2013, FY2014, 1Q2014 and 1Q2015:

(S\$'000)	← Audited →			← Unaudited →	
	FY2012	FY2013	FY2014	1Q2014	1Q2015
Net foreign exchange gain/(loss)	2.00	(12.00)	(27.00)	9.00	18.00
As a percentage of revenue (%)	0.03	(0.12)	(0.17)	0.62	0.38
As a percentage of profit before income tax (%)	(4.08)	(1.27)	(0.73)	(2.15)	0.67

We currently do not have a formal hedging policy although we may, subject to the approval of our Board of Directors, enter into relevant transactions when necessary, to hedge our exposure to foreign currency fluctuations. We will also put in place, where necessary, procedures to hedge our exposure to foreign currency fluctuations. Such procedures, if in place, will be reviewed and approved by our Audit Committee and our Board of Directors to be in line with the foreign exchange management policy.

**SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

There has been no significant change in the accounting policies for our Group during the Period under Review. The accounting policies have been consistently applied by our Group during the Period under Review, except for the changes in accounting policies and related notes as discussed in the “Independent and Reporting Auditor’s Report on the Audited Combined Financial Statements of the Group for the Financial Years Ended 31 March 2012, 2013 and 2014” and “Independent and Reporting Auditor’s Report on the Unaudited Combined Financial Statements of the Group for the Three-Month Period Ended 30 June 2014” as set out in Appendices A and B respectively of this Offer Document.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### HISTORY

Our Company was incorporated on 20 August 2014 in Singapore under the Companies Act as a private limited company. On 12 November 2014, our Company was converted into a public company limited by shares and renamed as 'mm2 Asia Ltd.'

Pursuant to the Restructuring Exercise, our Company acquired 100% of the issued share capital in mm2 Singapore and mm2 Malaysia from the then shareholders of mm2 Singapore and mm2 Malaysia and issued the Conversion Shares to the Convertible Note holders in exchange for the issuance of Shares representing 100% of our issued share capital. Pursuant to the Restructuring Exercise, our Company became the holding company for all of its subsidiaries.

Our Group's origin can be traced back to 20 November 2008, when our CEO and Controlling Shareholder, Melvin Ang, incorporated mm2 Malaysia, together with two non-related parties, to produce and distribute Chinese-language TV programmes and Movies for Malaysia and Singapore. He chose to commence operations in Malaysia because it offered an abundance of resources for a media content production and distribution start-up.

In January 2009, mm2 Malaysia entered into a contract with mmStudios Sdn Bhd ("**mmStudios**"), a wholly-owned subsidiary of Media Prima Berhad ("**Media Prima**"), to produce 80 hours of television dramas per year over a period of three (3) years, for broadcast on Malaysian TV channels 8TV and NTV7. In conjunction with the abovementioned contract, mm2 Malaysia also entered into a contract to acquire the assets and personnel of mmStudios, which was eventually executed on 10 February 2010.

In 2009, mm2 Malaysia also ventured into the production of its first two (2) Movies which were produced back-to-back, namely '*Aku Tak Bodoh*' (an original adaptation of Jack Neo's movie – '*I Not Stupid*') and '*Phua Chu Kang The Movie*', a spin-off of a highly-successful TV sitcom in Singapore and Malaysia.

mm2 Malaysia further ventured into the Movie distribution business in 2009 when it partnered with Grand Brilliance Sdn. Bhd. ("**Grand Brilliance**") to distribute the Movie, '*Love Matters*', a comedy directed by Jack Neo and Gilbert Chan. Later that year, mm2 Malaysia again partnered with Grand Brilliance to co-distribute two (2) other Chinese-language productions '*Where Got Ghost*' and '*Blood Ties*'.

On 28 October 2009, recognising the prospect of using Singapore as a base to tap the regional market, our CEO and Controlling Shareholder, Melvin Ang incorporated mm2 Singapore.

In 2011, mm2 Singapore commenced production of its first two Movies, '*We Not Naughty*', with Jack Neo, and the horror Movie '*23:59*' together with Singaporean producer Eric Khoo. '*We Not Naughty*' was able to attract reputable Stakeholders, such as Starhub Ltd and Media Prima.

In 2012, mm2 Singapore was involved in the production of '*Ah Boys to Men*' and '*Ah Boys to Men II*', together with Jack Neo's J Team Productions Pte. Ltd. '*Ah Boys to Men*' became the highest grossing local production in Singapore of that year, earning S\$6.21 million in box office receipts. Released in 2013, '*Ah Boys to Men II*' grossed S\$7.89 million at the Singapore box office. The '*Ah Boys to Men*' series of Movies was subsequently adapted into a stage musical, which enjoyed a successful run in April 2014.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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Having established a wide Movie Production and Distribution network in Singapore and Malaysia, our Group continued to explore more business opportunities in Asia, especially in Taiwan and the PRC.

In particular, in 2013, we commenced co-production of our first Taiwan-made Movie ‘做你爱做的事’, as well as our PRC-made Movies, ‘*Spinning into Darkness*’, by Singapore director Samm Chan and ‘为你转身’, co-produced with Can Xing Cultural and Broadcasting Company 灿星制作 (“**Can Xing**”), for release in the PRC. Owned by Star China Media, Can Xing has produced numerous popular TV programmes in China, including ‘*The Voice of China*’ and ‘*China’s Got Talent*’. In the same year, ‘*That Girl in Pinafore*’, a Movie produced and distributed by us, premiered at the 16th Shanghai International Film Festival.

In December 2013, our CEO and Controlling Shareholder, Melvin Ang was named as one of the top five individuals on the Straits Times’ annual Power List, a list of leading individuals in Singapore’s arts, entertainment and lifestyle sectors.

In the first quarter of 2014, ‘*The Journey*’, a Movie produced by Astro Shaw Sdn. Bhd. and distributed by mm2 Malaysia, collected RM17 million at Malaysian box offices and became the all-time highest grossing Malaysian Movie in Malaysia.

Recognising the importance of nurturing and training media professionals, mm2 Singapore joined the list of co-sponsoring companies for MDA’s Media Education Scheme (“**MES**”) in 2014. The MES is a scholarship programme launched by MDA in 2003 with the aim of grooming future leaders in the media industry, by providing sponsorship, career opportunities and training to selected MES scholars.

In May 2014, with a view to establishing a presence in North Asia, we incorporated mm2 Hong Kong, as a wholly-owned subsidiary of mm2 Singapore.

In June 2014, our Group commenced production of ‘*ATM*’, our first Movie co-produced in Hong Kong.

### OUR SUBSIDIARIES AND ASSOCIATED COMPANY

Our main operating subsidiaries are mm2 Singapore and mm2 Malaysia. We also have another subsidiary, mm2 Hong Kong and an Associated Company, MJX.

The details of our subsidiaries and associated company are as follows:

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Company	Place of Incorporation	Principal Business Activities/ Principal Place of Business	% Ownership Interest held by our Company after Restructuring
mm2 Malaysia	Malaysia	Production and Distribution/Malaysia	100%
mm2 Singapore	Singapore	Production and Distribution/Singapore	100%
mm2 Hong Kong <sup>(1)</sup>	Hong Kong	Production and Distribution/Hong Kong	100%

## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

Company	Place of Incorporation	Principal Business Activities/ Principal Place of Business	% Ownership Interest held by our Company after Restructuring
MJX <sup>(2)</sup>	Malaysia	Production and Distribution/Malaysia	49%

**Notes:**

- (1) mm2 Hong Kong is a wholly-owned subsidiary of mm2 Singapore. As of the Latest Practicable Date, mm2 Hong Kong does not have any business operations.
- (2) MJX holds licences authorising it to undertake Production and Distribution activities in Malaysia. Further details on licensing requirements in Malaysia are described under the section “General Information on Our Company and Our Group – Permits, Approvals and Government Regulations”.

Save as disclosed above, our Group does not have any subsidiaries or associated companies. Our subsidiaries and associated company are not listed on any stock exchange.

None of our Independent Directors sits on the board of our Group’s principal subsidiaries based in jurisdictions outside Singapore.

Since the incorporation of mm2 Malaysia, in November 2008, and mm2 Singapore, in October 2009, both mm2 Malaysia and mm2 Singapore have produced or co-produced and/or distributed in excess of 20 Movies, including the following notable titles:



**CAFÉ.WAITING.LOVE**

**Genre:** Romantic Comedy

A university freshman starts working part-time at a café and is caught in a love triangle between the man of her dreams and her loyal friend.

**Director:** Chiang Jin Lin

**Lead Actors:** Vivian Chow, Megan Lai, Vivian Sung, Bruce, Marcus Chang, Pauline Lan, Li Luo



**TEMPORARY FAMILY**

**Genre:** Comedy

Hilarity ensues when a real estate agent, his stepdaughter, a wealthy divorcee, and a well-to-do college graduate are forced to live together in one house.

**Director:** Cheuk Wan Chi

**Lead Actors:** Nick Cheung, Sammi Cheng, Angelababy, Oho

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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做你爱做的事

**Genre:** Comedy, Drama

A young dentist leads an unexciting life and routine work schedule that bores him tremendously. One day, he decides to pursue his dream of becoming an actor.

**Director:** Law Gwo Yunn

**Lead Actors:** Shiou, Soya Tsai, Bright Pu, Henry Thia



**THE JOURNEY**

**Genre:** Comedy

An old-fashioned and conservative retiree reluctantly agrees to his daughter's marriage with a foreigner, on the condition that his future son-in-law travels with him across the country to deliver wedding invitations to his ex-classmates.

**Director:** Chiu Keng Guan

**Lead Actors:** Ben Andrew Pfeiffer, Lee Sai Peng, Joanne Yew



为你转身

**Genre:** Romance

Starring the contestants of reality TV show 'The Voice of China', this film features a group of young music enthusiasts who follow their hearts to pursue their passion in singing. The Film stars the contestants of reality TV show 'The Voice Of China'.

**Director:** Chai Yee-wei

**Lead Actors:** Li Daimo, Momo Wu, Zhang Wei, Zhang He Xuan

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### THE LION MEN & THE LION MEN: THE ULTIMATE SHOWDOWN

**Genre:** Action, Drama

Three lion dance troupes pit their skills and wits against one another and battle it out to win an upcoming competition. Clashes between tradition and modernisation put their friendship to the test.

**Director:** Jack Neo

**Lead Actors:** Tosh Zhang, Wang Weiliang, Chen Tianwen, Eva Cheng



### THE ROOFTOP

**Genre:** Musical Comedy

In this fantasy retro world, a young man falls for an up-and-coming actress and their love is put to the test when two communities are involved in a fight over power.

**Director:** Jay Chou

**Lead Actors:** Jay Chou, Wang Xue Qi, Eric Tsang, Xu Fan, Alan Kuo, Li Xin Ai



### THAT GIRL IN PINAFORE

**Genre:** Romance

A coming-of-age tale which features 'Xinyao' (新谣), Chinese folk songs in Singapore popular in the 1990s.

**Director:** Chai Yee Wei

**Lead Actors:** Daren Tan, Julie Tan, Sue Tan, Seah Jiaqing, Kenny Khoo

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### **MAYDAY LIVE IN LIVE**

**Genre:** Documentary

A documentary movie which features the behind-the-scene footages, the journey and hardships popular Taiwanese band Mayday have been through for their concert tours.

**Director:** Liu Ming Feng

**Lead Actors:** Zhou You Yang, Jay Huang, Yang Zong Chun, Ding Du Lan, Zhang Yu Shu, Chen Jie Li, Mayday



### **GHOST CHILD**

**Genre:** Horror

A horror Film about a “Ghost Child”, an evil spirit in South-east Asian mythology.

**Director:** Gilbert Chan

**Lead Actors:** Chen Hanwei, Jayley Woo, Carmen Soo



### **AH BOYS TO MEN & AH BOYS TO MEN II**

**Genre:** Comedy, Drama

Jack Neo’s hugely anticipated Movie follows army recruits as they blunder their way through their Basic Military Training in Pulau Tekong.

**Director:** Jack Neo

**Lead Actors:** Joshua Tan, Maxi Lim, Wang Wei Liang, Noah Yap

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### **IMPERFECT**

**Genre:** Action, Drama

An action drama about youth delinquency and triads in Singapore.

**Director:** Steve Cheng

**Lead Actors:** Li Nanxing, Chian Tsu-Ping, Kimberly Chia



### **WE NOT NAUGHTY**

**Genre:** Action, Drama

A poignant story which examines the problems faced by parents of rebellious children in modern-day Singapore.

**Director:** Jack Neo

**Lead Actors:** Shawn Lee, Ivan Lo, Cheryl Yeo, Joshua Ang



### **23:59**

**Genre:** Horror

A horror thriller, co-produced with Eric Khoo, set in 1983 on an island used for military training.

**Director:** Gilbert Chan

**Lead Actors:** Henley Hii, Josh Lai, Tedd Chan, Lawrence Koh

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### PERFECT RIVALS

**Genre:** Comedy

A light-hearted romantic comedy about two feuding families and how their relationship becomes complicated because of an event that happened 28 years ago.

**Director:** Han Yew Kwang

**Lead Actors:** Ha Yu, Irene Ang, Michelle Yim, Mindee Ong



### AKU TAK BODOH

**Genre:** Drama

A heartwarming family drama adapted from Jack Neo's 2002 hit '*I Not Stupid*'.

**Director:** Boris Boo

**Lead Actors:** Aeril Zafrel, Riezman Khuzaimi, Amy Mastura



### PHUA CHU KANG THE MOVIE

**Genre:** Comedy, Adventure

Phua Chu Kang, now based in Kuala Lumpur, agrees to bid for a contract to renovate a nursing home for the elderly when he finds out that his arch-rival Frankie Foo is also bidding for the same contract.

**Director:** Boris Boo

**Lead Actors:** Gurmit Singh, Irene Ang, Neo Swee Lin, Henry Thia

PCK Poster A2  
42cm x 59.4cm(h)

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### BUSINESS OVERVIEW

#### Principal Activities

The Group is principally engaged in the provision of services as a Producer in Singapore and Malaysia, with a presence in Taiwan, Hong Kong and the PRC.

### BUSINESS

Our revenue is derived primarily from the following three (3) sources:

- Production income;
- Distribution income; and
- Sponsorship income.

#### Production

We obtain Production income at various stages over the entire process of creating audio-visual content. This process includes securing financing for a Production from Stakeholders, who have acquired a share of a Production/Movie's revenue rights, and sponsors, developing the script, appointing cast and crew, carrying out principal photography and managing the post-production process.

We may co-produce a Movie in collaboration with other co-producers. Net receipts generated by Movies produced by us or in collaboration with other co-producers will be distributed to Stakeholders in accordance with our contractual agreement with each Stakeholder.

We receive income from consultancy and producers' fees as well as government grants and other contributions. Historically, we derived the majority of our revenue from Productions undertaken in Singapore and Malaysia.

#### Distribution

We distribute Movies produced by us or in collaboration with other co-producers, as well as third-party Movies. The channels and platforms by which we distribute Movies produced or co-produced by us vary depending on the Movie. Distribution may be carried out through local and overseas cinemas. After the theatrical run of the Movie has ended, the Movie may be distributed via Pay-TV, Free-TV, Online, DVD, airlines and other platforms.

We receive income and Distribution commissions from licensing Movies for exhibition in cinemas, as well as the licensing of script rights and adaptation and sequel rights of our library of Movies, via third-party licensing arrangements. Net Receipts generated from these activities will be distributed to our Stakeholders in a similar fashion. Income from exploitation of a Movie's scripts rights and sequel rights, if any, will generally be accrued to the Group and any applicable co-producers.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### **Sponsorship**

Our sales and marketing team actively solicit for Sponsorship of Movies produced by us or in collaboration with our co-producers, by offering advertisers a platform to promote their products and services by featuring them in Movies produced or co-produced by us.

Further details on the sources of our income and revenue are described under the section titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document.

### **BUSINESS PROCESS**

#### **Production**

The Production process typically involves the following stages:

##### *Concept development*

Our creative team assesses the plot and develops the concept further by preparing a synopsis and breakdown of various scenes in the proposed Movie. From time to time, besides initiating our own Movie productions, we receive proposals for the production of Movies from various script writers and Movie directors. Such proposals typically set out the synopsis, breakdown of various scenes and proposed scale of the relevant Movie.

##### *Review feasibility of projects based on synopsis received*

When deciding whether to produce a Movie, we typically first review the synopsis to assess the likely reception of the Movie based on the latest market trends and perceived popularity of the proposed genre, taking into account the intended release timetable and costs associated with the production. Our senior management, who supervises our production, sales and distribution teams, are primarily responsible for this assessment process. Details of their industry experience are set out in the section headed “Directors, Management and Staff” of this Offer Document.

##### *Shortlist director and principal cast members*

After reviewing the synopsis of the movie, we will shortlist the director and principal cast members of the movie. Our senior management are primarily responsible for this process.

##### *Raise financing*

Once we have shortlisted the director and principal cast members for the Movie, we will present the synopsis, as well as the names of the shortlisted director and principal cast members, to potential Stakeholders and invite them to acquire a stake in the project.

##### *Appoint director and commence pre-production*

After ascertaining that we have obtained sufficient funds for the Production of the Movie, we will proceed to appoint the director and commence pre-production activities, which include script development and obtaining clearance from authorities, if necessary. We employ scriptwriters, on a project basis to develop the scripts for the Movies. The script will be subject also to review by the director to meet Production as well as sponsorship and Stakeholders’ requirements. If required, we will submit our script to the relevant authorities for clearance.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### *Appoint principal cast and crew*

When our Group decides to produce a Movie, we will formulate a production budget with the relevant Movie director and executive producer to co-ordinate the engagement of the production crew. The process of engaging production crew may take approximately two (2) to eight (8) weeks depending on the scale of the Production. We enter into agreements with external parties involved in the Production process, mainly artistes, directors, production executives and scriptwriters, on a project basis. Their services are clearly stated in their respective agreements and their fees are generally paid in instalments corresponding to completion of various stages of the Production. Certain directors, production executives and scriptwriters may be entitled to share a certain percentage of the profit generated by the Movie in which they participated within a certain period after its release.

Up to the Latest Practicable Date, our Group had not encountered any significant issues during the recruitment process for the desired production crew. Although our Group does not normally enter into permanent employment contractual arrangements with most of the production crew, given our network of business relationships in the movie and entertainment industry, our Directors do not anticipate any difficulty in recruiting competent production crew.

### *Commence principal photography*

The principal photography stage of a Production is led by the director(s), who is/are supported by production personnel. Production personnel will be divided into production teams specialising in areas such as artistic direction, costumes, production props, make-up or lighting. A production manager is responsible for, amongst other things, monitoring the production progress and ensuring that it is in accordance with the script and budget, controlling production cash flow and maintaining expense records so as to prevent any cost overrun. The production manager reports to a member of our management team who is usually appointed as executive producer for each Production.

Our production manager and project finance officer monitor the production process for each Movie to ensure that the budget is under control and that sponsorship and investor requirements are met. In the event where our management foresees possible cost overruns, remedial actions, including adjustments to the budgeted cost of the relevant scenes and revision of the shooting plan, will be taken. For the three (3) financial years ended 31 March 2012, 2013 and 2014, our Group had not experienced any material cost overruns in respect of our Productions.

### *Commence post-production*

Post-production involves Movie editing, sound-mixing, voice-dubbing, sound-tracking and, if required, processing of computer generated special effects. Movie editing is usually performed by the Movie's director(s). Sound-mixing, voice-dubbing, sound-tracking and processing of special effects, if required, may be outsourced to third-party service providers.

An internal review team comprising our CEO, production manager, as well as marketing and sales representatives will preview the director's first cut of the Movie to provide any feedback. If necessary, we will arrange for a focus group, including our Stakeholders, to watch and respond to the Movie before confirming the final cut of the Movie for release in cinemas.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### *Develop marketing strategies for Movies*

Promotion of Movies produced or co-produced by us may commence in the pre-production stage and continue throughout the Production process. Our staff will prepare marketing and promotional materials such as movie posters and other collaterals. Pre-release promotion may take place up to approximately three (3) months before the release of a Movie. Pre-release promotion activities are most intense one (1) month before the release. Our Group may organise press visits to the filming sites during filming to garner media attention. During the pre-release period, our Group may organise promotional events including entertainment shows, movie premieres and advertisements through a number of channels such as displaying posters and advertisements in mass media. Our Group may also receive sponsorship for a particular movie from corporate partners as part of a promotional campaign.

Our Group delivers advertising and marketing materials, including advertisements and posters, to the Exhibitors prior to the theatrical release of a Movie produced or co-produced by us. After obtaining our consent, the Exhibitors will allocate show times and the number of cinemas for the screening of our Movies. Our sales and distribution department monitors the release schedules through regular contact with Exhibitors and receives reports on box office receipts from our Exhibitors regularly.

### **Distribution**

Distribution includes the process of exhibiting Movies produced or co-produced by us or by third-parties in cinemas and subsequent commercial exploitation of the rights in or to the Movies in other post-theatrical channels, such as Pay-TV, Free-TV, Online, DVD, airlines and other platforms.

We undertake Distribution in phases, beginning with cinemas (via local and overseas Exhibitors), followed by VOD, DVD, cable, satellite, Pay-TV, Free-TV, airlines, Online and mobile platforms.

The Movies are first shown to Exhibitors in order to maximize the number of cinema branches that screen our Movies and secure the best screening times. Thereafter, we will negotiate and agree upon rental and payment terms with other buyers for commercial exploitation through non-theatrical channels.

In addition to the above, we also commercially exploit the script rights and sequel rights of our library of Movies via third-party licensing arrangements.

### **Sponsorship**

In the course of our Production, we also deal with potential sponsors and advertisers to negotiate arrangements to utilise Movies produced or co-produced by us as an advertising platform for their products and services.

## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

### OUR MAJOR CUSTOMERS

Our customers can be generally categorised into the following groups:

- (a) our Stakeholders;
- (b) Independent Distributors, Exhibitors and licensees, who mainly include Movie Distributors, Exhibitors, video hosting websites, VOD operators, DVD distributors, operators of Pay-TV and Free-TV channels, airlines and Internet platforms for various devices; and
- (c) advertisers and sponsors, who are unrelated parties and promote their products or services through product placements in Movies produced or co-produced by us or as a sponsor to a promotional campaign for these Movies.

The following customers, who may variously comprise any of (a), (b) and/or (c) above, individually accounted for 5% or more of our Group's total revenue for each of the three years ended 31 March 2012, 2013 and 2014 as illustrated below:

S\$'000 Customer	FY2012		FY2013		FY2014	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
Media Prima Bhd	520	7.6	520	5.1	520	3.1
Cornerstone Pictures Pte. Ltd.	852.1	12.5	–	–	–	–
Starhub Cable Vision Pte. Ltd.	–	–	650	6.4	–	–
Zhejiang Dong Hong	–	–	–	–	1,200	7.4
Clover Films <sup>(1)</sup>	–	–	4,297.5	42.3	–	–
Shaw Renters (S) Pte. Ltd.	–	–	–	–	947.4	5.7
Primeworks Studios Sdn. Bhd.	–	–	513.3	5.1	–	–
Golden Screen Cinemas Sdn. Bhd.	–	–	–	–	1,408.6	8.5
TGV Cinemas Sdn. Bhd.	–	–	–	–	1,129.8	6.8
<b>Total</b>	<b>1,372.1</b>	<b>20.1</b>	<b>5,980.8</b>	<b>58.9</b>	<b>5,205.8</b>	<b>31.5</b>

**Note:**

- (1) Clover Films was appointed as the Distributor of 'Ah Boys to Men' and 'Ah Boys to Men II'. As a Distributor for the Movies 'Ah Boys to Men' and 'Ah Boys to Men II', Clover Films was responsible for collecting and accounting for all Net Receipts of the Movies to mm2 Singapore.

Save as disclosed above, none of our customers accounted for 5% or more of our Group's total revenue for each of FY2012, FY2013 and FY2014.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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We provide our services as a Producer on a project basis and work with different customers depending on the requirements of the project at hand. As a result of this, revenue received from our customers may fluctuate.

We do not have any long term agreements or arrangements with any of our major customers.

As at the date of this Offer Document, our Directors are of the view that we are not materially dependent on any one of our major customers listed above.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not aware of any information or arrangement which could lead to a cessation or termination of our relationships with any of our current major customers.

None of our Directors, Substantial Shareholders or any of their Associates is related or has any interest, direct or indirect, in any of the above major customers.

There are no arrangements or understandings with any major customer pursuant to which any of our Directors and Executive Officers was appointed.

### OUR MAJOR SUPPLIERS

Our major suppliers are service providers who supply us with Production services. The services that we require vary from project to project and, as such, our major suppliers vary every year. The suppliers accounting for 5% or more of our total purchases for each of FY2012, FY2013 and FY2014 are provided below:

SGD\$'000 Supplier	FY2012		FY2013		FY2014	
	Purchases	% of total purchases	Purchases	% of total purchases	Purchases	% of total purchases
J Team Productions Pte. Ltd. <sup>(1)</sup>	–	–	1,560	15.4	2,896.9	17
Shanghai Ri Yue Xing	–	–	–	–	1,411.7	9
<b>Total</b>	–	–	1,560	15.4	4,308.6	26

**Note:**

(1) Jack Neo, one of our Shareholders, is a director of J Team Productions Pte. Ltd. and holds 50% shareholding in J Team Productions Pte. Ltd..

Save as disclosed above, none of our suppliers accounted for 5% or more of our Group's total purchases for each of FY2012, FY2013 and FY2014.

The year-to-year fluctuation in percentage of total purchases from individual suppliers is dependent on our procurement decisions and availability of supply. Among other things, the factors considered are the quality, pricing, delivery schedule and the payment terms from the respective suppliers.

As at the date of this Offer Document, our Directors are of the view that we are not materially dependent on any one of our major suppliers listed above.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not aware of any information or arrangement which would lead to a cessation or termination of our relationships with any of our current major suppliers.

None of our Directors, Substantial Shareholders or any of their Associates is related or has any interest, direct or indirect, in any of the above major suppliers. There are no arrangements or understandings with any supplier pursuant to which any of our Directors and Executive Officers was appointed.

### CREDIT POLICY

#### Credit Terms Offered to Our Customers

As at the end of FY2014, our trade receivables amounted to approximately S\$8.6 million. As at the Latest Practicable Date, we have collected approximately S\$4.6 million or approximately 53.6% of the said trade receivables.

Our average trade receivables' turnover days for FY2012, FY2013 and FY2014 are as follows:

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	FY2012	FY2013	FY2014
Average trade receivables' turnover days <sup>(1)</sup>	84	160	179

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**Note:**

(1) For FY2012, FY2013 and FY2014, the average trade receivables' turnover days is calculated on the basis of average trade receivables (net of allowance for doubtful debts, if any) divided by revenue multiplied by 365 days.

Average trade receivables' turnover days increased from 84 days in FY2012 to 160 days in FY2013 due to longer credit terms given to Exhibitors. Average trade receivables' turnover days increased from 160 days in FY2013 to 179 days in FY2014 due to an increase in theatrical revenue. Our credit terms to customers range from 30 to 180 days. Our Directors are of the view that these credit terms are usual to our industry.

For the Period under Review, we have not experienced any significant impairment for doubtful debts or bad debts written-off arising from trade and other receivables.

#### Credit Terms Granted by Our Suppliers

The credit terms generally granted by our suppliers are between 30 to 60 days.

Our average trade payables turnover days for FY2012, FY2013 and FY2014 are as follows:

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	FY2012	FY2013	FY2014
Average trade payables' turnover days <sup>(1)</sup>	128	232	316

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**Note:**

(1) For FY2012, FY2013 and FY2014, the average trade payables turnover days is calculated on the basis of average trade payables divided by cost of sales multiplied by 365 days.

The increase in turnover days is mainly due to multiple on-going projects being undertaken by our Group and mutual agreement with certain suppliers to extend our payment terms.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### RESEARCH AND DEVELOPMENT

Due to the nature of our business, we have not carried out any research and development activities.

### SEASONALITY

As we produce Movies all year round, our business and revenue are not significantly affected by seasonality.

### INSURANCE

#### Operational Risks

We have group personal accident insurance and Film and Video insurance covering the following for each Movie produced or co-produced by us:

- (a) Death, permanent disablement and reimbursement of medical expenses for the main cast and crew;
- (b) Production equipment;
- (c) Public liability for any accidents that may happen during Production involving third parties; and
- (d) Interruption, postponement, cancellation of the project through any cause beyond our control.

#### Human Resource Risks

- (a) Work injury compensation insurance for mm2 Singapore's employees in accordance with the Work Injury Compensation Act;
- (b) Group outpatient and hospitalisation insurance for the medical needs of all our employees; and
- (c) Group term life insurance all our employees.

#### Fixed Assets Risks

- (a) Fire insurance for our office premises.

Where applicable, the above insurance policies are reviewed annually to ensure that our Group has sufficient insurance coverage.

As at the Latest Practicable Date, having considered the risk levels and the cost of procuring insurance for certain risks associated with our business, our Directors believe that we have taken up sufficient insurance coverage in line with industry practice and we will conduct annual reviews of such coverage of our Group and will consider taking up additional insurance if necessary.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### INTELLECTUAL PROPERTY

Our Group is co-owner of the copyright in the scripts and various ancillary rights<sup>1</sup> for the Movies, up to the percentages, as stated below, with the remaining interest in such rights held by other co-owners up to their respective specified proportions:

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<b>Movie title (Year Released)</b>	<b>Ownership percentage (%)</b>
Phua Chu Kang (2010)	20
Perfect Rivals (2010)	7.5
Twisted (2011)	15
We Not Naughty (2012)	10
Ah Boys to Men (2012)	23
Imperfect (2012)	16
My Dog Dou Dou (2012)	30
Ghost Child (2013)	36
Everybody Business (2013)	15
Game 3 (2014)	55
做你爱做的事 (2014)	70
Seventh (2014)	30
That Girl in Pinafore (2013)	50
The Lion Men & The Lion Men: The Ultimate Showdown (2014)	50
The Transcend (2014)	10
为你转身 (2014)	50

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<sup>1</sup> Ancillary rights are rights arising from or supplementary to the primary movie production rights like title, interest in the story, publishing and merchandising of the characters, dialogue and other adaptations to the movie.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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We have filed applications to register the following trademarks in the territories as set out below:

Trademark	Class	Specification of goods/services	Territory	Status
	41	Entertainment; television entertainment; pay television entertainment; production of motion pictures; production of television programmes; production of cable television programmes; production of animated films and cartoons; production of audio and/or video recordings; production of webcasts; production of films, other than advertising films; multimedia production; distribution (other than transportation) of films; distribution (other than transportation) of television programmes; distribution (other than transportation) of videos; syndication of television programmes; dissemination of entertainment material; motion picture studio services; television studio services; rental of motion pictures and television programmes; rental of facilities for the production of television programmes; rental of film studios; rental of films, motion pictures and film production equipment; cinematographic film editing; editing of audio-tapes, video-tapes and cine-films; arranging and conducting of exhibitions for entertainment purposes; organisation of entertainment events; entertainment information; management of entertainment services; providing on-line videos, not downloadable; provision of facilities for the production of films; provision of film studio facilities; provision of recording studio facilities.	Singapore Hong Kong	Application filed on 28 August 2014

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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Trademark	Class	Specification of goods/services	Territory	Status
	41	Entertainment; television entertainment; pay television entertainment; production of motion pictures; production of television programmes; production of cable television programmes; production of animated films and cartoons; production of audio and/or video recordings; production of webcasts; production of films, other than advertising films; multimedia production; distribution (other than transportation) of films; distribution (other than transportation) of television programmes; distribution (other than transportation) of videos; syndication of television programmes; dissemination of entertainment material; motion picture studio services; television studio services; rental of motion pictures and television programmes; rental of facilities for the production of television programmes; rental of film studios; rental of films, motion pictures and film production equipment; cinematographic Film editing; editing of audio-tapes, video-tapes and cine-films; arranging and conducting of exhibitions for entertainment purposes; organisation of entertainment events; entertainment information; management of entertainment services; providing on-line videos, not downloadable; provision of facilities for the production of films; provision of film studio facilities; provision of recording studio facilities.	Malaysia	Application filed on 4 September 2014

We also own the Internet domain names "[mm2entertainment.com](http://mm2entertainment.com)" and "[mm2asia.com](http://mm2asia.com)".

Save as disclosed above, our Group does not own or use any intellectual property which is material to our business or profitability.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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### PERMITS, APPROVALS AND GOVERNMENT REGULATIONS

We are subject to all relevant laws and regulations of the countries where our business operations are located. Save as disclosed below, to the best of our Directors' knowledge, our Group has obtained all necessary permits, approvals and licences required for our business and operations. As at the Latest Practicable Date, except as disclosed herein and in the section entitled "Risk Factors" of this Offer Document, our business and operations are not subject to any special legislation or regulatory controls which have a material impact on our business operations other than those generally applicable to companies and businesses operating in Singapore.

#### Singapore

Under the Films Act, the movie industry in Singapore is regulated by the MDA.

#### *Licensing requirements for production and distribution of Movies*

There are no specific licensing requirements governing the Production and Distribution of Movies in Singapore relevant to our Group.

#### *Censorship and Classification*

With the exception of certain categories of videos, all Movies and videos distributed and exhibited in Singapore must be submitted for classification and certification under the Films Act. The Board of Film Censors ("**BFC**") is responsible for classifying Movies and videos in Singapore into age-appropriate ratings. The classification ratings are set out in the following table:

<b>Classification</b>	<b>Abbreviation</b>	<b>Remarks</b>
General	G	Suitable for all ages.
Parental Guidance	PG	Suitable for all but parents should guide their young.
Parental Guidance 13	PG13	Suitable for persons aged 13 and above but parental guidance is advised for children below 13.
No Children under 16	NC16	Suitable for persons aged 16 and above.
Mature 18	M18	Suitable for persons aged 18 and above.
Restricted 21	R21	Suitable for adults aged 21 and above.

In exceptional cases, a Movie may not be allowed for all ratings when the content of the Movie undermines Singapore's national interest or erodes the moral fabric of society.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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In deciding whether to produce a particular movie, our Group considers the potential classification rating for the Movie as we aim to reach out to the largest possible audience. Hence, we aim to achieve a PG or PG13 rating for most Movies produced or co-produced by us. This would in turn affect the type of Movies we choose to make and our treatment of the movie. However, the potential rating of a Movie is only one factor that affects our Movie production choices and this does not mean that we do not produce Movies that may receive NC16, M18 or R21 ratings.

We are required to submit the directors' cut of Movies and trailers to the BFC through our appointed Exhibitor around two (2) to three (3) weeks before the Movie's scheduled theatrical release for the BFC to censor the Movie if necessary, as well as determine the Movie's rating. The individual platform owners that distribute our Movies via Pay-TV, Free-TV and DVD will make such submissions to the BFC themselves.

While filming permits are not required for TV or Movie Productions, we are usually required to seek clearance for filming in a particular location from the relevant authorities or property owners. MDA provides facilitation letters to assist in obtaining location clearances in Singapore. If the filming is to be conducted on government-owned property, we are required to seek approval from the relevant government authorities.

### Malaysia

#### *Licensing requirements for production and distribution of Movies*

Under Malaysian law, we are required to hold a Licence to Engage in the Production of Films ("**FINAS Production Licence**") to carry out Film Production activities in Malaysia and a Licence to Engage in the Distribution of Films ("**FINAS Distribution Licence**"), both issued by FINAS, to provide services as a Distributor in Malaysia. FINAS has in its website published certain guidelines in relation to the licensing requirements and procedures ("**Guidelines**"). Pursuant to the Guidelines, a holder of the production or distribution licence must either:

- (i) have a majority of its shares held by Malaysians (where no Bumiputera equity is required);  
or
- (ii) have at least 30% of its shares held by Bumiputera, if a majority of its shares are held by a foreign interest.

## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

As at the Latest Practicable Date, mm2 Malaysia holds the following licences, permits and approvals which are material to our operations:-

<b>Description of Approval/ Licence/other regulatory requirement</b>	<b>Licence No.</b>	<b>Date of Issue</b>	<b>Duration</b>	<b>Regulatory Authority</b>	<b>Status of Compliance</b>	<b>Other remarks</b>
Licence to Engage in the Production of Films	PF 05/01140 FILEM/ DRAMA TV	16 March 2014	16 March 2014 to 15 March 2015	FINAS	Licence is current and valid	Licence is subject to the conditions prescribed in the Third Schedule of the National Film Development Corporation Malaysia (Licensing) Regulations 1983
Licence to Engage in the Distribution of Films	DF/05/ 00631 MENGEDAR	16 March 2014	16 March 2014 to 15 March 2015	FINAS	Licence is current and valid	Licence is subject to the conditions prescribed in the Third Schedule of the National Film Development Corporation Malaysia (Licensing) Regulations 1983

The abovementioned licences are subject to annual renewal and mm2 Malaysia has been renewing these licences annually since 2009.

## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

MJX, our Associated Company, holds FINAS Distribution Licences and FINAS Production Licences which authorises it to undertake Film Production and Distribution activities in Malaysia. Pursuant to the MJX Agreement, MJX has agreed, in return for a collaboration fee, to maintain the necessary FINAS Distribution Licences and FINAS Production Licences to support any projects initiated by mm2 Malaysia which may require such licences. As at the Latest Practicable Date, MJX holds the following licences, permits and approvals which are material to our operations:—

<b>Description of Approval/ Licence/other regulatory requirement</b>	<b>Licence No.</b>	<b>Date of Issue</b>	<b>Duration</b>	<b>Regulatory Authority</b>	<b>Status of Compliance</b>	<b>Other remarks</b>
Licence to Engage in the Production of Films	PF 05/07608 FILEM/ DRAMA TV	28 May 2014	28 May 2014 to 27 May 2015	FINAS	Licence is current and valid	Licence is subject to the conditions prescribed in the Third Schedule of the National Film Development Corporation Malaysia (Licensing) Regulations 1983
Licence to Engage in the Distribution of Films	DF/05/07607 MENGEDAR	28 May 2014	28 May 2014 to 27 May 2015	FINAS	Licence is current and valid	Licence is subject to the conditions prescribed in the Third Schedule of the National Film Development Corporation Malaysia (Licensing) Regulations 1983

The abovementioned licences are subject to annual renewal and MJX has been renewing these licences annually since 2012.

In the event that MJX and mm2 Malaysia are unable to retain the abovementioned licences, our Group will source for and work with other suitable third parties in Malaysia to facilitate our continued Production and Distribution activities in Malaysia. Please refer to the sections titled “Risk Factors” and “Restructuring Exercise” of this Offer Document for further details.

### *Certification for filming*

Each Film to be produced requires a certification for filming and the applicant for this certification, who holds a valid FINAS Production Licence, must submit the application at least seven (7) days before the start of filming.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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This certification for filming must be brought along to the filming location and the serial number of this certification must be stated at the start of the film.

### *Censorship requirements*

Approval from the Film Censorship Board (“**Lembaga Penapisan Filem**” or “**LPF**”) shall be obtained prior to the distribution or public viewing of all local and foreign Films intended for exhibition in Malaysia. Application for such approval must be accompanied by the corresponding certification for filming. The LPF will issue a Censorship Certificate for films once the Film has been approved for exhibition without the need for alteration or upon such alteration as it may require. The mark of such approval must be affixed on the Film.

Under Malaysian law, we are also required to obtain approval from the LPF for all local and foreign Film publicity materials prior to the distribution or exhibition of such materials in Malaysia, whereby the mark of approval must be affixed to the Film publicity materials.

### **Hong Kong**

#### *Licensing requirements for Production and Distribution of Movies*

There are no specific licensing requirements governing the Production and Distribution of Movies in Hong Kong.

#### *Censorship requirements*

The Film Censorship Ordinance (“**FCO**”) and the Film Censorship Regulations (“**FCR**”) are the principal laws relating to the censorship and exhibition of Movies in Hong Kong. Films intended for public exhibition have to be approved and classified by the Director of Film, Newspaper and Article Administration, who is the Film Censorship Authority under the FCO.

The classification ratings are set out in the following table:

<b>Classification</b>	<b>Remarks</b>
Category I	Suitable for all ages.
Category IIA	Not suitable for children
Category IIB	Not suitable for young persons and children
Category III	For persons aged 18 and above only

While Categories I, IIA and IIB are advisory in nature, the age restriction for Category III Films is strictly enforced.

Apart from Films, advertising materials of films classified as Category III under the “Film Censorship Ordinance” and packaging of the videotapes and video discs of such films must be approved by the Film Censorship Authority before they can be published or publicly displayed.

As at the Latest Practicable Date, none of the aforesaid permits, approvals, licences and certificates have been suspended, revoked or cancelled and to the best of our Directors’ knowledge and belief, we are not aware of any facts or circumstances which would cause such permits, approvals, licences and certificates to be suspended, revoked or cancelled, as the case

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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may be, or any applications for, or renewal of, any of these permits, approvals, licences and certificates to be rejected by the relevant authorities. Save as disclosed above and in the “Risk Factors” section of this Offer Document, there are no other government regulations that have a material impact on our business operations.

### STAFF TRAINING

In general, our new employees and junior staff undergo on-the-job training under a senior employee who will train and equip them with the necessary knowledge and practical skills required. The type of training provided varies with the job scope of the employee.

We selectively send our employees to industry conferences, seminars, and trade shows in Singapore and abroad, from which they gain industry-specific know-how and insight, and form new business relationships from meeting and interacting with others in our industry. In addition, we may fund part-time courses for some of our employees on a case-by-case basis.

### COMPETITION

We operate in a highly competitive industry in relation to our Movies and are subject to intense competition from existing players, as well as new entrants to the industry. However, we believe the barriers to entry in our industry are high because track record, reputation, brand recognition, long-standing business relationships, and credibility play a critical role in succeeding in the industry, which makes it difficult for new players to enter the market easily.

We compete with other global movie companies for cinema space and run schedules of Movies. During festive periods such as Chinese New Year and Christmas, competition is even tougher among foreign and local Movies in terms of movie release schedules and cinema screens.

As at the Latest Practicable Date, our primary business is in providing services as a Producer in Singapore and Malaysia. To the best of our Directors’ belief, our main competitors in Singapore and Malaysia, i.e. in terms of companies which provide a similar range of services, are set out in the following table:

Country	Name of competitor
Singapore	1. Zhao Wei Films Pte. Ltd.
	2. Hot Cider Films Pte. Ltd.
	3. Gorylah Pictures Pte. Ltd.
	4. Clover Films
	5. Zingshot Productions Pte. Ltd.
	6. Raintree Pictures Pte. Ltd.
	7. SIMF Management Pte. Ltd.
Malaysia	1. Primeworks Studios Sdn. Bhd.
	2. SKT Studios Sdn. Bhd.
	3. JE Pictures Sdn. Bhd.
	4. Double Vision Pictures Sdn. Bhd.
	5. Asia Tropical Films Sdn. Bhd.

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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None of our Directors, Substantial Shareholders or their Associates has any interest, direct or indirect, in any of the competitors set out above.

To the best of our Directors' knowledge, there are no published statistics that can be used to accurately measure the market share of our business in Singapore.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

#### **We have the capability to provide services over the entire Production and Distribution process for Movies and TV/Online content**

The various steps required to complete a Movie include financing, Production and Distribution. Unlike most of our competitors, we have the capability and experience to service and derive revenue from all relevant stages of the entire filmmaking process. This flexibility enables us to capitalise on a wide range of opportunities in the industry. As such, we are not solely dependent on box office results, which may be unpredictable for our revenue.

#### **We have established and developed a strong network of business relationships with key players in the Singapore and Malaysia movie industries and certain overseas movie industries**

We believe our established commercial track record, production brand names, reputation and extensive experience that our management has built over the years enable us to forge and maintain a strong network of business relationships with key players in the Singapore, Malaysia, Hong Kong, Taiwan and PRC Movie industries, including Stakeholders, major Exhibitors, production studios, actors/actresses, directors, crew and post-production companies.

#### **We have an established multi-market presence and the flexibility to develop and produce Movies across various markets**

With subsidiaries in Singapore, Malaysia and Hong Kong, as well as business partners in Taiwan and the PRC, we are able to tap on the various business opportunities in these markets. Furthermore, we engage talented individuals from different countries and we believe that their contributions will allow us to produce Movies for audiences in more than one territory. By having access to various markets in the region and the flexibility to produce Movies that cater to the preferences of audiences in these markets, we are able to increase the commercial potential of each Movie.

#### **We are experienced in producing and distributing Movies across various genres and are quick to react to changing consumer preferences**

We have produced and distributed Movies across various genres including comedies, dramas and horror Movies. We understand that consumers' preferences may change and our team comprising of media industry veterans are able to quickly identify and react to changes in the consumer market. By producing what we consider to be commercially viable, we are able to maximise the revenue potential of each Movie.

## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

### **We have significant experience in developing effective marketing strategies for Movies**

We believe that our significant experience and expertise in formulating marketing strategies for the Movies we produce serve as one of our key competitive advantages, as demonstrated by our profitability track record. In most cases, we undertake to lead the marketing efforts for our own Movies. We place significant emphasis on the importance of a coherent and detailed marketing strategy for Movies and we have developed an in-house marketing team. Our innovative and creative marketing strategies promote Movies produced or co-produced by us to their target audiences by strategically integrating a broad spectrum of advertising media, including TV, promotional events, print and the Internet.

### **We have a committed and experienced management team, with extensive expertise in the Movie, TV and entertainment industries**

Our CEO and Controlling Shareholder, Melvin Ang, and Executive Officers, such as Ng Say Yong and Angelin Ong have each been involved in the Movie, TV and entertainment industries for more than a decade and have established a wide network of personal relationships with leading talent, crew and staff, distribution companies, Stakeholders and other key participants in the Singapore and Malaysia movie industries, which have been critical to our success.

In addition, our management team is further supported by members who have extensive experience and background in finance and accounting. We believe that this balance of expertise and experience throughout our management team differentiates us in our industry, as we possess the financial discipline and knowledge in our approach to movie-making, as well as in our operating and investment activities.

### **PROPERTIES AND FIXED ASSETS**

The following table sets out all the properties leased by our Group as at the Latest Practicable Date.

Tenant/ Lessee	Location	Approximate Land Area (sq ft)	Tenure	Rental per month	Description of Use	Lessor
mm2 Singapore	1002, Jalan Bukit Merah, #07-11, Singapore 159456	3,368.3	3 years from 1 November 2012	S\$5,112.50	Office	DBS Trustee <sup>(1)</sup>
mm2 Singapore	3 Lorong 35 Geylang, #02-05 Singapore 387935	484	2 years from 15 November 2013	S\$2,600	Lodging for overseas staff and guests	Jiang Haiyou
mm2 Malaysia	A-13-06, Surian Residences, Jalan PLU 7/15, Mutiara Damansara, 47800, Petaling Jaya, Selangor	1,830	3 years from 1 August 2013	RM4,000	Lodging for overseas staff and guests	Lim Khean Beng

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## GENERAL INFORMATION ON OUR COMPANY AND OUR GROUP

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Tenant/ Lessee	Location	Approximate Land Area (sq ft)	Tenure	Rental per month	Description of Use	Lessor
mm2 Malaysia	B.16.01, Menara Bata, PJ Trade Center, No.8, Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor	2,143 sq ft	Monthly tenancy at will <sup>(2)</sup>	Nil	Office	MJX
mm2 Malaysia	B.09.01 Menara Bata, PJ Trade Center, No.8, Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor	2,143 sq ft	2 years from 1 April 2014	RM7,000	Office	Melvin Ang/ Angelin Ong/ Kent Chan

**Notes:**

- (1) DBS Trustee acting as the trustee of Mapletree.
- (2) The arrangement between mm2 Malaysia and MJX is a temporary one. mm2 Malaysia is currently in the process of sourcing for new office premises.

We have obtained the relevant licences for the use of our premises. Please refer to the section entitled “General Information on Our Company and Our Group – Permits, Approvals and Government Regulations” of this Offer Document.

To the best of our Directors’ knowledge and belief, there are no regulatory requirements that may materially affect our Group’s utilisation of tangible fixed assets.

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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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### PROSPECTS

Our Directors believe that the prospects of our Group are encouraging for the following reasons:

#### **Demand for locally-produced content in Singapore and Malaysia is growing**

Box office successes, such as the 'Ah Boys to Men' series in Singapore and 'The Journey' in Malaysia, indicate that demand for locally-produced content in Singapore and Malaysia remain healthy despite competition from foreign Movies. In addition, recent wins by local Movies such as 'Ilo Ilo' at international film festivals are likely to fuel interest and demand for local content in Singapore and Malaysia.

#### **We are able to access larger markets and audiences, such as those in Taiwan, Hong Kong and the PRC**

By establishing a working relationship with our business partners in Taiwan and the PRC, we have managed to participate in more projects and grow our presence in these markets. In 2013, we co-produced and released '为你转身' in the PRC. This was followed by the release of '做你爱做的事', our first Taiwanese production, in Taiwan, on 21 March 2014. In addition, we established mm2 Hong Kong, in May 2014, and commenced filming of 'ATM', a Movie co-produced by us together with our Hong Kong partners in June 2014. Our Directors believe that gaining access to wider audiences in Taiwan, Hong Kong and the PRC will increase our revenue streams and provide our Group with further opportunities for growth.

#### **Box office receipts in Asia have been increasing**

Globally, box office revenues have increased by 4% in 2013, according to statistics published by the Motion Pictures Association of America. In Singapore, cinema attendance has grown steadily over the years with over 24.5 million box-office admissions in 2013, an increase from 21 million in 2012. According to figures estimated by the Singapore Film Commission, box office receipts for major commercial cinemas in Singapore increased from S\$191 million in 2012 to S\$200 million in 2013. Similarly, box office receipts in Malaysia have reached an all-time high in 2013, with more than RM692 million in gross receipts and more than 61 million box-office admissions. Our Directors are of the view that this trend in box office receipts indicates an increase in demand for Movies and, in turn, more revenue opportunities for our Group.

#### **The number and/or mode of distribution channels, including Online platforms, have been increasing**

Fuelled by the increase in Internet users in Singapore, as well as other countries in the region, the number of distribution channels for audio-visual content, including Online platforms, has been growing. According to statistics published by the Info-communications Development Authority of Singapore, the percentage of households in Singapore with access to the Internet has risen steadily over the years, from 65% in 2003, to 87% in 2013. Based on information provided by the China Internet Network Information Centre, by the end of June 2014, the number of Internet users in the PRC has increased by more than 14 million compared with the number of internet users in the PRC at the end of 2013. Our Directors are of the view that the continued growth of number and types of distribution channels, such as Online platforms, will provide our Group with more revenue opportunities.

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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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### BUSINESS STRATEGIES AND FUTURE PLANS

To achieve our business objectives, we plan to adopt the following strategies to drive our future growth and increase shareholder value.

#### **Expansion of our Group's business via acquisitions, joint ventures and/or strategic alliances**

We may expand our business, whether in Singapore or overseas, through acquisitions, joint ventures and/or strategic alliances that we believe will complement our current and future businesses and be aligned with our longer-term interests. We believe that suitable acquisitions, joint ventures and/or strategic alliances will strengthen our competitive advantage by giving us access to new markets, customers and businesses.

#### **Expand our presence regionally**

We plan to continue our expansion into markets in North Asia by actively engaging in co-production ventures with producers in the PRC, Hong Kong and Taiwan. As production values for Chinese-language Movies increase, we expect such Movies to appeal to audiences in non-Chinese-speaking countries.

#### **Produce more Movies and/or invest in Movies with a higher production budget**

We derive most of our revenue from Productions in the form of production fees. Apart from increasing the number of Movies that we produce, we plan to focus on producing Movies with a bigger production budget as the production budget affects the amount of production fees we receive. As Movies produced for larger audiences in market, such as the PRC, Hong Kong and Taiwan have a larger budget, we have expanded our operations in these regions by, for example, entering into co-production agreements with filmmakers based in the PRC.

#### **Increase the size of our library of Movies and further exploit our existing intellectual property**

Currently, we have a library of Movies of which we own, either wholly or in part, script rights and sequel rights. We plan to increase the size of our library of Movies to give us more leverage in negotiating licensing opportunities, as well as provide opportunities for future revenue streams, such as developing sequels and spin-offs.

### UPCOMING PROJECTS

The following are selected Movies produced or co-produced by us, which are scheduled for release between the Latest Practicable Date and 31 March 2015:

- *WAYANG BOY*: A comedy about Singaporeans adjusting to the influx of foreign immigrants and their journey to rediscover what it means to live together as one united people, regardless of race, language or religion.
- *AH BOYS TO MEN 3 – FROGMEN*: A spin-off of the popular Movies 'Ah Boys to Men' and 'Ah Boys to Men II' released in November 2012 and February 2013 respectively, this Movie is co-produced by us, together with Jack Neo's J Team Productions Pte. Ltd., and is expected to be released in the first quarter of 2015.

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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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- *ATM*: A lighthearted comedy that explores the generation gap between the youths and the elderly in Hong Kong. Co-produced with Hong Kong's Samart Limited and involving various Stakeholders, such as Shanghai Best TV and Fox International Channel, the Movie is expected to be released in the first quarter of 2015. Samart Limited is a Movie and TV production company founded by veteran Hong Kong actor Ha Yu.
- *BRING BACK THE DEAD*: When her seven-year-old son dies in a tragic accident, a grieving mother resorts to supernatural forces to bring back the soul of her dead son. However, she begins to suspect that something amiss after she is beset by one strange occurrence after another.

Set forth below are details of some Movies to be produced or co-produced by us that are currently in development and planned for release in FY2016, the definitive release dates of which have yet to be fixed:

- *REVENGE*: A collection of three inter-connected horror stories about a pregnant lady who suspects her husband of plotting her murder, three former schoolmates who are invited to attend an orientation gathering for new students at their alma mater and a haunted office building. The story comes full circle at the end, when the audience realises how each story is connected to another.
- *1965*: A political thriller centered around the racial riots that occurred in Singapore during the period leading up to Singapore's independence.
- *SG50 Project* (Title to be confirmed): *SG50 Project* follows the story of a Singaporean family from 1965 to 2015. On 9 August 1965, Chen Ya Juan is driven out of her husband's home and gives birth to twins, Shun Fa and Su Mei. Born with a heart condition, doctors expect Shun Fa to live for no more than 12 years. Shun Fa's fragile life mirrors Singapore's precarious situation in 1965. Ya Juan's indomitable spirit allows her and her children to overcome the adversity and setbacks faced in the 50 years from 1965.
- *3688*: Fei Fei, a parking warden, has always dreamed of becoming a singer like her famous namesake. However, she loses her job after her employer installs automated parking systems in all its carparks. Broke and jobless, Fei Fei enters a national singing competition and, unexpectedly, Fei Fei reaches the final round of the competition.

### ORDER BOOK

We have more than ten (10) Movies in various stages of Development and/or Production. For details of Movies currently under Production or co-production by us and Movies that are yet to be released, please refer to the section entitled "Offer Document Summary – Our Business".

### TREND INFORMATION

Save as disclosed in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position" and "Prospects, Business Strategies and Future Plans" of this Offer Document and barring any unforeseen circumstances, our Directors are not aware of any significant recent trends in sales and in the costs and selling prices of our products and/or services, or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial conditions.

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## INTERESTED PERSON TRANSACTIONS

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In general, transactions between our Group and any of our Interested Persons (namely, our Directors, Controlling Shareholder of our Company or the Associates of such persons) would constitute Interested Person Transactions for the purposes of Chapter 9 of the Catalist Rules.

This section sets out the Interested Person Transactions entered into by our Group for FY2012, FY2013, FY2014, 1Q2015 and up to the Latest Practicable Date (the “**Relevant Period**”) on the basis of each member of our Group (namely, our Company and our subsidiaries) being an Entity at Risk and with Interested Persons being construed accordingly.

Save as disclosed in this section and in the section entitled “Restructuring Exercise” and “General Information on our Company and our Group – History” of this Offer Document, there have been no Interested Person Transactions over the Relevant Period involving our Group which are material in the context of this Placement.

### INTERESTED PERSONS

The following persons or companies are considered “Interested Persons” for the purposes of this section and the section entitled “Potential Conflict of Interests” of this Offer Document.

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Interested Person	Nature of Relationship with our Group
MCC	MCC is a company incorporated in Singapore on 28 March 2007. Our CEO and Controlling Shareholder, Melvin Ang, owns 80% of the issued share capital of MCC and is a director of MCC. MCC is engaged in the business of aggregation and distribution of Chinese television programmes outside the PRC.
MMSync	Our CEO and Controlling Shareholder, Melvin Ang, is a director and shareholder of MMSync.
Melvin Ang	Our CEO and Controlling Shareholder.

Save as disclosed in the section entitled “Restructuring Exercise”, the section entitled “Service Agreement” and this section, there are no past or present and on-going Interested Person Transactions entered into by our Group during the Relevant Period.

### PAST INTERESTED PERSON TRANSACTIONS

#### Provision of services by mm2 Singapore to MCC

Between May 2013 and August 2014, mm2 Singapore provided marketing services to MCC pursuant to an informal verbal agreement between MCC and mm2 Singapore. This agreement was terminated on 31 August 2014. The amounts paid by MCC to mm2 Singapore in consideration of the marketing services provided by mm2 Singapore were S\$67,500, in FY2014, and S\$32,500, in FY2015. Our Directors are of the view that the fees paid by MCC to mm2 Singapore were not on an arm’s length basis because no quotations for fees were obtained for similar services from any other companies.

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## INTERESTED PERSON TRANSACTIONS

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### Loans and advances between our Group and Interested Persons

Our Group had in the past granted loans and advances to Melvin Ang for his personal use as well as to MCC and MMSync to fund their business operations. Melvin Ang and MCC have also granted cross-loans and advances to our Group. These loans and advances were not made on an arm's length basis, as they were interest-free, unsecured and had no fixed terms of repayment. The aggregate amounts owed by Melvin Ang, MCC and MMSync to us as at the end of each applicable financial period and the largest amounts owing to our Group were as follows:–

(S\$'000)	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014	As at 30 June 2014	As at the Latest Practicable Date	Largest amount outstanding during the Relevant Period
Melvin Ang	(116)	(212)	588	89	0	588
MCC	(88)	338	1,092	102	0	1,092
MMSync	0	0.2	0.8	1.4	0	1.4

As at 31 October 2014, all the aforesaid amounts owing have been repaid to our Group. After our admission to Catalist, we have no intention to grant such loans and advances to any interested persons.

### Sub-lease of MCC's office premises by mm2 Singapore

During the Relevant Period, mm2 Singapore sub-leased office space at 1002 Jalan Bukit Merah #07-11, Singapore 159456 ("**Bukit Merah Office**") from MCC (which, in turn, leased the Bukit Merah Office from Mapletree), pursuant to an informal verbal agreement between mm2 Singapore and MCC. This agreement had no fixed term and was in consideration of the payment of a monthly fee, of S\$4,415.63, by mm2 Singapore to MCC.

Our Directors are of the view that the fees paid by mm2 Singapore to MCC were on an arm's length basis as it paid a proportionate share of the rental paid by MCC to Mapletree, based on the area occupied.

With effect from 12 September 2014, MCC's lease agreement with Mapletree was novated to mm2 Singapore and mm2 Singapore took over sole possession and control of the Bukit Merah Office.

### Payment of CPF contributions to MCC's employees seconded to mm2 Singapore

Between August 2012 and May 2013, pursuant to the terms of an informal verbal agreement between mm2 Singapore and MCC, MCC paid the CPF contributions of employees seconded to mm2 Singapore ("**Seconded Employees**"). When mm2 Singapore was incorporated in 2009, it had no operating staff and mm2 Malaysia's employees were initially tasked to handle the daily operations. When mm2 Singapore took up the Production of '*Ah Boys to Men II*' and other projects, the Seconded Employees were tasked to assist in the operations of mm2 Singapore during that period.

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## INTERESTED PERSON TRANSACTIONS

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The CPF contributions of the Seconded Employees paid by MCC would be immediately debited to mm2 Singapore's account and settled by mm2 Singapore by the following month. The aggregate amount of the Seconded Employees' CPF contributions paid via MCC's CPF e-submissions account was S\$44,147, and the largest amount outstanding during the Relevant Period was S\$8,677.

Our Directors are of the view that the arrangement was not conducted on an arm's length basis as the payments were unsecured and non-interest bearing.

In June 2013, mm2 Singapore took over the employment of Seconded Employees and the aforesaid arrangement was terminated.

### ON-GOING INTERESTED PERSON TRANSACTIONS

#### Provision of guarantees and undertakings

As at the Latest Practicable Date, our CEO and Controlling Shareholder, Melvin Ang, and the directors of mm2 Malaysia have provided the following personal guarantees to secure banking and trade facilities granted to our Group:

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Financial Institution/Lender	Type of Facilities	Amount of facility granted (S\$'000)	Security
OCBC	Term loan	70	Deed of guarantee and indemnity for all monies, provided by Melvin Ang
RHB	Overdraft facility	115.4	Joint and several guarantee for RM500,000, provided by Angelin Ong and Kent Chan
	Term loan	76.9	Personal guarantee of US\$ equivalent to RM500,000, provided by Melvin Ang
SCB	Term loan	134.6	Joint and several guarantee for RM350,000, provided by Melvin Ang and Angelin Ong

Subsequent to the Placement, the above-named guarantors intend to request the aforesaid financial institutions to release the above guarantees by substituting the same with other securities acceptable to the banks. Should these financial institutions not agree to release the above guarantees, the guarantors will continue to provide the guarantees or we may seek and obtain alternative banking facilities from other financial institutions offering comparable terms.

Pursuant to a Convertible Note subscription and share sale agreement entered into between PAPOF, mm2 Singapore and our CEO and Controlling Shareholder, Melvin Ang, on 8 May 2014, Melvin Ang provided several undertakings including, *inter alia*, a non-compete undertaking as well as an undertaking to remain employed by the Group on the same terms as at the time the Convertible Note subscription and share sale agreement was entered into up to the Listing Date. Further details of the abovementioned agreement is described under the section "General and Statutory Information – Material Contracts".

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## INTERESTED PERSON TRANSACTIONS

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Our CEO and Controlling Shareholder, Melvin Ang, provided a non-compete undertaking to Chua Teck Hiong and Lim Kar Tian, pursuant to Convertible Note Subscription Agreements entered into on 10 September 2013 and 5 November 2013 respectively. Further details of the abovementioned agreements are described under the section “General and Statutory Information – Material Contracts”.

### *Joint and several guarantees to Orientivity Pte. Ltd. (“Orientivity”)*

Under the terms of an investment agreement for the Movie ‘*The Lion Men*’ between our CEO and Controlling Shareholder, Melvin Ang, mm2 Singapore and Orientivity, on 11 January 2014 (“**Investment Agreement**”), Melvin Ang and mm2 Singapore jointly and severally guaranteed that the amounts payable to Orientivity under the Investment Agreement.

The abovementioned guarantees and undertakings have been provided by Melvin Ang, Angelin Ong and Kent Chan without any fees, interest or other benefits payable by our Group to them and, as such, the above transactions were not conducted on an arm’s length basis and were not based on normal commercial terms but they were not prejudicial to the interests of our Group or our Company’s minority Shareholders.

Upon the admission of our Company to Catalist, we intend to request for a discharge of these guarantees and replace them with corporate guarantees provided by our Group. If we are unable to discharge these guarantees, Melvin Ang, Angelin Ong and Kent Chan will either continue to provide the guarantees required or seek and obtain alternative facilities from other financial institutions offering comparable terms, without the need for such personal guarantees.

### **Lease of mm2 Malaysia’s office premises from Angelin Ong, Melvin Ang and Kent Chan**

During the Relevant Period, mm2 Malaysia leased from Angelin Ong, Melvin Ang and Kent Chan (collectively, the “**Landlords**”) office space at B.09.01, Menara Bata, PJ Trade Centre, No. 8, Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor (“**Premises**”) for its own use, pursuant to a tenancy agreement entered into on 19 March 2014 (“**Tenancy Agreement**”).

The following are details of the Tenancy Agreement:

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<b>Date of Tenancy Agreement</b>	<b>Lease term</b>	<b>Monthly rental (RM)</b>
19 March 2014	1 April 2014 to 31 May 2016	7,000

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The Tenancy Agreement may be renewed for a period of one (1) year, at the prevailing market rental rate at the time of renewal.

Based on a quote obtained by mm2 Malaysia, on 17 July 2014, the monthly rental for a similar property in the same development, in July 2014, was RM9,500. Our Directors are of the view that the rental terms were on an arm’s length basis and based on normal commercial terms.

Upon the completion of the Placement, any renewal or revision to the terms and conditions of the Tenancy Agreement or any other rental of space in future between Angelin Ong, Melvin Ang, Kent Chan and our Group will be conducted in accordance with such guidelines and procedures as described in the section entitled “Interested Person Transactions – Guidelines and Review Procedures for On-Going and Future Interested Person Transactions” of this Offer Document and be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions.

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## INTERESTED PERSON TRANSACTIONS

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### GUIDELINES AND REVIEW PROCEDURES FOR ON-GOING AND FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review and approve all Interested Person Transactions to ensure that they are on normal commercial terms and on an arm's length basis, that is, the transactions are transacted in terms and prices not more favourable to the Interested Persons than if they were transacted with a third-party and are not prejudicial to the interests of our Group or our minority Shareholders.

To ensure that all future Interested Person Transactions are carried out on normal commercial terms and will not be prejudicial to the interests of our Group or our minority Shareholders, the following procedures will be implemented by our Group:

- (a) when purchasing any products or engaging any services from an Interested Person, two other quotations from non-interested persons will be obtained for comparison to ensure that the interests of our Group and our minority Shareholders are not disadvantaged. The purchase price or fee for the products or services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time and track record will be taken into consideration;
- (b) when selling any products or supplying any services to an Interested Person, the price or fee and terms of two other successful transactions of a similar nature with non-interested persons will be used as comparison to ensure that the interests of our Group and our minority Shareholders are not disadvantaged. The price or fee for the supply of products or services shall not be lower than the lowest price or fee of the two other successful transactions with non-interested persons;
- (c) when renting properties from or to an Interested Person, appropriate steps will be taken to ensure that such rent is matched with prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (where necessary). The rent payable shall be based on the most competitive market rental rates of similar properties in terms of size and location, based on the results of the relevant enquiries;
- (d) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an Interested Person, the Interested Person Transaction will be approved by our Group's Audit Committee. In determining the transaction price payable to the Interested Person for such products and/or services, factors such as, but not limited to, quantity, requirements and specifications will be taken into account; and
- (e) in addition, we shall monitor all Interested Person Transactions entered into by us and categorise these transactions as follows:
  - (i) a Category 1 Interested Person Transaction is one where the value thereof is in excess of 3.0% of the NTA of our Group based on the latest audited accounts; and
  - (ii) a Category 2 Interested Person Transaction is one where the value thereof is below or equal to 3.0% of the NTA of our Group based on the latest audited accounts.

All Category 1 Interested Person Transactions must be approved by our Audit Committee prior to entry whereas Category 2 Interested Person Transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.

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## **INTERESTED PERSON TRANSACTIONS**

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Our Audit Committee will review all Interested Person Transactions, if any, on a quarterly basis to ensure that they are carried out on an arm's length basis and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of our Audit Committee is interested in any such transaction, he will abstain from participating in the review and approval process in relation to that particular transaction.

Our Company shall prepare all the relevant information to assist the Audit Committee in its review and will keep a register to record all Interested Persons Transactions. The register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis.

Disclosure will be made in our Company's annual report of the aggregate value of Interested Person Transactions during the relevant financial year under review and in the subsequent annual reports for the subsequent financial years of our Company.

Internal auditors will be appointed and their internal audit plan will incorporate a review of all the Interested Person Transactions at least on an annual basis. The internal audit report will be reviewed by the Audit Committee to ascertain whether the guidelines and procedures established to monitor Interested Person Transactions have been complied with.

The Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Interested Person Transactions are conducted on normal commercial terms, on an arm's length basis and do not prejudice our interests or the interests of our minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that Interested Person Transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to our interests and/or the interests of our minority Shareholders, the Audit Committee will adopt such new guidelines and review procedures for future Interested Person Transactions, as may be appropriate.

In addition, our Audit Committee will include the review of Interested Person Transactions as part of the standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval, if required by the Catalist Rules.

### **POTENTIAL CONFLICT OF INTERESTS**

Our CEO, Melvin Ang, is a director and Controlling Shareholder of MCC. MCC aggregates Chinese-language TV programmes from the PRC and distributes these programmes outside the PRC. Its main suppliers are TV stations in the PRC. MCC does not produce or distribute Movies.

Our Group is principally engaged in the business of producing and distributing Movies and TV programmes produced or co-produced by our Group, as well as Movies produced by third parties. The distribution of Movies to TV stations and other digital platforms is ancillary to our main business.

In the circumstances, our Directors are of the view that our Group and MCC operate within different industry segments and, accordingly, there is no conflict of interests between MCC's operations and our Group's operations.

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## **INTERESTED PERSON TRANSACTIONS**

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Save as disclosed above and in the sections entitled “Interested Person Transactions” and “Restructuring Exercise” of this Offer Document, none of our Directors, Executive Officers, Controlling Shareholders or any of their Associates has an interest, direct or indirect:

- (a) in any transaction to which our Group was or is to be a party;
- (b) in any entity carrying on the same business or dealing in similar services which competes materially and directly with the existing business of our Group; and
- (c) in any enterprise or company that is our Group’s customer or supplier of goods and services.

Save as disclosed in the sections entitled “Interested Person Transactions” and “Service Agreement”, of this Offer Document, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company or our subsidiaries.

### **INTERESTS OF EXPERTS**

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Offer Document, been acquired or disposed of by or leased to our Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or its subsidiaries.

No expert is employed on a contingent basis by our Company or our subsidiaries; or has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiaries; or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Placement.

### **INTERESTS OF SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT**

In the reasonable opinion of our Directors, save as disclosed below and in the section entitled “General and Statutory Information – Management and Placement Arrangements” of this Offer Document, our Company does not have any material relationship with the Sponsor, Issue Manager and Placement Agent or any other financial adviser in relation to the Placement:

- (a) HLF is the Sponsor in relation to the Placement;
- (b) HLF is the Issue Manager and the Placement Agent of the Placement; and
- (c) HLF will be the continuing Sponsor of our Company for a period of three (3) years from the date our Company is admitted and listed on Catalyst.

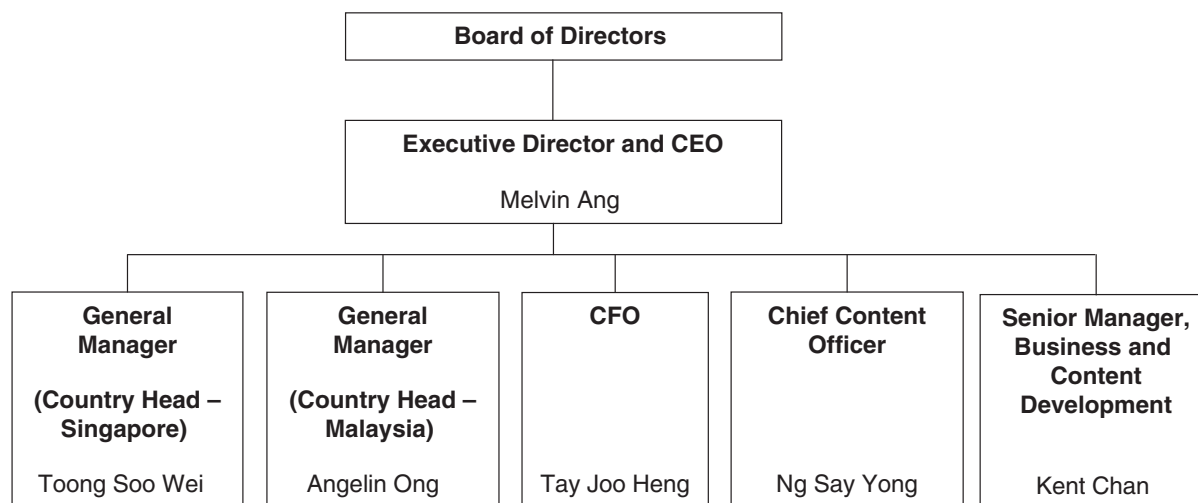
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## DIRECTORS, MANAGEMENT AND STAFF

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### MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out as follows:



### DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. The particulars of each of our Directors are set out below:

Name	Age	Address	Country of Principal Residence	Designation	Principal Occupation
Tan Liang Pheng	66	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	Non-Executive Chairman and Independent Director	Nil
Melvin Ang	51	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	CEO and Executive Director	CEO
Jack Chia	53	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	Independent Director	Consultant
Thomas Lei	51	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	Independent Director	Lawyer
Terry Mak	56	c/o 4/F, Block G, Wong King Ind Bldg, 2-4 Tai Yau Street, San Po Kong, Kln, Hong Kong	Hong Kong	Non-Executive Director	Senior Media Consultant

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## DIRECTORS, MANAGEMENT AND STAFF

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The business and working experience and areas of responsibility of our Directors are set out below:

**Tan Liang Pheng** was appointed as the Non-Executive Chairman and Independent Director of our Company on 4 November 2014. From 1967 to 1969, he worked as a clerical officer at the Housing Development Board of Singapore. In 1970, he worked as a Financial Analyst at Development & Construction Co. Pte. Ltd. Mr Tan worked as an accounts supervisor at 3M Singapore Pte. Ltd. from 1973 to 1978. In 1978, he joined Tetra Pak South East Asia Pte Ltd, as a Finance Manager. Mr Tan was subsequently appointed as Finance Director of Tetra Pak Jurong Pte Ltd, in 1982, and was promoted to Executive Director in 1997. In 1998, he qualified as an Associate of the Association of Chartered Certified Accountants (“ACCA”) and was awarded fellowship status by the ACCA in 2003. From 1999 to 2008, Mr Tan served as the Finance and Executive Director of Tetra Pak Asia Pte Ltd. He was appointed as General Manager of Iviria Pte. Ltd. in 2009 and was subsequently promoted to Executive Director in 2010. Mr Tan served as Executive Director of Iviria Pte. Ltd. until November 2012.

**Melvin Ang** was appointed as Director of our Company on 20 August 2014 and as our CEO on 4 November 2014. He is responsible for overseeing and managing our Productions, as well as sourcing new business opportunities for our Group. Melvin Ang began his career in 1984 as a sales and operations manager at Masters Systems Management. In 1987, he joined Minolta Singapore Pte Ltd as a Regional Marketing Manager where he was responsible for managing its operations and business development activities. In 1995, he was employed by Motorola Inc as its Business Strategy Manager. In August 1997, he was employed by the Television Corporation of Singapore as Vice President, Business Development. Between March 2000 and October 2000, he was appointed as the Chief Business Development & Marketing Officer and Group Executive Vice President of novaSPRINT Pte Ltd. Melvin was subsequently employed by SPH MediaWorks Ltd as its Chief Operating Officer of its Media Business Group between November 2000 and April 2003. Between July 2003 and March 2007, he was employed as Managing Director of MediaCorp Studios. Before setting up mm2 Malaysia and mm2 Singapore in January 2009, he served as Media Prima’s Executive Advisor between July 2007 and December 2008. Melvin Ang graduated from Macquarie University with an MBA in 1996.

**Jack Chia** was appointed as Independent Director and Audit Committee Chairman of our Company and was appointed to our Board on 4 November 2014. Mr Chia currently runs his own investment advisory firm, Jack Capital Solutions Pte Ltd, which he set up in June 2005, after spending twenty years in both the private and public sectors, substantially in Japan and China. Mr Chia was Senior Director, International Enterprise Singapore (the former Trade Development Board) covering China operations from Shanghai. He was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing, asset management and consulting capacities respectively. Mr Chia graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. He is qualified as a Certified Public Accountant. He also completed the General Manager Program at Harvard Business School.

**Thomas Lei** was appointed as an Independent Director of our Company on 4 November 2014. He was admitted to the Singapore Bar in 1989 and has been in active practice ever since, primarily advising on commercial law and litigation matters. Mr Lei is currently a partner of Lawrence Chua & Partners, a law firm based in Singapore. Mr Lei started his career at Chor Pee & Co (later Chor Pee and Partners) and subsequently joined the firm of Engelin Teh & Partners in April 2000. Mr Lei read law at the National University of Singapore where he obtained a LL.B. Mr Lei is a member of the Law Society of Singapore.

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## DIRECTORS, MANAGEMENT AND STAFF

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**Terry Mak** was appointed as a Non-Executive Director of our Company on 4 November 2014. Mr Mak is the founder and senior consultant of Media Station Ltd which provides consultancy services to broadcasting and satellite television clients. He worked at Magna Industrial Company for 5 years before joining American Express International Inc as a Director of Marketing in 1985 to develop the credit card market in Hong Kong. In 1991, he joined TVB International Ltd (“**TVB**”) as Divisional Manager (Southeast Asia) and, in 2001, was promoted to Assistant General Manager to develop its worldwide content distribution network. After working at TVB for 14 years, he left TVB, in 2005, to work for Celestial Pictures Ltd, as its Executive Vice President, where he was responsible for managing Celestial’s overseas Movie distribution and Movie channel business. Mr Mak held the position of Chief Operating Officer at MCC between 1 June 2012 and 31 July 2014. He graduated from Hong Kong Baptist University with a Bachelors of Science in Chemistry in 1979 and from University of Connecticut in 1981 with an MBA.

Rule 406(3)(a) of the Catalist Rules states that as a pre-quotation disclosure requirement, a listing applicant must release a statement (via SGXNET or in the offer document) identifying for each director, whether the person has prior experience (and what) or, if the director has no prior experience as a director of a listed company, whether the person has undertaken training in the roles and responsibilities of a director of a listed company. With regard to Rule 406(3)(a) of the Catalist Rules, one of our Directors, Jack Chia, has prior and current experience as a director of other public listed companies in Singapore, and is familiar with the roles and responsibilities of a director of a public listed company in Singapore. As at 17 October 2014, our other Directors have attended the relevant training at the Singapore Institute of Directors to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

Save as disclosed in this section and in the section entitled “Shareholders – Shareholding and Ownership Structure” of this Offer Document, none of our Directors are related to each other, our Executive Officers or our Substantial Shareholders.

Save as disclosed above and in the section entitled “Interested Person Transactions – Past Interested Person Transactions” of this Offer Document, our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders.

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## DIRECTORS, MANAGEMENT AND STAFF

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The list of present and past directorships of each Director over the last five (5) years preceding the date of this Offer Document, excluding those held in our Company, is set out below:

Name	Present Directorships	Past Directorships
Tan Liang Pheng	<b>Group Companies</b> –	<b>Group Companies</b> –
	<b>Other Companies</b> –	<b>Other Companies</b> Iviria Pte. Ltd.
Melvin Ang	<b>Group Companies</b> mm2 Singapore mm2 Malaysia	<b>Group Companies</b> –
	<b>Other Companies</b> MCC MMSync	<b>Other Companies</b> SMSBUY.com Pte Ltd Modernasia Studios Pte Ltd Blue3 Pictures Pte Ltd JM Artiste Network Pte Ltd 10 Plus Channel Sdn Bhd
Thomas Lei	<b>Group Companies</b> –	<b>Group Companies</b> –
	<b>Other Companies</b> –	<b>Other Companies</b> –
Jack Chia	<b>Group Companies</b> –	<b>Group Companies</b> –
	<b>Other Companies</b> China Hongcheng International Holdings Limited Combine Will International Holdings Limited Debao Property Development Limited Dukang Distillers Holdings Ltd Shanghai Turbo Enterprises Limited Jack Capital Solutions Pte Ltd Legami Pte Ltd Ricesse Management Inc	<b>Other Companies</b> Sunray Holdings Limited E Frontier Global Pte Ltd E Frontier Singapore Pte Ltd Singapore Capital Partners Pte Ltd Wealth Partners Singapore Pte Ltd
Terry Mak	<b>Group Companies</b> –	<b>Group Companies</b> –
	<b>Other Companies</b> Media Station Ltd Land Plus Ltd FM Telemedia Ltd	<b>Other Companies</b> Celestial Pictures Ltd

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## DIRECTORS, MANAGEMENT AND STAFF

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### EXECUTIVE OFFICERS

The day-to-day operations are entrusted to our CEO and Controlling Shareholder, Melvin Ang, who is assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:

Name	Age	Address	Country of Principal Residence	Principal Occupation
Tay Joo Heng	49	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	CFO
Ng Say Yong	51	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	Chief Content Officer
Angelin Ong	35	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Malaysia	General Manager (Country Head-Malaysia)
Toong Soo Wei	36	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Singapore	General Manager (Country Head-Singapore)
Kent Chan	30	c/o 1002, Jalan Bukit Merah, #07-11, Singapore 159456	Malaysia	Senior Manager, Business and Content Development

The business and working experience and areas of responsibility of our Executive Officers are set out below:

**Tay Joo Heng** is our Group's CFO. He has more than 20 years of financial and operational experience in media, content production, technology and trading industries. He started his career at Hewlett Packard (Singapore) as a financial analyst in 1990. From 1994 to 1996, he joined Nanyang Polytechnic's School of Business Management as a lecturer, tutoring subjects such as financial accounting, cost and management accounting and corporate finance. Thereafter, he joined the Singapore Press Holdings group as an Assistant Finance Manager and was promoted to Senior Manager in the Finance department. He was seconded to SPH Mediaworks Ltd, a subsidiary of the Singapore Press Holdings, to start up the Finance and Admin operations. In 2004, Joo Heng joined Scorpio East Pte Ltd, as the Head Corporate Finance and Services, in preparation for its initial public offering. Joo Heng left in 2006 and rejoined the media industry as an Assistant Vice President, Business Planning of Mediacorp Studios Pte Ltd, a subsidiary of the Mediacorp group of companies, till 2007. Prior joining our Company in 2013, he held the position of an Assistant General Manager in Leeden Limited and subsequently General Manager of National Industrial Gases Pte Ltd, subsidiary of Leeden Limited. Joo Heng graduated from the National University of Singapore with a degree in Accountancy in 1989 and is a member of the Institute of Singapore Chartered Accountants.

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## DIRECTORS, MANAGEMENT AND STAFF

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**Ng Say Yong** is the Chief Content Officer of our Group and is overall in charge of the creative content development of our Group's productions. He is a media industry veteran who has produced and directed some of the most successful TV dramas in Singapore such as '*Growing Up*', '*Triple Nine*' and '*Shiver*'. He joined the Singapore Broadcasting Corporation, which subsequently became the Television Corporation of Singapore in 1994, as a producer and director of current affairs and entertainment programmes. In 1996, he left the Television Corporation of Singapore to teach media production at Ngee Ann Polytechnic. Two years later, he joined MediaCorp Studios as an Assistant Vice-President and was subsequently promoted to Senior Vice President. After leaving MediaCorp Studios in 2007, Say Yong stayed in Australia for three years before joining mm2 Singapore in 2010 as a Creative Director. Say Yong graduated from the National University of Singapore, in 1988, with a Bachelor of Arts (Honours).

**Angelin Ong** is the General Manager of mm2 Malaysia and is responsible for the overall operations of mm2 Malaysia. From 2001 to 2003, she worked at Publicis CGS Sdn Bhd, an advertising agency, as an account executive and was responsible for brand visibility planning and product packaging. In 2003, she joined Think Reka Sdn Bhd, an industrial design agency, as a client service manager. As a client service manager, she was involved in business development and product strategy formulation. In 2004, Angelin left that company and joined Stormfbi Sdn Bhd, an advertising agency, as an account manager in charge of client servicing and providing brand consultancy services. In 2005, she was appointed as manager of Sistem Televisyen Malaysia Berhad ("**STMB**"), a free-to-air television station in Malaysia. As manager of STMB's creative group, she was required to customise station content for advertisers. In 2007, Angelin joined AltMedia Sdn Bhd, a subsidiary of Media Prima, to initiate new business ideas and revenue before joining mm2 Malaysia in 2009. Angelin's experience in both traditional and new media is invaluable in a rapidly evolving media industry. Angelin graduated from the Curtin University of Technology, in 2000, with a Bachelor of Commerce majoring in advertising and marketing.

**Toong Soo Wei** is the General Manager of mm2 Singapore and is responsible for the overall operations of mm2 Singapore. He began his career as an Assistant Producer in the Chinese-language drama department of MediaCorp Studios in 2000. In November 2003, he joined Image Marcom & Productions Pte Ltd as a writer and producer. For 2 months in 2004, he worked as a freelance assistant director to assist Jack Neo in the production of '*Best Bet*'. Between 2004 and 2008, he worked at J Team Productions Pte Ltd as an Assistant Creative Manager and as General Manager and Head of Production. He subsequently left to join Homerun Asia Pte Ltd in 2011 until he left, in October 2012, to work as General Manager for mm2 Singapore. Toong Soo Wei obtained an Advanced Diploma in Mass Communications awarded by the Management Development Institute of Singapore in 2008.

**Kent Chan** is the Senior Manager, Business and Content Development of mm2 Malaysia and is responsible for content development and managing mm2 Malaysia's projects. From 2006 to 2007, Kent Chan was employed by eGenting Sdn Bhd as a Technical Support Executive. In 2008, he was appointed as a Production Executive of Media Prima. Before joining mm2 Malaysia in 2009, he was employed by mmStudios, in June 2008, as a Business Executive where he was responsible for, among others, managing projects, artistes and logistics. Kent Chan graduated from INTI College Malaysia TWN Coventry University, in 2005, with a Bachelor's Degree in Software Engineering.

Save as disclosed in this section and in the section entitled "Shareholders – Shareholding and Ownership Structure" of this Offer Document, there is no family relationship between any of our Directors and/or Executive Officers, or between any of our Directors, Executive Officers and Substantial Shareholders.

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## DIRECTORS, MANAGEMENT AND STAFF

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To the best of our knowledge, there is no arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or any other person, pursuant to which any of our Directors or key Executive Officers was selected as our Director or Executive Officer.

The list of present and past directorships of each Executive Officer over the last five (5) years preceding the date of this Offer Document, excluding those held in our Company, is set out below:

Name	Present Directorships	Past Directorships
Tay Joo Heng	<b>Group Companies</b>	<b>Group Companies</b>
	–	–
	<b>Other Companies</b>	<b>Other Companies</b>
	–	–
Ng Say Yong	<b>Group Companies</b>	<b>Group Companies</b>
	–	–
	<b>Other Companies</b>	<b>Other Companies</b>
	–	–
Angelin Ong	<b>Group Companies</b>	<b>Group Companies</b>
	mm2 Malaysia MJX	–
	<b>Other Companies</b>	<b>Other Companies</b>
		Mama Movies Sdn Bhd 10 Plus Channel Sdn Bhd
Toong Soo Wei	<b>Group Companies</b>	<b>Group Companies</b>
	–	–
	<b>Other Companies</b>	<b>Other Companies</b>
	–	–
Kent Chan	<b>Group Companies</b>	<b>Group Companies</b>
	mm2 Malaysia MJX	–
	<b>Other Companies</b>	<b>Other Companies</b>
	Ascent Music Entertainment Sdn Bhd La Joie Consultancy Sdn Bhd	Mama Movies Sdn Bhd

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## DIRECTORS, MANAGEMENT AND STAFF

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### EMPLOYEES

As at the Latest Practicable Date, we have 34 employees. The management of our Group is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of our Group enjoys a good working relationship with its employees. Employees of our Group do not belong to any organised union. Our Group maintains a cordial relationship with its employees, and there have not been any industrial disputes in the past.

The functional distribution of our Group's full-time employees as at the end of FY2012, FY2013 and FY2014 and the Latest Practicable Date is as follows:

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<b>Function</b>	<b>2012</b>	<b>As at 31 March 2013</b>	<b>2014</b>	<b>As at the Latest Practicable Date</b>
Management	4	5	7	11
Sales & Marketing	5	7	7	7
Project Management	13	16	10	10
Finance and Administration	3	7	6	6
<b>Total</b>	<b>25</b>	<b>35</b>	<b>30</b>	<b>34</b>

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The number of full-time staff that we employ is not subject to any significant seasonal fluctuation and we do not employ a significant number of temporary employees.

Our employees are not covered by any collective bargaining agreements and are not unionised. The relationship and co-operation between the management and staff have been good and is expected to continue and remain as such in the future. There have not been any incidents of work stoppages or labour disputes which affected our operations.

Other than amounts set aside or accrued in respect of mandatory employee funds, we have not set aside or accrued any amount of money to provide for pension, retirement or similar benefits to our employees.

Our Group's average staff turnover is considerably low as our Company provides good benefits and a good working environment. As evidence of a strong and stable management team, there is minimal turnover at the middle management level and above.

Our Group is committed to investing in its people through both internal and external training for skills development. Our Group believes in promoting teamwork and togetherness where inter-departmental collaboration and cooperation is the norm. A culture that promotes teamwork is encouraged by senior management and ensures the success of our Group as a whole.

Aside from our full-time employees, we hire contract artistes and staff to assist in our Productions, on a project basis, as part of our production budget.

## DIRECTORS, MANAGEMENT AND STAFF

### REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

#### Directors and Executive Officers

The remuneration (including salary and directors' fees) paid to our Directors for FY2013 and FY2014, and the estimated remuneration to be paid to our Directors for FY2015 (on an aggregate basis) by our Group are as follows:

(S\$'000)	FY2013	FY2014	FY2015 (Estimated)
<b>Directors</b>			
Tan Liang Pheng <sup>(1)</sup>	–	–	6.7
Melvin Ang <sup>(2)</sup>	48.0 <sup>(2)</sup>	125.1 <sup>(2)</sup>	168.4
Jack Chia <sup>(1)</sup>	–	–	13.3
Thomas Lei <sup>(1)</sup>	–	–	6.7
Terry Mak <sup>(1)</sup>	–	–	6.7

**Notes:**

- (1) The estimated remuneration to be paid to Tan Liang Pheng, Jack Chia, Thomas Lei and Terry Mak consists entirely of directors' fees.
- (2) The remuneration paid to Melvin Ang in FY2013 and FY2014 consists entirely of his salary and did not include directors' fees, bonus, profit-sharing, benefits in kind and retirement benefits.

The remuneration paid to our Executive Officers for FY2013 and FY2014, and the estimated remuneration to be paid to our Executive Officers for FY2015 by our Group (on an aggregate basis and in remuneration bands<sup>(1)</sup>) are as follows:

Executive Officers	FY2013	FY2014	FY2015 (Estimated)
Tay Joo Heng <sup>(2)</sup>	–	Band A	Band A
Angelin Ong <sup>(2)</sup>	Band A	Band A	Band A
Ng Say Yong <sup>(2)</sup>	Band A	Band A	Band A
Toong Soo Wei <sup>(2)</sup>	Band A	Band A	Band A
Kent Chan <sup>(2)</sup>	Band A	Band A	Band A

**Notes:**

- (1) Remuneration bands: "Band A" refers to remuneration of up to S\$250,000.
- (2) The remuneration paid to our Executive Officers for FY2013 and FY2014, and the estimated remuneration to be paid in FY2015 by our Group, consists entirely of their salaries and does not include any bonus, profit-sharing, benefits-in-kind or retirement benefits.

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## DIRECTORS, MANAGEMENT AND STAFF

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The total remuneration paid to our Executive Officers for FY2013 and FY2014, and the estimated total remuneration to be paid to our Executive Officers for FY2015 are as follows:

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(S\$'000)	FY2013	FY2014	FY2015 (Estimated)
Total remuneration paid to Executive Officers	135.9	257.7	395.7

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### SERVICE AGREEMENT

On 24 November 2014, our Company entered into a service agreement (the “**Service Agreement**”) with our CEO and Controlling Shareholder, Melvin Ang (the “**Executive**”).

The Service Agreement shall take effect from the date of admission of our Company to Catalist (the “**Commencement Date**”) and shall continue for an initial period of three (3) years (the “**Initial Term**”). Upon the expiry of the Initial Term, the employment of the Executive shall be automatically renewed on the terms and subject to the conditions to be agreed between the Executive and our Company unless otherwise terminated by either party giving not less than six (6) months’ notice in writing or an amount equal to six (6) months’ salary in lieu of notice. Three (3) months before the expiration of the Initial Term, the Executive and our Company shall consult with each other to review this Agreement and discuss the terms and conditions of renewal to be agreed upon between the parties. During the Initial Term, either party may only terminate the Service Agreements by giving to the other party not less than six (6) months’ notice or an amount equal to six (6) months’ salary in lieu of notice.

The Service Agreement shall automatically terminate without notice or payment in lieu of notice if the Executive becomes prohibited by law from being a director of the Company for any reason whatsoever. Upon such termination the Executive shall not be entitled to claim any compensation or damages by reason of such termination. Notwithstanding the other provisions of the Service Agreement, our Company shall be entitled to terminate the appointment, but without prejudice to the rights and remedies of our Company for any breach of the Service Agreement and to the Executive’s continuing obligations under the Service Agreement, in any of the following cases:

- (a) if the Executive is guilty of any gross default or grave misconduct in connection with or affecting the business of the Group;
- (b) in the event of any serious or repeated breach or non-observance by the Executive of any of the stipulations contained in the Service Agreement;
- (c) if the Executive becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors;
- (d) if the Executive shall become of unsound mind; or
- (e) if the Executive commits any act of criminal breach of trust or dishonesty or is convicted of any criminal offence (save an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment.

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## DIRECTORS, MANAGEMENT AND STAFF

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The Company without prejudice to any remedy which it may have against the Executive for the breach or non-performance of any of the provisions of this Agreement may by notice to the Executive forthwith terminate the Service Agreement if:

- (a) he commits any act that is reported in general or trade press or otherwise achieves general notoriety which involves conduct that is likely to be regarded as illegal, immoral or scandalous and which, in the reasonable opinion of the Board is likely to discredit the Executive to a degree which materially reduces the value of his services to the Company or may discredit the Company through association with the Executive; or
- (b) he is in the reasonable opinion of the Board incompetent in the performance of his duties.

The Service Agreement provided for, *inter alia*, the salary payable to the Executive, annual leave, grounds of termination and certain restrictive covenants (including non-compete obligation).

Pursuant to the terms of the Service Agreement, the Executive is entitled to a basic salary at the rate of S\$20,000 per month. In addition, the Executive is also entitled to receive an annual wage supplement of one (1) month's salary per annum. The remuneration of the Executive is subject to review by our Board at the end of each financial year of our Company. The relevant Executive shall abstain from voting in respect of any resolution or decision to be made by our Board in relation to the terms and renewal of his or her Service Agreement.

The Executive will also be paid a performance bonus for each financial year based on a percentage of the Group PBT, provided that the Group PBT is not less than S\$2 million for that financial year and that the Executive is under the employment of the Group on the last day of that financial year. The performance bonus that the Executive will receive for each financial year will be determined as follows:

<b>PBT</b>	<b>Entitlement as a percentage of PBT</b>
Where PBT is less than S\$2 million	Nil
Where PBT is S\$2 million or more but does not exceed or equal to S\$4 million	5% of the PBT in excess of S\$2 million
Where PBT exceeds S\$4 million but does not exceed or equal to S\$6 million	S\$100,000 plus 7% of the PBT in excess of S\$4 million
Where PBT exceeds S\$6 million	S\$240,000 plus 9% of the PBT in excess of S\$6 million

**Note:-**

- (1) The abovementioned performance bonus is inclusive of CPF contributions required to be made by the Company in respect thereof.

The Company shall reimburse to the Executive all travelling, hotel, entertainment, transport and other expenses reasonably incurred by him in the reasonable performance of his duties hereunder upon the Executive providing the Board with such vouchers or other evidence of actual payment of such expenses as the Board may require. In addition, the Company shall provide an executive sedan of the Executive's choice (of approximately 3,000 c.c.) for the Executive's exclusive use.

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## DIRECTORS, MANAGEMENT AND STAFF

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Save as disclosed above, there are no bonus or profit-sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors, Executive Officers or employees. The Executive shall not be entitled to further Directors' fees under the Service Agreement.

Pursuant to his Service Agreement, the Executive shall not, at any time during the period of his employment with our Company and for a period of 12 months after the termination of his or her employment with our Company, in all territories where our Group operates directly or indirectly, either on his own account or for any other person directly or indirectly solicit, interfere with or endeavour to entice away from any Group Company any person who to his knowledge is now or has been a client, customer or employee of, or in the habit of dealing with, any Group Company; carry on or be engaged in a business with any person who is now or has been a client or customer of our Company or any company in the Group; either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested in any business which shall be in direct competition with the business carried on by any Group Company at the date hereof or as at the time of cessation of employment (as the case may be); either solely or jointly with or on behalf of any person, firm or corporation directly or indirectly carry on or be engaged or interested in any business competing with the business of our Company or any member of our Group. The Executive further agrees that during his employment and upon his ceasing to be the Executive of the Company without limit in point of time, directly or indirectly, except with the Company's prior written consent, (i) use the name "mm2" or any colourable imitation thereof in connection with any business; and (ii) use any trademark of any Group Company in connection with any business.

The Executive shall keep confidential and shall not at any time (whether during the appointment or after the termination of the appointment for whatever reason) use for his own or another's advantage, business methods or information which the Executive knew or ought reasonably to have known to be confidential information concerning the business, accounts or finances of any Group Company or any of its clients' transactions or affairs of our Group so far as he shall have come to his knowledge during the appointment.

Had the Service Agreement been in effect for FY2014, the aggregate remuneration (including CPF contributions, bonus, profit-sharing and benefits-in-kind) payable to the Executive would have been approximately S\$210,264 instead of S\$125,100 and the combined profit net of tax for FY2014 would be approximately S\$2,965,525 instead of S\$3,036,211.

Our Group has also previously entered into various letters of employment with all our Executive Officers in the ordinary course of business in accordance with the general employee/staff guidelines, practices and policies. Such letters typically provide for the salary payable to our Executive Officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

Save as disclosed above, there are no other existing or proposed service contracts entered or to be entered into by our Directors or our Executive Officers with our Company or our subsidiaries. There are no existing or proposed service agreements entered into or to be entered into by our Directors with our Company or our subsidiaries which provide for benefits upon termination of employment.

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## PERFORMANCE SHARE PLAN

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In conjunction with our listing on Catalist we have adopted a performance share plan known as the “Performance Share Plan” which was approved at an Extraordinary General Meeting of our Shareholder held on 4 November 2014. A summary of the rules of the Performance Share Plan is set out in paragraph 3 below. Capitalised terms as used throughout this section, unless otherwise defined, shall bear the meanings as defined in section 2 of “Appendix D – Rules of the Performance Share Plan” of this Offer Document.

### 1. Objectives of the Performance Share Plan

The objectives of the Performance Share Plan are to:

- (a) foster a culture of ownership within our Group which aligns the interests of Group Executives with the interests of Shareholders;
- (b) motivate Participants to achieve key financial and operational goals of our Company and/or their respective business units and encourage greater dedication and loyalty to our Group; and
- (c) make the total employee remuneration sufficiently competitive to recruit new Participants and/or retain existing Participants whose contributions are important to the long term growth and profitability of our Group.

### 2. The Performance Share Plan

Awards granted under the Performance Share Plan will principally be performance-based, incorporating an element of stretched targets for senior executives and significantly stretched targets for key senior management, aimed at delivering long-term shareholder value. Examples of performance targets to be set include targets based on criteria such as sales growth, EPS and return on investment.

The Performance Share Plan uses methods fairly common among major local and multinational companies to incentivise and motivate senior executives and key senior management to achieve pre-determined targets, which we believe will create and enhance economic value for Shareholders. Our Company believes that the Performance Share Plan will be an effective tool in motivating senior executives and key senior management to work towards stretched targets.

The Performance Share Plan contemplates the award of fully-paid Shares, when and after pre-determined performance or service conditions are accomplished.

A Participant’s Award under the Performance Share Plan will be determined at the sole discretion of the Committee. In considering the grant of an Award to a Participant, the Committee may take into account, amongst others, the Participant’s capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill set.

Awards granted under the Performance Share Plan will be performance-based, with performance targets to be set over a designated performance period. Performance targets set are intended to be premised on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

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## PERFORMANCE SHARE PLAN

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The performance targets will be stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Board's as well as the Non-Executive Chairman and CEO's corporate key performance indicators.

Under the Performance Share Plan, Participants are encouraged to continue serving our Group beyond the deadline for the achievement of the pre-determined performance targets. The Committee has the discretion to impose a further vesting period after the performance period to encourage the Participant to continue serving our Group.

### **3. Summary Of Rules Of The Performance Share Plan**

#### **3.1 Eligibility**

Full-time Group Executives who have attained the age of 21 years as of the Award Date and hold such rank as may be designated by the Committee from time to time are eligible to participate in the Performance Share Plan. Group Executive Directors and Group Non-Executive Directors (including Independent Directors) of our Group are eligible to participate in the Performance Share Plan. The Participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditors.

Persons who are Controlling Shareholders or Associates of a Controlling Shareholder who meet the criteria above are also eligible to participate in the Performance Share Plan provided that the participation of and the terms of each grant and the actual number of Awards granted under the Performance Share Plan to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person subject to the following:

- (a) the aggregate number of Shares comprised in Awards granted to Controlling Shareholders or Associates of Controlling Shareholders under the Performance Share Plan shall not exceed 25% of the aggregate number of Shares (comprised in Awards) which may be granted under the Performance Share Plan; and
- (b) the number of Shares available to each Controlling Shareholder or Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under the Performance Share Plan.

#### **3.2 Awards**

Awards represent the right of a Participant to receive fully-paid Shares free-of-charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period.

Shares which are issued and allotted or transferred to a Participant pursuant to the grant of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during a specified period (as prescribed by the Committee in the Award letter), except to the extent approved by the Committee.

The Committee, may in its absolute discretion, make a Release of an Award, wholly or partly, in the form of cash rather than Shares.

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## PERFORMANCE SHARE PLAN

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### **3.3 Participants**

The selection of a Participant and the number of Shares (which are the subject of each Award) to be granted to a Participant in accordance with the Performance Share Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

### **3.4 Details of Awards**

The Committee shall decide, in relation to an Award:

- (a) the Participant;
- (b) the date on which the Award is to be granted;
- (c) the number of Shares which are the subject of the Award;
- (d) the performance target(s);
- (e) the performance period during which such performance target(s) are to be satisfied, if any;
- (f) the extent to which Shares, which are the subject of that Award, shall be released at the end of each prescribed performance target(s) being satisfied (whether fully or partially or exceeded or not being satisfied as the case may be at the end of the performance period); and
- (g) any other condition which the Committee may determine in relation to that Award.

### **3.5 Timing**

Awards may be granted at any time in the course of a financial year. An Award Letter confirming the Award and specifying, amongst others, the prescribed performance target(s), the performance period during which the prescribed performance target(s) is to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance target(s), will be sent to each Participant as soon as is reasonably practicable after the granting of an Award.

### **3.6 Events Prior to Vesting**

Special provisions for the Vesting, lapsing and/or cancellation of Awards apply in certain circumstances including the following:

- (a) misconduct on the part of a Participant as determined by the Committee in its discretion;
- (b) where the Participant is a Group Executive, upon the Participant ceasing to be in the employment of our Group for any reason whatsoever (other than as specified in paragraph (e) below);

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## PERFORMANCE SHARE PLAN

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- (c) an order being made or a resolution passed for the winding-up of our Company on the basis, or by reason, of its insolvency;
- (d) the bankruptcy of a Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant, being a Group Executive, ceases to be in the employment of our Group by reason of:
  - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
  - (ii) redundancy;
  - (iii) retirement at or after the legal retirement age;
  - (iv) retirement before the legal retirement age with the consent of the Committee;
  - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within our Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group;
  - (vi) his transfer of employment between companies within the Group;
  - (vii) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within our Group; or
  - (viii) any other event approved by the Committee;
- (f) the death of a Participant;
- (g) any other event approved by the Committee; or
- (h) a takeover, reconstruction or amalgamation of our Company or an order being made or a resolution passed for the winding-up of our Company (other than as provided in paragraph (c) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in paragraphs (a), (b) and (c), an Award then held by a Participant shall, subject as provided in the Rules of the Performance Share Plan and to the extent not yet released, immediately lapse without any claim whatsoever against our Company.

Upon the occurrence of any of the events specified in paragraphs (d), (e), (f) and (g) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant performance period. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

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## PERFORMANCE SHARE PLAN

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Upon the occurrence of the event specified in paragraph (h) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the Performance Period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

### **3.7 *Size and Duration of the Performance Share Plan***

The total number of new Shares which may be issued pursuant to Awards granted under the Performance Share Plan, when added to (i) the number of new Shares issued and issuable in respect of all Awards granted thereunder; and (ii) all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by our Company for the time being in force, shall not exceed 15% of the issued share capital of our Company post-Placement as well as on the day preceding the relevant date of award. The aggregate number of Shares available under the Performance Share Plan shall not exceed 15% of the total issued Share capital of our Company post-Placement and from time to time.

In addition, the number of Shares available to Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:

- (a) the aggregate number of Shares comprised in Awards granted to Controlling Shareholders or Associates of Controlling Shareholders under the Performance Share Plan shall not exceed 25% of the aggregate number of Shares (comprised in Awards) which may be granted under the Performance Share Plan; and
- (b) the number of Shares available to each Controlling Shareholder or Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under the Performance Share Plan.

The Performance Share Plan shall continue in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the date on which the Performance Share Plan is adopted by our Company in general meeting, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Performance Share Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

We have made an application to the SGX-ST for permission to deal in and for the listing and quotation of new Shares which may be issued upon the grant of Awards under the Performance Share Plan. The approval of the SGX-ST is not to be taken as an indication of the merits of our Group, our Shares or the Shares which are the subject of the Awards.

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## PERFORMANCE SHARE PLAN

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### 3.8 *Operation of the Performance Share Plan*

Subject to the prevailing legislation, our Company may deliver Shares to Participants upon vesting of their Awards by way of an issue of new Shares deemed to be fully paid upon their issuance and allotment and/or by way of the transfer of treasury shares (by way of purchasing existing Shares from the market for delivery to Participants pursuant to the Companies Act).

In determining whether to issue new Shares to Participants or to purchase existing Shares upon vesting of their Awards, our Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

Additionally, our Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares. In determining whether to release an Award, wholly or partly, in the form of cash rather than Shares, our Company will take into account factors such as (but not limited to) the cost to the Company of releasing an Award, wholly or partly, in the form of cash rather than Shares.

The financial effects of the above methods are discussed in paragraph 7 below.

New Shares issued and allotted, on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of issue or, as the case may be, delivery, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded; and in making any such determination, the Committee shall have the right to make reference to the audited results of our Company or our Group to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.

## 4. **Adjustments And Alterations Under The Performance Share Plan**

The following describes the adjustment events under, and provisions relating to alterations of, the Performance Share Plan.

### 4.1 **Adjustment Events**

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares over which future Awards may be granted under the Performance Share Plan,

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## PERFORMANCE SHARE PLAN

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shall be adjusted in such manner as the Committee may determine to be appropriate, provided that no adjustment shall be made if, as a result, the Participant receives a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless the Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

### **4.2 Modifications or Alterations to the Performance Share Plan**

The Performance Share Plan may be modified and/or altered from time to time by a resolution of the Committee subject to the prior approval of our Shareholders, the Sponsor, the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Participants under the Performance Share Plan who, if their Awards were released to them, would thereby become entitled to not less than three quarters of all the Shares which would be Vested upon Release of all outstanding Awards under the Performance Share Plan.

No alteration shall be made to particular rules of any of the Performance Share Plan to the advantage of the holders of the Awards, as the case may be, except with the prior approval of Shareholders in general meeting.

### **5. Disclosures in Annual Reports**

Our Company will make such disclosures in its annual report for so long as the Performance Share Plan continues in operation as from time to time required by the Catalist Rules including the following (where applicable):

- (a) the names of the members of the Committee administering the Performance Share Plan;
- (b) in respect of the following Participants:
  - (i) Directors of our Company;
  - (ii) Controlling Shareholders and their Associates; and
  - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the Release of Awards granted under the Performance Share Plan which, in aggregate, represent 5% or more of the aggregate number of new Shares available under the Performance Share Plan;

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## PERFORMANCE SHARE PLAN

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the following information:

- (aa) the name of the Participant;
  - (bb) the aggregate number of Shares comprised in Awards granted during the financial year under review;
  - (cc) the number of new Shares issued to such Participant during the financial year under review;
  - (dd) the number of existing Shares purchased for delivery pursuant to release of Awards to such Participant during the financial year under review;
  - (ee) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review;
  - (ff) the aggregate number of Shares comprised in Awards granted since the commencement of the Performance Share Plan to the end of the financial year under review;
  - (gg) the number of new Shares allotted to such Participant since the commencement of the Performance Share Plan to the end of financial year under review; and
  - (hh) the number of existing Shares transferred to such Participant since the commencement of the Performance Share Plan to the end of the financial year under review;
- (c) in relation to the Performance Share Plan:
- (i) the aggregate number of Shares comprised in Awards vested since the commencement of the Performance Share Plan to the end of the financial year under review;
  - (ii) the aggregate number of new Shares issued which are comprised in the Awards vested during the financial year under review; and
  - (iii) the aggregate number of Shares comprised in Awards which have not been Released, as at the end of the financial year under review; and
- (d) such other information as may be required by the Catalist Rules or the Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

### **6. Role and Composition of the Committee**

The Remuneration Committee will be designated as the Committee responsible for the administration of the Performance Share Plan, and will comprise such Directors to administer the Performance Share Plan, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.

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## PERFORMANCE SHARE PLAN

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### 7. Financial Effects of the Performance Share Plan

Financial Reporting Standard 102, Share-based payment (“**FRS 102**”) relating to share-based payment takes effect for all companies beginning 1 January 2005. Participants will receive Shares and the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

Benefits to employees, including the Directors, are provided in the form of share-based payment transactions, whereby employees render services in exchange for Shares or rights over Shares. The fair value of the employee services rendered is determined by reference to the fair value of the Shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of our Company’s Shares on the grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

The amount charged to the profit and loss account would be the same whether our Company settles the Awards by issuing new Shares or by purchasing existing Shares. The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to the amounts charged to the income statement are made if the market condition is not met. However, if the performance target is not a market condition, the fair value per Share of the Awards granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to the income statement if the Awards do not ultimately vest.

In the event that the Participants receive cash, our Company shall measure the fair value of the liability at grant date. Until the liability is settled, our Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in the income statement.

The following sets out the financial effects of the Performance Share Plan.

#### 7.1 *Share Capital*

The Performance Share Plan will result in an increase in our Company’s issued Shares where new Shares are issued to Participants. The number of new Shares issued will depend on, amongst others, the size of the Awards granted under the Performance Share Plan. In any case, the Performance Share Plan provides that the number of new Shares to be issued under the said Performance Share Plan will be subject to a maximum limit of 15.0% of our

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## PERFORMANCE SHARE PLAN

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total issued Shares. The aggregate number of Shares available under the Performance Share Plan shall not exceed 15.0% of the total issued share capital of our Company post-Placement and from time to time.

If instead of issuing new Shares to Participants, treasury shares are transferred to Participants or our Company pays the equivalent cash value, the Performance Share Plan would have no impact on our Company's total number of issued Shares.

### **7.2 NTA**

As described in paragraph 7.3 below on EPS, the Performance Share Plan is likely to result in a charge to our Company's income statement over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. When new Shares are issued under the Performance Share Plan, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, or our Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares purchased or the cash payment, respectively.

### **7.3 EPS**

The Performance Share Plan is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with FRS 102.

It should again be noted that the delivery of Shares to Participants of the Performance Share Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

### **7.4 Dilutive Impact**

It is expected that the dilutive impact of the Performance Share Plan on the NTA per Share and EPS will not be significant.

## **8. Participation of Group Executive Directors and Group Executives**

The extension of the Performance Share Plan to Group Executive Directors and Group Executives allows us to have a fair and equitable system to reward Group Executive Directors and Group Executives who have made and who continue to make significant contributions to the long-term growth of our Group and to inculcate in Participants a stronger and more lasting sense of identification with our Group.

We believe that the Performance Share Plan will also enable us to attract, retain and provide incentives to its Participants to optimise their standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating Participants generally to contribute towards the long-term growth of our Group.

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## PERFORMANCE SHARE PLAN

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### **9. Participation of Group Non-Executive Directors (including Independent Directors) of our Company**

The extension of the Performance Share Plan to our Group Non-Executive Directors (including Independent Directors) allows the Group to have a fair and equitable system that recognises and benefits not only persons who are in the direct employment of our Company but also persons who are not employed but nevertheless work closely with our Company and/or are in the position to contribute their experience, knowledge and expertise to the development and success of our Company.

Although our Group Non-Executive Directors are not involved in the day-to-day running of our Company, they are nonetheless in a position to provide valuable support, input and business contacts and to contribute their experience, knowledge and expertise, and/or to provide our Company and our Group with strategic business alliances and opportunities. Our Group Non-Executive Directors are individuals from various disciplines with different working experiences and backgrounds which we may tap for assistance in furthering our business objectives and shaping our business strategies. It is desirable that our Group Non-Executive Directors be allowed to participate in our Performance Share Plan to give recognition to their services and contributions.

For the purpose of assessing the contributions of our Group Non-Executive Directors, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by our Group Non-Executive Directors. In addition, the Committee will also consider the scope of advice given, the number of contacts and size of deals which our Company is able to procure from the contacts and recommendations of our Group Non-Executive Directors.

The Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

We do not expect that the grant of Awards to our Group Non-executive Directors, some of whom are also members of our Audit Committee, will compromise their independence, as the total number of Shares issued pursuant to Awards granted to our Group Non-executive Directors will not be significant.

### **10. Participation of Controlling Shareholders or Associates of Controlling Shareholders**

The purpose of the participation of Controlling Shareholders and Associates of Controlling Shareholders in the Performance Share Plan is to provide an opportunity for eligible Group Executives (including Group Executive Directors) and Group Non-Executive Directors who are Controlling Shareholders or Associates of Controlling Shareholders who have contributed or continue to contribute significantly to the growth and performance of our Group to participate in the equity of our Company.

We acknowledge that the services and contributions of the employees who are Controlling Shareholders or Associates of our Controlling Shareholders are important to the development and success of our Group. The extension of the Performance Share Plan to the eligible Directors and employees who are Controlling Shareholders or Associates of our Controlling Shareholders allows our Company to have a fair and equitable system for

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## PERFORMANCE SHARE PLAN

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rewarding the eligible Directors and employees who have made and continue to make important contributions to the long-term growth of our Group notwithstanding that they are Controlling Shareholders or Associates of our Controlling Shareholders.

Although our Controlling Shareholders and/or their Associates may already have shareholding interests in our Company, including them in the Performance Share Plan will ensure that they are equally entitled with other eligible Group Executives (including Group Executive Directors) and Group Non-Executive Directors who are not Controlling Shareholders or Associates of Controlling Shareholders to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the Performance Share Plan solely by reason that he/she is a Controlling Shareholders or an Associate of our Controlling Shareholder.

The specific approval of our independent Shareholders is required for the participation of and the grant of Awards to such persons as well as the actual number of and terms of such Awards. A separate resolution must be passed for each such participant. In seeking such approval from our independent Shareholders, clear justification as to the participation of our Controlling Shareholders and/or Associates of our Controlling Shareholders, the number of Shares and terms of the Awards to be granted to them shall be provided. Accordingly, we are of the view that there are sufficient safeguards against any abuse of the Performance Share Plan resulting from the participation of our Controlling Shareholders and Associates of Controlling Shareholders.

### **10.1 Rationale and justification for the proposed participation of Melvin Ang, a Controlling Shareholder, in the proposed Performance Share Plan**

Melvin Ang, a Controlling Shareholder, is the CEO of our Group. He is in charge of the overall management of our Group and is responsible for developing and steering the corporate plans, directions and business strategies of our Group. Our Directors believe that Melvin Ang has made and will continue to make invaluable contributions to our Group. Our Directors also believe that the leadership of Melvin Ang will be important as our Group embarks on its next phase of growth. For these reasons, our Directors consider his experience and contribution towards the growth of our Company to be invaluable.

Our Directors are of the view that the remuneration package of Melvin Ang is fair given his contributions to our Group. The extension of the Performance Share Plan to Melvin Ang is consistent with our Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of our Company. Furthermore, the Performance Share Plan will spur him on to further optimize his performance standards and efficiency and to reward him for his significant contributions to the Group. Although Melvin Ang already has a shareholding interest in our Company, the extension of the Performance Share Plan to him will ensure that he is equally entitled, with the other employees who are not a Controlling Shareholder, to take part in and benefit from this system of remuneration, thereby enhancing his long term commitment to our Company. For the above reasons, our Directors believe that Melvin Ang deserves, and should be allowed to participate in the Performance Share Plan.

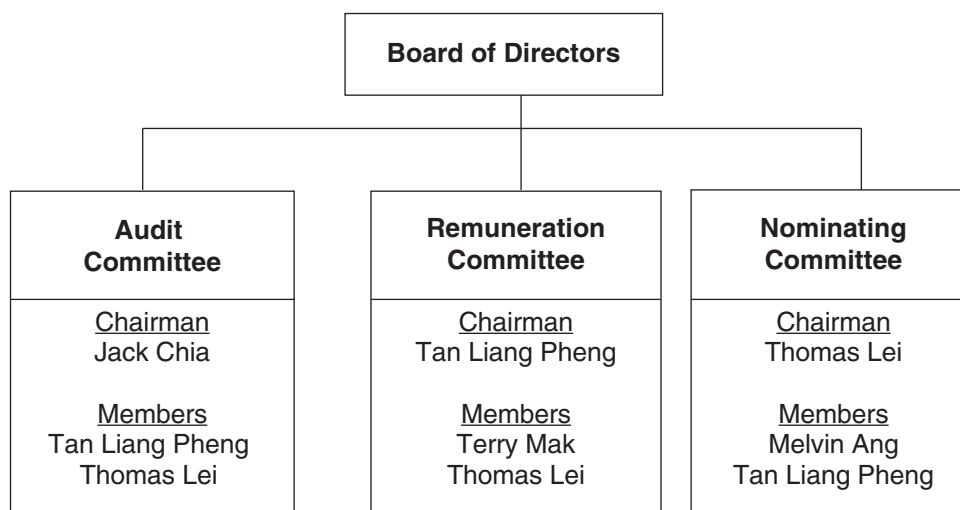
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## CORPORATE GOVERNANCE

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Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long-term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will endeavour to comply with the recommendations set out in the Code of Corporate Governance 2012. As a result, our Company has implemented the corporate governance model as set out below:



Based on the above, our Directors are of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by our Board is independent and based on collective decision-making without our Non-Executive Chairman and CEO being able to exercise considerable power or influence.

### Board of Directors

We currently have five (5) Directors on our Board, comprising one (1) Executive Director, one (1) Non-Executive Director and three (3) Independent Directors.

Our Independent Directors do not have any existing or prior business or professional relationship of a material nature with our Group, our other Directors, CEO and/or Substantial Shareholders. Our Independent Directors are also not related to our other Directors, CEO and/or Substantial Shareholders.

None of our Directors are appointed for any fixed term. Each Director shall retire from office at least once every three (3) years. Directors who retire are eligible to stand for re-election. Our Directors will meet, at a minimum, on a half-yearly basis.

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## CORPORATE GOVERNANCE

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### Audit Committee

Our Audit Committee, represented in the chart above, comprises Jack Chia, Tan Liang Pheng and Thomas Lei. The Chairman of our Audit Committee is Jack Chia.

Our business and operations are presently under the management and close supervision of our Executive Director who is assisted by our Executive Officers.

After our listing on Catalist, our Executive Director and Executive Officers will manage the business and operations of our Group. The Audit Committee will assist our Board of Directors with regards to discharging its responsibility to safeguard our Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that our management has created and maintained an effective control environment in our Company, and that our management demonstrates and stimulates the necessary aspects of our Group's internal control structure among all parties.

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company. Our Audit Committee will meet periodically to discuss and review the following (non-exhaustive) functions where applicable:

- (a) review with the external auditors the audit plan, their audit report, their management letter and our management's response;
- (b) review with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to our Board for approval prior to the incorporation of such results in our annual report;
- (c) review the financial statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (f) review, where applicable, the scope and results of the internal audit procedures;
- (g) review and approve Interested Person Transactions and review procedures thereof;
- (h) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

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## CORPORATE GOVERNANCE

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- (i) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- (j) conduct periodic review of foreign exchange transactions and hedging policies (if any) undertaken by our Group;
- (k) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (l) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;
- (m) undertake such other reviews and projects as may be requested by our Board of Directors and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (n) review at least annually our Group's key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports of our Company or, where the findings are material, to announce such material findings immediately via SGXNET; and
- (o) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time. The Audit Committee shall also commission an annual internal control audit until such time as the Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, our Board shall report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis, for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure shall be made via SGXNET on any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Our Board is responsible for ensuring that the management maintains a sound system of internal controls. Our Group's internal auditors conducted a review of the effectiveness of our Group's internal controls. The external auditors, during the course of their audit, also report on matters relating to internal controls with reviews performed by our management and our Board. Based on the foregoing, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, is of the opinion that the internal controls of our Group are adequate to address financial, operational and compliance risks of our Group.

Our Audit Committee having (i) conducted an interview with our CFO, Tay Joo Heng; (ii) considered his qualifications and past working experience (as described in the section entitled "Directors, Management and Staff – Executive Officers" of this Offer Document); and (iii) observed his abilities, familiarity and diligence in relation to the financial matters and information of our Group, is of the view that he is suitable for the position of CFO. Further, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee members to cause them to believe that Tay Joo Heng does not have the competence, character and integrity expected of a CFO of a listed company.

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## CORPORATE GOVERNANCE

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Apart from the duties listed above, our Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

In addition, all future transactions with related parties shall comply with the requirements of the Catalist Rules. As required by paragraph (9)(e) of Appendix 4C of the Catalist Rules, our Directors shall also abstain from voting in any contract or arrangement or proposed contract/arrangement in which he has directly or indirectly a personal material interest.

### **Remuneration Committee**

Our Remuneration Committee represented above comprises Tan Liang Pheng, Terry Mak and Thomas Lei. The Chairman of our Remuneration Committee is Tan Liang Pheng. Our Remuneration Committee is responsible for the following:

- (a) to recommend to our Board a framework of remuneration for our Directors and Executive Officers, and to determine specific remuneration packages for each Executive Director and any CEO (or executive of equivalent rank), if a CEO is not an Executive Director, such recommendations to be submitted for endorsement by our entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and benefits in kind;
- (b) in the case of service contracts (if any) for any Director or Executive Officer, to consider what compensation commitments the Directors' or Executive Officers' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and
- (c) in respect of any long-term incentive schemes including share schemes as may be implemented, to consider whether any Director should be eligible for benefits under such long-term incentive schemes.

Each member of our Remuneration Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of our Remuneration Committee in respect of matters in which he is interested.

The recommendations of our Remuneration Committee on remuneration of Directors and our Non-Executive Chairman and CEO should be submitted for endorsement by our entire Board. All aspects of remuneration, including but not limited to Directors' Fees, salaries, allowances, bonuses, and benefits in kind shall be covered by our Remuneration Committee.

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## CORPORATE GOVERNANCE

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### Nominating Committee

Our Nominating Committee represented above comprises Thomas Lei, Melvin Ang and Tan Liang Pheng. The Chairman of our Nominating Committee is Thomas Lei.

Our Nominating Committee is responsible for the following:

- (a) to make recommendations to our Board on all board appointments, including re-nominations, having regard, to the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;

All Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three (3) years;

- (b) to determine annually whether or not a Director is independent;
- (c) in respect of a Director who has multiple board representations in various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;
- (d) reviewing and approving any new employment of related persons and the proposed terms of their employment; and
- (e) to decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval by our Board, which address how our Board has enhanced long term Shareholders' value. Our Board will also implement a process to be proposed by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our Board (if applicable).

Each member of our Nominating Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of our Nominating Committee in respect of the assessment of his performance or re-nomination as Director. In the event that any member of our Nominating Committee has an interest in a matter being deliberated upon by our Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

Our Nominating Committee, after having:-

- (a) noted that Jack Chia is aware of his responsibilities and obligations owing to each of the companies whom he serves as director as well as the time commitment and duties required from him given his past experience acting as a director of a listed company;
- (b) considered that Jack Chia is supported by his staff in carrying out the duties of his full time employments; and

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## CORPORATE GOVERNANCE

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- (c) noted that Jack Chia is serving on the boards of listed companies which have varying financial year ends, is of the opinion that Jack Chia is suitable to be appointed as our Independent Director, notwithstanding that he is concurrently holding full time employment and serving as an independent director of other listed companies. Jack Chia has also obtained the consent of the respective nominating committees of the listed companies whom he serves as director with regard to his appointment as our Independent Director.

Our Sponsor, after having considered the opinion of our Nominating Committee as disclosed above, and its interactions with our Independent Director, is of the view that Jack Chia is able to devote sufficient time to our Company to carry out his duty as our Independent Director.

### **Board Practices**

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. None of our Directors are appointed for any fixed terms. Each Director shall retire from office once every three (3) years and for this purpose, at each annual general meeting, at least one-third of our Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation (except for our CEO/Managing Director who may be appointed for a term of up to three (3) years). A retiring Director shall be eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in the section entitled "Selected Extracts of Our Articles of Association" in Appendix C of this Offer Document.

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## DESCRIPTION OF ORDINARY SHARES

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The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore and the Articles of Association of our Company.

The following description summarises the material provisions of our Articles but is qualified by reference to our Articles, a copy of which is available for inspection at our registered office during normal business hours for a period of six (6) months from the date of this Offer Document.

### Ordinary Shares

There are no founder, management, deferred or unissued shares reserved for issue for any purpose. We have only one class of shares, namely, our ordinary shares which have identical rights in all respects and rank equally with one another. All of our Shares are in registered form. Our Company may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase its Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

### New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of shares to be issued pursuant to such approval may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to our shareholders may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being (the percentage of issued share capital being based on our Company's issued share capital at the time such authority is given after adjusting for new Shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares).

The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is earlier but any approval may be previously revoked or varied by our Company in general meeting. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

### Shareholders

Only persons who are registered in the Register of Shareholders of our Company and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. Our Company may close our Register of Shareholders for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least fourteen (14) days' notice and the SGX-ST at least ten (10) clear market days' notice. However, the register may not be closed for more than thirty (30) days in aggregate in any calendar year. We typically close our Register of Shareholders to determine Shareholders' entitlement to receive dividends and other distributions.

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## DESCRIPTION OF ORDINARY SHARES

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### Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

### General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in the share capital, share premium account or capital redemption reserve fund. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### Voting Rights

A Shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, the chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

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## DESCRIPTION OF ORDINARY SHARES

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### Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. Our Board of Directors may also declare an interim dividend without the approval of our Shareholders. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

### Capitalisation and Rights Issues

Our Board of Directors may, with approval by our Shareholders at a general meeting, capitalise any reserves or profits (including profits or money carried and standing to an reserve) and distribute the same as Shares credited as paid-up to the Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

### Takeovers

Under the Singapore Code on Take-overs and Mergers ("**Singapore Take-over Code**"), issued by the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting rights acquires additional voting Shares representing more than 1% of the voting Shares in any six (6) month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of (i), (ii), (iii) or (iv);
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
  - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

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## DESCRIPTION OF ORDINARY SHARES

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- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i);
  - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
  - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six (6) months.

### **Liquidation or Other Return of Capital**

If our Company is liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

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## DESCRIPTION OF ORDINARY SHARES

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### Indemnity

To the extent permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

### Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of the Shares.

### Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected, *inter alia*, under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of our Company in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, our Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder’s Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital;
- (e) provide that the Memorandum of Association or the Articles be amended; or
- (f) provide that we be wound up.

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## DESCRIPTION OF ORDINARY SHARES

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### Treasury Shares

Our Articles of Association expressly permits our Company to purchase or acquire shares or stocks of our Company and to hold such shares or stocks (or any of them) as treasury shares in accordance with the requirements of Section 76 of the Companies Act. Our Company may make a purchase or acquisition of our own shares (i) on a securities exchange if the purchase or acquisition has been authorised in advance by our Company in general meeting; or (ii) otherwise than on a securities exchange if the purchase or acquisition is made in accordance with an equal access scheme authorised in advance by our Company in general meeting. The aggregate number of Shares held as treasury shares shall not at any time exceed 10% of the total number of Shares of our Company at that time. Any excess shares shall be disposed or cancelled before the end of a period of six (6) months beginning with the day on which that contravention of limit occurs, or such further period as the Registrar may allow. Where Shares or stocks are held as treasury shares by our Company through purchase or acquisition by our Company, our Company shall be entered in the register as the member holding those shares or stocks.

Our Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. Such rights include any right to attend or vote at meetings and our Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made, to our Company in respect of the treasury shares. However, this would not prevent an allotment of shares as fully paid bonus shares in respect of the treasury shares or the subdivision or consolidation of any treasury share into a treasury share of a smaller amount, if the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

Where Shares are held as treasury shares, our Company may at any time (i) sell the Shares (or any of them) for cash; (ii) transfer the Shares (or any of them) for the purposes of or pursuant to an employees' share scheme; (iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person; or (iv) cancel the Shares (or any of them).

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## EXCHANGE CONTROLS

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### **Singapore**

There are no Singapore governmental laws, decrees, regulations or other legislation in force that may affect:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

### **Malaysia**

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered by the Foreign Exchange Administration, an arm of BNM which is the central bank of Malaysia. The foreign exchange policies monitor and regulate both residents and non-residents. Under the current Exchange Control Notices of Malaysia and Foreign Exchange Administration Policies issued by BNM, non-residents are free to repatriate any amount of funds (the repatriation must be made in foreign currency) at any time, including capital, divestment proceeds, profits, dividends, rental, fees and interest (provided that the underlying loan or advance have been and remain being in compliance with the Exchange Control Notices) arising from investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. In the event BNM introduces any restrictions in the future, we may be affected in our ability to repatriate dividends or distributions from our Malaysian subsidiaries and our Company.

### **Hong Kong**

There are no Hong Kong governmental laws, decrees, regulations or other legislation in force that may affect:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to our Company by our Hong Kong subsidiary's securities.

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## TAXATION

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### Singapore Taxation

The following is a general discussion of certain tax matters relating to Singapore income tax, dividend distributions, capital gains tax, bonus shares, stamp duty, GST and estate duty consequences in relation to the purchase, ownership and disposal of the Shares. The discussion is based on current tax laws in Singapore and administrative guidelines issued by the relevant authorities in force. It is not intended to be and does not constitute legal or tax advice.

While this discussion is considered to be a correct interpretation of existing laws or administrative guidelines in force as at the date of this Offer Document, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such law, which may be retrospective, will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares by Shareholders, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a Shareholder's decision with regard to the Placement.

**Shareholders should consult their own tax advisors regarding Singapore income tax and other consequences of owning and disposing of the Shares. It is emphasised that neither our Company, our Vendors, our Directors nor any other persons involved in this Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.**

### Singapore Income Tax

#### Corporate income tax

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on:

- income accruing in or derived from Singapore; and
- foreign sourced income received or deemed received in Singapore, unless otherwise exempted.

Foreign income in the form of branch profits, dividends and service fee income ("**specified foreign income**") received or deemed received in Singapore by a Singapore tax resident corporate taxpayer on or after 1 June 2003 are exempted from Singapore tax subject to meeting the qualifying conditions.

A non-Singapore tax resident corporate taxpayer, subject to certain exceptions, is subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign income received or deemed received in Singapore.

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore. Normally, control and management of the company is vested in its board of directors and therefore if the board of directors meets and conducts the company's business in Singapore, the company will be regarded as tax resident in Singapore.

The prevailing corporate tax rate with effect from the Year of Assessment 2010 is 17% of chargeable income after allowing for full or partial tax exemption (where applicable).

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## TAXATION

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The full tax exemption scheme introduced in the Year of Assessment 2005 and further enhanced in the Year of Assessment 2008 is meant for newly incorporated entities. Under this scheme, a tax exemption on the first S\$100,000 and a further 50% exemption on the next S\$200,000 of the normal chargeable income (excluding Singapore franked dividends) are available to Singapore resident start-ups for each of the first three (3) consecutive Years of Assessment upon incorporation, subject to conditions.

Companies which do not qualify for the above full tax exemption scheme can claim for partial tax exemption on their normal chargeable income (excluding Singapore franked dividends) of up to S\$300,000 – 75% of the first S\$10,000 and 50% of the next S\$290,000 (i.e. maximum partial tax exemption claimable = S\$152,500). Unlike the full tax exemption scheme, there are no conditions attached for partial tax exemption.

### Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by individual taxpayers, regardless of whether they are resident or non-resident of Singapore, are generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income received or deemed received by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at progressive rates, ranging from 0% to 20%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20% except for Singapore employment income which is taxed at a flat rate of 15% or resident rates, whichever yields a higher tax.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such person to be resident in Singapore.

### Dividend Distributions

Under the one-tier corporate tax system, the tax paid by a resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt dividends. Dividends paid by our Company will be exempt from tax in the hands of Shareholders, regardless of the tax residence status or the legal form of the Shareholders. Singapore does not impose withholding tax on dividends paid to non-resident shareholders.

### Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes are considered as capital gains and not subject to Singapore tax.

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## TAXATION

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On the other hand, where such gains or profits arise from activities which the Comptroller of Income Tax regards as the carrying on of a trade or business of dealing in shares in Singapore, gains or profits will ordinarily be taxed as income.

Subject to certain conditions, in the case of companies disposing of shares on or after 1 June 2012, gains derived from the disposal of equity investments by such companies will not be taxed if:

- (a) the divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed; and
- (b) the divesting company maintains the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal.

For share disposals in other scenarios, the tax treatment of the resulting gains/losses will continue to be determined based on a consideration of the specific facts and circumstances.

### FRS 39 Tax Treatment

With effect from 1 Jan 2005, the income tax treatment of financial instruments on revenue account has been aligned with the accounting treatment under FRS 39. Gains or losses recognized in the profit or loss account arising from the disposal of our Shares that are held on revenue account will be taxed or allowed notwithstanding that such gains or losses are not realised. Gains or losses arising from our Shares that are held on capital account will continue to not be taxed or allowed as a deduction. Shareholders who are impacted by FRS 39 are advised to consult their own tax advisers accordingly.

### Bonus Shares

Any bonus Shares received by our Shareholders are not taxable.

### Stamp Duty

There is no stamp duty payable on the subscription, allotment or holding of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof, computed on the consideration paid or market value of our Shares registered in Singapore, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

However, as our Shares will be listed on Catalist and their transfers will be “scripless” transfers via the CDP, no stamp duty will be imposed on the transfers of our Shares via the CDP.

### GST

The sale of our Shares by an investor belonging in Singapore to another person belonging in Singapore is an exempt supply for GST purposes.

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## TAXATION

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Where our Shares are sold by a GST-registered investor in the course of a business to a person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at zero-rate. Any input GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him is recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7%. Similar services rendered to an investor belonging outside Singapore is generally subject to GST at zero-rate, provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

### Estate duty

With effect from 15 February 2008, Singapore estate duty has been abolished.

### **Malaysian Taxation**

The following discussion describes the material Malaysian tax on dividend and tax on gains from sale:

#### Dividend Distributions

Under Malaysian law, income tax is payable on income accruing or derived from Malaysia or received in Malaysia. Dividends paid or credited by a company which is tax resident in Malaysia ("**Malaysian Resident Company**") would be deemed to be derived from Malaysia and are thus taxable in Malaysia.

A company is a Malaysian Resident Company if the control and management of its business are exercised in Malaysia.

A Malaysian Resident Company is entitled to deduct tax at the applicable corporate tax rate from such dividends paid or credited to its shareholders in the basis period for the relevant year of assessment.

Subject to certain exceptions, the tax rate for year of assessment 2013 is 25%. Credit for the tax so deducted is given against the tax payable by the shareholder.

Dividends paid by a Malaysian Resident Company from its tax-exempt income are tax-exempt in the hands of its shareholders.

The income of any person, other than a Malaysian Resident Company carrying on the business of banking, insurance or sea or air transport, for the basis year for a year of assessment derived from sources outside Malaysia and received in Malaysia, is tax-exempt under the Malaysia Income Tax Act.

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## TAXATION

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### Capital Gains Tax

There is no capital gains tax in Malaysia except for real property gains tax (“**RPGT**”) which is charged upon gains arising from the disposal of real property in Malaysia or shares in a real property company incorporated in Malaysia. As such, any gains from the subsequent sale of the shares in a Malaysian company not being a real property company would not be subject to RPGT in Malaysia. However, any gains from the subsequent sales of shares in a Malaysian company by a person who deals in shares may be regarded as income and is subject to income tax under the Malaysia Income Tax Act.

### Single Tier System

Prior to 1 January 2011, Malaysia adopted the imputation system which required the imposition of tax on the profit at corporate level and again at shareholders level. The principle behind the imputation system is to overcome the double taxation of income. Under the imputation system, companies resident in Malaysia are required to deduct tax at source at the prevailing corporate tax rate on dividends paid to their shareholders. The same income would be taxed twice if the credit is not imputed to the shareholders.

The single-tier tax system was introduced in Budget 2011 to replace the imputation system with effect from year of assessment 2011. Under this system, corporate income is taxed at corporate level and this is a final tax. Dividends distributed to the shareholders are tax-exempted in their hands.

### **Hong Kong Taxation**

Tax implications to a Singapore company arising from its receipt of the following:

#### Dividends from its Hong Kong subsidiary

There is no withholding tax on dividends paid by the Hong Kong subsidiary, as Hong Kong does not impose withholding taxes on dividend payments.

#### Gains from the disposal of its shares in its Hong Kong subsidiary

(a) Profits Tax

Hong Kong profits tax is chargeable in respect of profits arising in or derived from Hong Kong from a trade, profession or business. The prevailing profits tax rate is 16.5%.

Gains from the sale of assets acquired and held for trading purposes are taxable in Hong Kong. Gains from the sale of capital assets are not subject to Hong Kong profits tax. Whether the gain from the sale by a Singapore company of the shares it holds in the Hong Kong subsidiary is capital or revenue in nature is a question of fact.

(b) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of shares registered on the Hong Kong register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of shares.

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## TAXATION

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In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00.

Where a sale or purchase of shares registered on the Hong Kong register of members is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

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## CLEARANCE AND SETTLEMENT

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Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through Catalist will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third-party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.04 per cent. of the transaction value subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at the prevailing rate of seven (7) per cent. (or such other rate prevailing from time to time).

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP depository agent. The CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## GENERAL AND STATUTORY INFORMATION

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### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. None of our Directors, Executive Officers and Controlling Shareholder:
  - (a) has, at any time during the last ten (10) years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time he was a partner or at any within two (2) years from the date he ceased to be a partner;
  - (b) has, at any time during the last ten (10) years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or key executive at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - (c) has any unsatisfied judgement against him;
  - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
  - (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
  - (f) has, at any time during the last ten (10) years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - (h) has ever been disqualified from acting as a director or equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
  - (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
  - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
    - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

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## GENERAL AND STATUTORY INFORMATION

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- (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
- (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
- (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership entity or business trust; and

- (k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.
2. The aggregate remuneration paid to our Directors for services rendered in all capacities to our Group for FY2014 was approximately S\$125,100.
  3. There is no shareholding qualification for Directors under the Articles of Association of our Company.
  4. Save as disclosed in the sections entitled “Restructuring Exercise” and “Interested Person Transactions” of this Offer Document, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Offer Document, been acquired or disposed of by or leased to, our Company or our subsidiaries.
  5. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.
  6. Save as disclosed above and in the sections entitled “Interested Person Transactions – Potential Conflicts of Interests” and “Restructuring Exercise” of this Offer Document:
    - (a) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has had any interest, direct or indirect, in any transactions to which our Company was or is to be a party;
    - (b) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group;

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- (c) None of our Directors, Executive Officers, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any company that is our customer or supplier of goods and services; and
- (d) None of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

### SHARE CAPITAL

- 7. As at the Latest Practicable Date, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles of Association of our Company.
- 8. Save as disclosed below and in the sections entitled “Share Capital” and “Restructuring Exercise” of this Offer Document, there are no changes in the issued and paid-up share capital of our Company and our subsidiaries within the last three (3) years preceding the date of this Offer Document.
- 9. Save as disclosed below and in the sections entitled “Share Capital” and “Restructuring Exercise” of this Offer Document, no shares in, or debentures of, our Company or any of our subsidiaries has been issued, or are proposed to be issued, as fully or partially paid for cash or for a consideration other than cash, during the last three (3) years preceding the date of lodgement of this Offer Document.
- 10. No person (including a Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company and its subsidiaries.
- 11. Apart from the Performance Share Plan, our Company does not have any arrangement that involves the issue or grant of shares to the employees of our Group.
- 12. The interests of our Directors and Substantial Shareholders in our Shares as at the Latest Practicable Date and as recorded in the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act are set out in the section entitled “Shareholders” of this Offer Document.

### MEMORANDUM AND ARTICLES OF ASSOCIATION

- 13. Memorandum of Association

The Memorandum of Association of our Company states, among others, that the liability of members of our Company is limited.

The principal purpose of our Company is investment holding. Our Company’s objects and purposes are set out in full in the Memorandum of Association which is available for inspection at our registered office as stated in the section entitled “General and Statutory Information – Documents for Inspection” of this Offer Document.

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## GENERAL AND STATUTORY INFORMATION

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### 14. Articles of Association

An extract of the relevant provisions of our Articles of Association of our Company, providing, *inter alia*, for (a) a Director's power to vote on a proposal, arrangement or contract in which the Director is interested; (b) the Director's power to vote on remuneration for himself or for any other director; (c) borrowing powers exercisable by the Directors and variation thereof; (d) retirement or non-retirement of Directors under an age limit requirement; (e) number of shares, if any, required for Director's qualification; (f) the rights, preferences and restrictions attaching to each class of shares; (g) any change in capital; (h) any change in the respective rights of the various classes of shares; (i) any time limit after which a dividend entitlement will lapse; and (j) any limitation on the right to own Shares, are set out in Appendix C of this Offer Document.

The complete Articles of Association of our Company are available for inspection by Shareholders at our registered office as stated in the section entitled "General and Statutory Information – Documents for Inspection" of this Offer Document.

### MATERIAL CONTRACTS

15. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two (2) years preceding the date of lodgement of this Offer Document and are or may be material:

- The convertible note subscription agreement dated 10 September 2013 entered into between mm2 Singapore, Melvin Ang and Chua Teck Hiong ("**CTH**"), and subsequently revised by a supplemental agreement dated 3 February 2014, pursuant to which mm2 Singapore issued, and CTH subscribed for, redeemable convertible notes, having an aggregate principal value of S\$200,000.
- The convertible note subscription agreement dated 5 November 2013 entered into between mm2 Singapore, Melvin Ang and Lim Kar Tian ("**LKT**"), and subsequently revised by a supplemental agreement dated 3 February 2014, pursuant to which mm2 Singapore issued, and LKT subscribed for, redeemable convertible notes, having an aggregate principal value of S\$250,000.
- The convertible note subscription and share sale agreement dated 8 May 2014 entered into between mm2 Singapore, Melvin Ang and PAPOF, pursuant to which (1) mm2 Singapore issued, and PAPOF subscribed for, redeemable convertible notes, having an aggregate principal value of S\$2,500,000; and (2) PAPOF purchase 417 ordinary shares in mm2 Singapore from Melvin Ang for S\$500,000.
- The convertible note subscription agreement dated 1 June 2014 entered into between mm2 Singapore and Wong Li Foon ("**WLF**") and subsequently revised by a supplemental agreement dated 20 June 2014, pursuant to which mm2 Singapore issued, and WLF subscribed for, redeemable convertible notes having an aggregate principal value of S\$200,000.
- The convertible note subscription agreement dated 12 June 2014 entered into between mm2 Singapore and Cornerstone Pictures Pte Ltd ("**CPPL**") and subsequently revised by a supplemental agreement dated 20 June 2014, pursuant to which mm2 Singapore issued, and CPPL subscribed for, redeemable convertible notes having an aggregate principal value of S\$250,000.

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- The convertible note subscription agreement dated 4 July 2014 entered into between mm2 Singapore and Sng Siew Lin (“**SSL**”) and subsequently revised by a supplemental agreement dated 1 August 2014, pursuant to which mm2 Singapore issued, and SSL subscribed for, redeemable convertible notes having an aggregate principal value of S\$300,000.
- The convertible note subscription agreement dated 31 July 2014 entered into between mm2 Singapore and Hesheng Media Co, Ltd (“**HMCL**”), and subsequently revised by a supplemental agreement dated 1 August 2014, pursuant to which mm2 Singapore issued, and HMCL subscribed for, redeemable convertible notes having an aggregate principal value of S\$300,000.
- The MJX Agreement pursuant to which mm2 Malaysia acquired a 49% interest in the issued and paid-up share capital of MJX from the then shareholders of MJX, comprising an aggregate of 24,500 ordinary shares in MJX, in consideration of the payment of an aggregate sum of RM49.
- The acquisition by our Company of the entire issued and paid-up share capital of mm2 Malaysia on 1 September 2014 held by the then shareholders in mm2 Malaysia, comprising an aggregate of 350,000 common shares for a total consideration of RM35.
- The share swap agreement dated 12 November 2014 pursuant to which our Company acquired the entire issued and paid-up share capital of mm2 Singapore held by the then shareholders in mm2 Singapore, comprising an aggregate of 20,000 common shares for a total consideration of 149,992,500 Consideration Shares.
- The Service Agreement of our CEO, dated 24 November 2014, details of which can be found in the section entitled “Directors, Management and Staff – Service Agreement” of the Offer Document.

Save as disclosed above, our Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the two (2) years preceding the date of this Offer Document.

### LITIGATION

16. To the best of our knowledge and belief, having made all reasonable enquiries, neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings as plaintiff or defendant, including those which are pending or known to be contemplated, which may have or which have had in the 12 months immediately preceding the date of lodgement of the Offer Document, a material effect on our Group’s financial position or profitability of our Company or our subsidiaries or associated companies.

### MANAGEMENT AND PLACEMENT ARRANGEMENTS

17. Pursuant to the Management Agreement entered into between our Company, the Vendors and HLF, our Company and the Vendors have appointed HLF as introducing sponsor to manage the Placement. HLF will receive a fee from our Company for such services rendered in connection with the Placement.

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18. Pursuant to the Placement Agreement entered into between our Company, the Vendors and HLF as the Placement Agent, HLF has agreed to subscribe and/or procure subscribers for the Placement Shares at the Placement Price for a placement commission of 3% of the Placement Price for each Placement Share, payable by our Company and the Vendors. The Sponsor may, at its absolute discretion, appoint one (1) or more secondary sub-placement agents for the Placement Shares.
19. Subscribers and Purchasers of the Placement Shares may be required to pay a brokerage fee of up to 1% of the Placement Price to the Placement Agent (and the prevailing GST, if applicable).
20. The Management Agreement may, subject to the terms and conditions thereof, be terminated by the Sponsor at any time prior to or on the date of commencement of trading of our Shares on Catalist, on the occurrence of certain events, including, among other things:
  - (a) the issue of a Stop Order by the SGX-ST, acting as agent on behalf of the Authority, or other competent authority in accordance with Section 242 of the SFA (notwithstanding that a supplementary or replacement offer document is subsequently registered with the SGX-ST pursuant to Section 241 of the SFA);
  - (b) there shall come to the knowledge of the Sponsor any breach of the representations, warranties or undertakings in the Management Agreement or that any of the representations, warranties or undertakings in the Management Agreement is untrue or incorrect in any material respect;
  - (c) the occurrence of certain specified events (described in the Management Agreement) which comes to the knowledge of the Sponsor;
  - (d) there shall have been, since the date of the Management Agreement:
    - (i) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or any Group Companies or of our Group as a whole; or
    - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore, the SGX-ST or any other relevant authorities) in Singapore or elsewhere or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere; or
    - (iii) any change, or any development involving a prospective change in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including, without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST (including Catalist) due to exceptional financial circumstances or otherwise); or
    - (iv) any imminent threat or occurrence of any local, national, regional or international outbreak or escalation of hostilities whether war has been declared or not, or insurrection or armed conflict (whether or not involving financial markets); or

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## GENERAL AND STATUTORY INFORMATION

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- (v) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of the Sponsor (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or (2) be likely to materially prejudice the success of the offer, subscription or placement of the Placement Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management Agreement; or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or (5) result or be likely to result in the refusal or delay of an admission of the Company to Catalist under Rule 432 of the Catalist Rules or otherwise; or
- (e) without limiting the generality of the foregoing, if it comes to the notice of the Sponsor (1) any statement contained in this Offer Document or the Application Forms which in the reasonable opinion of the Sponsor has become untrue, incorrect or misleading in any material respect or (2) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute in the reasonable opinion of the Sponsor, a material omission of material information, and our Company fails to lodge a supplementary or replacement offer document within a reasonable time after being notified of such material misrepresentation or omission or fails to promptly take such steps as the Sponsor may reasonably require to inform investors of the lodgement of such supplementary offer document or document. In such event, the Sponsor reserves the right, at its absolute discretion to inform the SGX-ST and to cancel the Placement and (if applicable) subject to the terms and conditions of the Offer Document, any application monies received in connection with the Placement will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the New Shares by ordinary post, telegraphic transfer or such other means as the Sponsor may deem appropriate at the applicant's own risk within fourteen (14) days of the termination of the Placement; or
- (f) the Shares have not been admitted to Catalist on or before 9 December 2014 or such other date as the Company, Vendors and Sponsor may agree.

In the event that the Management Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Placement.

21. The Placement Agreement is conditional upon, among other things, the Management Agreement not having been terminated or rescinded pursuant to the provisions of the Management Agreement.
22. Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted by our Company within the two (2) years preceding the date of this Offer Document or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company and our subsidiaries.
23. Save as disclosed above, we and the Vendors do not have any material relationship with the Sponsor, Issue Manager and Placement Agent.

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## GENERAL AND STATUTORY INFORMATION

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### MISCELLANEOUS

24. The nature of the business of our Company has been stated earlier in this Offer Document. The corporations which by virtue of Section 6 of the Companies Act are deemed to be related to our Company are set out in the section entitled “Group Structure” of this Offer Document.
25. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two (2) years preceding the date of this Offer Document.
26. There has not been any public takeover offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between 1 April 2013 and the Latest Practicable Date.
27. No expert is employed on a contingent basis by our Company or our subsidiaries, or has an interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Placement.
28. No amount of cash or securities or benefit has been paid or given to any promoter within the two (2) years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.
29. Save as disclosed in the section entitled “General and Statutory Information – Management and Placement Arrangements” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.
30. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Banker. In the ordinary course of business, the Receiving Banker will deploy these monies in the inter-bank money market. All profits derived from the deployment of such monies will accrue to the Receiving Banker. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
31. Save as disclosed in this Offer Document, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
32. Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:
  - (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;

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## GENERAL AND STATUTORY INFORMATION

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- (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and
- (d) the business and financial prospects and any significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services and known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues, profitability, liquidity, capital resources or operating income or that would cause financial information disclosed to be not necessarily indicative of the future operating results or financial condition of our Company.
33. Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since the end of FY2014 to the Latest Practicable Date which may have a material effect on the financial position and results of our Group or the financial information provided in this Offer Document.
34. Details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Company for the last three financial years ended 31 March are as follows:

<b>Name, Professional Qualification and Address</b>	<b>Professional Body</b>	<b>Partner-in-charge/ Professional Qualification</b>
Nexia TS Public Accounting Corporation Public Accountants and Chartered Accountants 100 Beach Road #30-00 Shaw Tower Singapore 189702	Institute of Singapore Chartered Accountants	Loh Hui Nee (A member of the Institute of Singapore Chartered Accountants)

We currently have no intention of changing our auditors after the listing of our Company on Catalist.

### CONSENTS

35. The Independent and Reporting Auditor, Nexia TS Public Accounting Corporation, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years ended 31 March 2012, 2013 and 2014 and Independent and Reporting Auditor's Report on the Unaudited Combined Financial Statements for the Three-Month Period ended 30 June 2014 as set out in Appendix A and Appendix B respectively of this Offer Document, in the form and context in which it is respectively included and references to its name in the form and context in which they appear in this Offer Document and to act in such capacity in relation to this Offer Document.
36. The Sponsor, Issue Manager and Placement Agent, the Solicitors to the Placement and Legal Adviser to our Company on Singapore Law, the Legal Adviser to our Company on Malaysia Law and the Legal Adviser to our Company on Hong Kong Law have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their name and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation to this Offer Document.

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## GENERAL AND STATUTORY INFORMATION

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37. Each of the Solicitors to the Placement and Legal Adviser to our Company on Singapore Law, the Legal Adviser to our Company on Malaysia Law, the Legal Adviser to our Company on Hong Kong Law, the Share Registrar, the Principal Bankers and the Receiving Banker do not make or purport to make any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and each of them makes no representation regarding any statement in this Offer Document and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any liability to any persons which is based on, or arises out of, any statement, information or opinions in, or omission from, this Offer Document.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

38. This Offer Document has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement and our Group, and our Directors and the Vendors are not aware of any facts the omission of which would make any statement herein misleading.
39. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

### DOCUMENTS FOR INSPECTION

40. The following documents or copies thereof may be inspected at our registered office at 1002 Jalan Bukit Merah #07-11, Singapore 159456, during normal business hours for a period of six (6) months from the date of registration of this Offer Document with the SGX-ST (acting as agent on behalf of the Authority):
- (i) the Memorandum and Articles of Association of our Company;
  - (ii) the Independent and Reporting Auditor's Report on the Audited Combined Financial Statements for the Financial Years ended 31 March 2012, 2013 and 2014 as set out in Appendix A of this Offer Document;
  - (iii) the Independent and Reporting Auditor's Report on the Unaudited Combined Financial Statements for the Three-Month Period ended 30 June 2014 as set out in Appendix B of this Offer Document;
  - (iv) the Service Agreement referred to in this Offer Document;
  - (v) the material contracts referred to in the subsection entitled "Material Contracts" under this section of this Offer Document; and
  - (vi) the letters of consent referred to in the subsection entitled "Consents" under this section of this Offer Document.

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

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**mm2 Asia Ltd. and its Subsidiaries**

**Statement by Directors**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

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In the opinion of the directors,

- (i) the combined financial statements set out on pages A-4 to A-57 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 March 2012, 2013 and 2014, and of the results, changes in equity and cash flows of the Group for the financial years then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Ang Wee Chye  
*Director*

Tan Liang Pheng  
*Director*

**Singapore  
2 December 2014**

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

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**INDEPENDENT AND REPORTING AUDITOR’S REPORT ON THE COMBINED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**2 December 2014**

**The Board of Directors  
mm2 Asia Ltd.**

1002 Jalan Bukit Merah  
#07-11  
Singapore 159456

Dear Sirs

**Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of mm2 Asia Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) set out on pages A-4 to A-57, which comprise the combined balance sheets of the Group as at 31 March 2012, 2013 and 2014, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 March 2012, 2013 and 2014, and a summary of significant accounting policies and other explanatory information.

*Management’s Responsibility for the Combined Financial Statements*

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditor’s Responsibility*

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

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**INDEPENDENT AND REPORTING AUDITOR’S REPORT ON THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

*Auditor’s Responsibility (continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the combined financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 March 2012, 2013 and 2014, and of the results, changes in equity and cash flows of the Group for each of the financial years ended on 31 March 2012, 2013 and 2014.

*Restriction on Distribution and Use*

This report has been prepared solely for inclusion in the Offer Document of the Company in connection with the proposed initial public offering of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

**Nexia TS Public Accounting Corporation**  
**Public Accountants and Chartered Accountants**

**Director-in-charge: Loh Hui Nee**

**Singapore**  
**2 December 2014**

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Combined Statements of Comprehensive Income  
For the Financial Years Ended 31 March 2012, 2013 and 2014**

	Note	2012 \$'000	2013 \$'000	2014 \$'000
Revenue	4	6,572	9,907	16,121
Cost of sales		(6,254)	(8,250)	(11,033)
Gross profit		318	1,657	5,088
Other income				
– Interest income from bank deposits		–	3	3
Other gains/(losses) – net	7	2	(12)	(27)
Expenses				
– Administrative		(369)	(658)	(1,316)
– Finance	8	–	(42)	(45)
		(369)	(700)	(1,361)
(Loss)/profit before income tax		(49)	948	3,703
Income tax credit/(expense)	9	38	(174)	(667)
<b>(Loss)/profit</b>		<b>(11)</b>	<b>774</b>	<b>3,036</b>
<b>Other comprehensive income, net of tax:</b>				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences arising from consolidation				
– Gains		–	–	12
		–	–	12
Total comprehensive (loss)/income		<b>(11)</b>	<b>774</b>	<b>3,048</b>
<b>(Loss)/profit attributable to:</b>				
Equity holders of the Company		93	815	2,741
Non-controlling interests		(104)	(41)	295
		<b>(11)</b>	<b>774</b>	<b>3,036</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Equity holders of the Company		93	815	2,745
Non-controlling interests		(104)	(41)	303
		<b>(11)</b>	<b>774</b>	<b>3,048</b>
<b>Earnings per share for (loss)/profit attributable to equity holders of the Company (\$ per share)</b>				
Basic and diluted	10	1.12	9.82	33.02

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Combined Balance Sheets  
As at 31 March 2012, 2013 and 2014**

	Note	2012 \$'000	2013 \$'000	2014 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11	223	458	601
Trade and other receivables	12	2,397	8,369	11,363
Film products and films under production	13	270	339	1,491
		2,890	9,166	13,455
<b>Non-current assets</b>				
Property, plant and equipment	14	172	141	100
Film rights	15	68	1,006	3,762
Deferred income tax assets	21	74	117	137
		314	1,264	3,999
<b>Total assets</b>		3,204	10,430	17,454
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	16	2,745	8,922	11,385
Deferred income	17	224	105	238
Borrowings	18	116	169	100
		3,085	9,196	11,723
<b>Non-current liabilities</b>				
Borrowings	18	143	263	1,024
Deferred income tax liabilities	21	30	247	935
		173	510	1,959
<b>Total liabilities</b>		3,258	9,706	13,682
<b>NET (LIABILITIES)/ASSETS</b>		(54)	724	3,772
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	22	79	83	83
Other reserves	23	–	–	4
Retained profits		3	818	3,559
		82	901	3,646
<b>Non-controlling interests</b>		(136)	(177)	126
<b>Total equity</b>		(54)	724	3,772

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Combined Statements of Changes in Equity  
For the Financial Years Ended 31 March 2012, 2013 and 2014**

	Note	← Attributable to equity holders of the Company →			Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Currency translation reserve \$'000	Retained profits <sup>(1)</sup> \$'000			
<b>2012</b>							
<b>Beginning of financial year</b>		64	–	(90)	(26)	(32)	(58)
Issuance of ordinary shares	22	15	–	–	15	–	15
Total comprehensive loss for the year		–	–	93	93	(104)	(11)
<b>End of financial year</b>		79	–	3	82	(136)	(54)
<b>2013</b>							
<b>Beginning of financial year</b>		79	–	3	82	(136)	(54)
Issuance of ordinary shares	22	4	–	–	4	–	4
Total comprehensive income for the year		–	–	815	815	(41)	774
<b>End of financial year</b>		83	–	818	901	(177)	724
<b>2014</b>							
<b>Beginning of financial year</b>		83	–	818	901	(177)	724
Total comprehensive income for the year		–	4	2,741	2,745	303	3,048
<b>End of financial year</b>		83	4	3,559	3,646	126	3,772

(1) The retained profits of the Group are distributable.

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Combined Statements of Cash Flows  
For the Financial Years Ended 31 March 2012, 2013 and 2014**

	Note	2012 \$'000	2013 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>				
Net (loss)/profit		(11)	774	3,036
Adjustments for:				
– Income tax (credit)/expense	9	(38)	174	667
– Depreciation of property, plant and equipment	5	33	50	42
– Interest income		–	(3)	(3)
– Interest expense	8	–	42	45
– Amortisation of film rights	5	62	581	3,405
– Currency translation difference		–	–	22
		46	1,618	7,214
Change in working capital:				
– Film products and films under production		(400)	(1,387)	(6,799)
– Trade and other receivables		(380)	(5,972)	(2,994)
– Trade and other payables		611	6,177	2,712
– Deferred income		224	(119)	133
Cash generated from operations		101	317	266
Interest received		–	3	3
Income tax paid		(14)	–	–
<b>Net cash provided by operating activities</b>		87	320	269
<b>Cash flows from investing activities</b>				
Additions to film rights	15	–	(200)	(517)
Additions to property, plant and equipment	14	(35)	(8)	(7)
<b>Net cash used in investing activities</b>		(35)	(208)	(524)
<b>Cash flows from financing activities</b>				
Fixed deposit pledged to bank	11	(80)	(3)	2
Proceeds from issuance of shares	22	15	4	–
Proceeds from issuance of convertible bonds		–	–	200
Proceeds from borrowings		80	210	375
Repayment of borrowings		(3)	(27)	(72)
Repayment of lease liabilities		(56)	(17)	(27)
Interest paid		–	(42)	(15)
<b>Net cash (used in)/provided by financing activities</b>		(44)	125	463
<b>Net increase in cash and cash equivalents</b>		8	237	208
<b>Cash and cash equivalents</b>				
Beginning of financial year		53	61	298
<b>End of financial year</b>	11	61	298	506

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Combined Financial Statements**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

These notes form an integral part of and should be read in conjunction with the accompanying combined financial statements.

**1 Corporate information**

**1.1 The Company**

The Company is incorporated in Singapore on 20 August 2014 as a private company limited by shares, under the name of “mm2 Asia Pte. Ltd.”, to act as the holding corporation of the Group. At incorporation, the Company’s issued and paid-up share capital was \$1, comprising one (1) ordinary share. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2).

The Company was converted into a public limited company and the name was changed to “mm2 Asia Ltd.” on 12 November 2014. The combined financial statements are presented in Singapore Dollar and all values are rounded to the nearest thousand (\$’000) except otherwise indicated.

The combined financial statements of mm2 Asia Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) have been prepared for the purpose of inclusion in filings associated with the proposed initial public offering (“IPO”) of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The address of its registered and principal place of business is located at 1002 Jalan Bukit Merah #07-11 Singapore 159456.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described below.

The Group after restructuring comprises the Company and the following subsidiaries:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		
			2012	2013	2014
			%	%	%
mm2 Entertainment Pte. Ltd.	Motion picture, video and television programme and production activities	Singapore	100	100	100
mm2 Entertainment Sdn. Bhd.	Motion picture, video and television programme and production activities	Malaysia	100	100	100

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries**  
**Notes to the Combined Financial Statements**  
**For the Financial Years Ended 31 March 2012, 2013 and 2014**

**1 Corporate information** (continued)

**1.2 Restructuring exercise**

The Group was formed through the following exercise (the “Restructuring Exercise”) which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the Invitation. Pursuant to the Restructuring Exercise, the Company became the holding corporation of the Group. The Restructuring Exercise involved the following steps:

*(a) Incorporation of the Company*

The Company was incorporated in the Republic of Singapore on 20 August 2014, as an investment holding company of the Group, in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of \$1 comprising one (1) Share held by Melvin Ang.

*(b) Issue of Convertible Bonds*

mm2 Singapore Pte. Ltd. (“mm2 Singapore”) issued Convertible Bonds to the following Pre-IPO Investors as set out below:

<b>Pre-IPO Investors</b>	<b>Aggregate principal amount (\$’000)</b>
<u>Issued as at 31 March 2014 (Note 19):</u>	
Chua Teck Hiong	140
Tan Koon Tat Patrick	20
Ng Toon Lee	30
Lim Chee Wee	10
Lim Kar Tian	250
<u>Issued subsequent to 31 March 2014 (Note 28 (ii) – (vi))</u>	
Philip Asia Pacific Opportunity Fund Ltd. (“PAPOF”)	2,500
Wong Li Foon	200
Cornerstone Pictures Pte Ltd	250
Sng Siew Lin	300
Hesheng Media Co, Ltd	300

*(c) Incorporation of mm2 Entertainment Hong Kong Limited*

On 26 May 2014, mm2 Entertainment Hong Kong Limited was incorporated as a wholly-owned subsidiary of mm2 Singapore.

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Notes to the Combined Financial Statements  
For the Financial Years Ended 31 March 2012, 2013 and 2014**

**1 Corporate information (continued)**

**1.2 Restructuring exercise (continued)**

*(d) Acquisition of 49% interest in MJX Studios Sdn. Bhd. by mm2 Entertainment Sdn. Bhd.*

Pursuant to a share subscription and shareholders’ agreement dated 1 September 2014 between mm2 Entertainment Sdn. Bhd. (“mm2 Malaysia”), MJX Studios Sdn. Bhd. (“MJX”), Angelin Ong and Kent Chan, mm2 Malaysia acquired an aggregate of 49% interest in the issued and paid-up share capital of MJX for cash consideration of \$19 (equivalent to RM49).

*(e) Acquisition of mm2 Entertainment Sdn. Bhd.*

The acquisition by our Company of the entire issued and paid-up share capital of mm2 Malaysia on 1 September 2014 held by the then shareholders in mm2 Malaysia, comprising an aggregate of 350,000 common shares for a total consideration of \$13 (equivalent to RM35).

*(f) Share transfers between Melvin Ang and various parties*

The following Transferees purchases shares in mm2 Singapore from Melvin Ang for cash consideration as set out below:

<b>Transferee</b>	<b>Date of Transfer</b>	<b>Number of mm2 Singapore Shares</b>	<b>Total Consideration paid (\$)</b>
PAPOF	8 May 2014	417	500,000
Tan Chee Yean	18 September 2014	417	500,000
Tay Joo Heng	18 September 2014	233	279,616
Su Jufang	18 September 2014	177	220,000
Ng Say Yong	18 September 2014	154	184,293
Toong Soo Wei	18 September 2014	148	177,938
Neo Chee Keong	18 September 2014	53	63,549
Angelin Ong Pei Sian	18 September 2014	53	63,549
Chan Teck Hian	18 September 2014	53	63,549
Wong Shing	18 September 2014	16	19,065
Chong How Kiat	18 September 2014	16	19,065
Hung Yeow Huat	18 September 2014	16	19,065
Tee Mei Gaik	18 September 2014	11	12,710
Lim Boon Ser	18 September 2014	11	12,710
Lim Kien Nam	18 September 2014	11	12,710

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Combined Financial Statements**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

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**1 Corporate information** (continued)

**1.2 Restructuring exercise** (continued)

*(g) Share Split*

On 4 November 2014, the sole shareholder, Melvin Ang, approved the Share Split whereby every one (1) Share was sub-divided into 7,500 Shares.

*(h) Share swaps between the original shareholders of mm2 Singapore for Shares in the Company to acquire mm2 Singapore*

Pursuant to a share swap agreement dated 12 November 2014 between the Company, Melvin Ang and the Transferees (described in Note 1.2(f)), the Company acquired the entire shareholding of mm2 Singapore from Melvin Ang and the Transferees who held 91.07% and 8.93% shareholding in mm2 Singapore, representing 18,214 and 1,786 mm2 Singapore Shares respectively.

In consideration of Melvin Ang and the Transferees' transfer of their shareholding in mm2 Singapore to the Company, the Company allotted and issued 136,597,500 New Shares to Melvin Ang and an aggregate of 13,395,000 New Shares to the Transferees.

*(i) Conversion of the Convertible Bonds*

Concurrent with the above acquisition of mm2 Singapore, 100% of the principal amount and any accrued and/or unpaid interest in respect of the Convertible Bonds were converted into 25,729,032 Conversion Shares on 20 November 2014, pursuant to the terms and conditions of the Notes. The Convertible Bonds of all the Pre-IPO Investors were converted at a conversion price that is 62.5% of the Placement Price, with the exception of PAPOF whose Bonds were converted at a conversion price that is 62% of the Placement Price.

The Restructuring Exercise as described in Note 1.2 (e) and (h) involved companies which are under common control since all the entities took part in the Restructuring Exercise were controlled by the same control party, Melvin Ang before and immediately after the Restructuring Exercise. Although Melvin Ang, holds 45% equity interest in mm2 Malaysia before the acquisition of share by the Company and is regarded as the controlling shareholder of mm2 Malaysia as he has the power to govern the financial and operating policies of mm2 Malaysia. The combined financial statements for the financial years ended 31 March 2012, 2013 and 2014 (the "Relevant Periods") have been prepared based on the pooling-of-interest method as if the current group structure had been in existence prior to the Restructuring Exercise.

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Combined Financial Statements**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

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## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

These combined financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of combined financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements, are disclosed in Note 3.

#### ***Interpretations and amendments to published standards effective in 2012, 2013 and 2014***

On 1 April 2011, the Group early adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial years ended 31 March 2012, 2013 and 2014. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and had no material effect on the amounts reported for the financial years ended 31 March 2012, 2013 and 2014 or prior financial years except for the following:

#### ***Amendment to FRS 1 Presentation of Items of Other Comprehensive Income***

The Group has adopted the amendment of FRS 1 Presentation of Items of Other Comprehensive Income on 1 April 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

With the adoption, the Group has separately presented items of other comprehensive income that would be reclassified to profit or loss in the future from those that would not be reclassified in the consolidated statement of comprehensive income. Comparative information has also been re-presented accordingly. The adoption of amendment to FRS 1 has no impact on the Group’s financial position and total comprehensive income.

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**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

***Interpretations and amendments to published standards effective in 2012, 2013 and 2014*** (continued)

*FRS 113 Fair Value Measurement*

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

**2.2 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities. Revenue is presented, net of goods and services tax (“GST”), rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:

(a) *Production income*

(i) *Sale of a share of a film revenue rights*

Revenue is recognised immediately at the point of time the contract has been entered into with unconditional delivery, no action of recourse and the arrangement of consideration is fixed or determinable and reasonably assured.

(ii) *Producer fee income and consultancy income*

Producer fee income from entertainment events and Television (“TV”) programs and consultancy income are recognised in the period in which the relevant services are rendered.

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**2 Summary of significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

*(a) Production income (continued)*

*(iii) Grants and other contributions*

Grants and other contributions to cover a particular expenditure and/or film are accounted for upon receipt of notification of the grant and/or contribution award and the Group will comply with all the attached conditions.

*(b) Distribution income*

*(i) Revenue from distribution of films*

Distribution of films to movie distributors and/or theatres and circuits are recognised when the films are exhibited. After the payment of taxes, other charges and deductions by movie distributors and/or theatres and circuits of their respective share of the box office sales, the net proceeds (the “Distributable Amount”) are remitted to the Group.

*(ii) Licence income*

Licence income from films licensed for a fixed fee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely over the period of time and/or in any designated territory and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue is recognised over the licence period and/or when the films are available for showing or telecast.

*(c) Sponsorship income*

The Group derives revenue from sponsorships associated with the production of films. Sponsorship fees relate to a one-time event. Revenue from a one-time event is recognised if (i) pervasive evidence of an arrangement exists; (ii) the event has occurred; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured. Sponsorship advances are deferred until earned pursuant to the sponsorship agreement and are presented as “Deferred income” on the combined balance sheets.

*(d) Interest income*

Interest income is recognised using the effective interest method.

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**2 Summary of significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

*(e) Other income*

The income from post editing services, talent fee, formatting fee and management fee is recognised when services are rendered and the amount of income and cost incurred or to be incurred in respect of the transaction can be measured reliably.

**2.3 Group accounting**

*(a) Subsidiaries*

*(i) Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the combined financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are a part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the company. They are shown separately in the combined statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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**2 Summary of significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiaries (continued)*

*(ii) Acquisitions*

The acquisition method of accounting is used to account for the acquisition of subsidiaries, other than those entities which are under common control.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The combined financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;

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**2 Summary of significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiaries (continued)*

*(ii) Acquisitions (continued)*

- The assets and liabilities are brought into the combined financial statements at their existing carrying amounts from the perspective of the controlling party;
- The combined statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve.

*(iii) Disposals*

When a change in the Group’s ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

*(b) Transactions with non-controlling interests*

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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**2 Summary of significant accounting policies (continued)**

**2.4 Property, plant and equipment**

*(a) Measurement*

*(i) Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

*(b) Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Motor vehicles	5 years
Furniture and fittings	10 years
Office equipment and computers	3 – 5 years
Tools and equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the combined financial statements.

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**2 Summary of significant accounting policies (continued)**

**2.4 Property, plant and equipment (continued)**

*(c) Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

*(d) Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “Other gains/(losses) – net”.

**2.5 Film rights**

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. Film rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of five (5) years. Additional amortisation and/or impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

**2.6 Borrowing costs**

Borrowing costs are recognised in profit or loss using the effective interest method.

**2.7 Impairment of non-financial assets**

*Property, plant and equipment  
Film rights*

Property, plant and equipment and film rights are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (“CGU”) to which the asset belongs.

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**2 Summary of significant accounting policies (continued)**

**2.7 Impairment of non-financial assets (continued)**

*Property, plant and equipment (continued)*

*Film rights*

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

**2.8 Financial assets**

*(a) Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at the initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

As at the financial years ended 31 March 2012, 2013 and 2014, the Group does not hold any of the financial assets except loans and receivables.

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**2 Summary of significant accounting policies (continued)**

**2.8 Financial assets (continued)**

*(a) Classification (continued)*

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those that are expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “Trade and other receivables” (Note 12) and “Cash and cash equivalents” (Note 11) on the combined balance sheets.

*(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

*(c) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

*(d) Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

*(e) Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

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**2 Summary of significant accounting policies (continued)**

**2.8 Financial assets (continued)**

*(e) Impairment (continued)*

*(i) Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

*(f) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.9 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

*(a) Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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**2 Summary of significant accounting policies (continued)**

**2.9 Borrowings (continued)**

*(b) Convertible bonds*

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component which are separately presented on the combined balance sheets.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the embedded equity conversion option (equity component), which is presented in equity net of any deferred tax effect. The embedded equity conversion option is recognised initially at its fair value and subsequently carried at fair value. Changes in fair value are recognised in profit or loss. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amounts of the liability and equity components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

**2.10 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.11 Fair value estimation of financial assets and liabilities**

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

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**2 Summary of significant accounting policies (continued)**

**2.12 Leases**

*When the Group is the lessee*

The Group leases motor vehicles under finance leases from non-related parties and office space under operating leases from related and non-related parties.

*(i) Lessee – Finance lease*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the combined balance sheets as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

*(ii) Lessee – Operating lease*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

**2.13 Film products and films under production**

Film products are stated at the lower of cost less accumulated impairment losses. Film products pending theatrical release are included in current assets. Cost of film products, accounted for on a film-by-film basis includes production costs, costs of services, direct labour costs and facilities in the creation of a film.

Films under production include production costs, costs of services, direct labour costs and facilities in the creation of films. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any accumulated impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

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**2 Summary of significant accounting policies (continued)**

**2.14 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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**2 Summary of significant accounting policies (continued)**

**2.15 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the combined statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

**2.16 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

*(a) Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and Employee Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

*(b) Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

*(c) Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

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**2 Summary of significant accounting policies (continued)**

**2.17 Currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The combined financial statements are presented in Singapore Dollar (“SGD”), which is the functional currency of the Company.

*(b) Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the combined financial statements, currency translation differences arising from borrowings in foreign currencies are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the combined income statement within “Finance expense”. All other exchange gains and losses impacting profit or loss are presented in the combined income statement within “Other gains/(losses) – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

*(c) Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;

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**2 Summary of significant accounting policies (continued)**

**2.17 Currency translation (continued)**

*(c) Translation of Group entities’ financial statements (continued)*

- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

**2.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

**2.19 Cash and cash equivalents**

For the purpose of presentation in the combined statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the combined balance sheet.

**2.20 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**2.21 Dividends to Company’s shareholders**

Dividends to the Company’s shareholders are recognised when the dividends are approved for payment.

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**3 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

*(a) Accounting for film rights and film products*

The costs of film rights and film products, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of 5 years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales and exploitations.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying amounts of the assets. This could have an impact on the Group’s results of operations. The carrying amounts of film products and film rights as at 31 March 2012, 2013 and 2014 are disclosed in Notes 13 and 15 to the financial statements, respectively.

If the estimated projected revenues had been higher/lower by 10% from management’s estimates, the amortisation of the film rights would have been higher/lower by \$6,000, \$55,000 and \$313,000 as at 31 March 2012, 2013 and 2014 respectively.

*(b) Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the media and information communication industry market, economic or legal environment in which the debtor operates in.

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**3 Critical accounting estimates, assumptions and judgements (continued)**

*(b) Impairment of loans and receivables (continued)*

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows had been higher/lower by 10% from management’s estimates for all past due loans and receivables, the allowance for impairment of the Group and the Company would have been lower/higher by \$82,000, \$231,000 and \$457,000 as at 31 March 2012, 2013 and 2014 respectively.

The carrying amounts of trade and other receivables as at 31 March 2012, 2013 and 2014 are disclosed in Note 12 respectively.

**4 Revenue**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Production	5,083	3,337	6,376
Distribution	1,180	6,032	6,471
Sponsorship	98	353	2,789
Other	211	185	485
	<u>6,572</u>	<u>9,907</u>	<u>16,121</u>

**5 Expenses by nature**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Production and distribution of film costs*	6,192	7,669	7,628
Depreciation of property plant and equipment	34	50	42
Amortisation of film rights	62	581	3,405
Employee compensation (Note 6)	208	405	843
Rental expense on operating leases	–	17	58
Printing and advertising	4	7	18
Travelling and transportation	51	64	139
Other	72	115	216
Total cost of sales and administrative expenses	<u>6,623</u>	<u>8,908</u>	<u>12,349</u>

\* Production and distribution of film costs includes subcontracting costs, artiste fee, copyright fees, production crew payroll, transport, rental of equipment, share in the net receipts from the exploitation of the films and overhead costs.

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**6 Employee compensation**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	176	333	624
Employer’s contribution to defined contribution plans	15	35	95
Other short-term benefits	17	37	124
	<u>208</u>	<u>405</u>	<u>843</u>

**7 Other gains/(losses) – net**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Currency translation gains/(losses) – net	<u>2</u>	<u>(12)</u>	<u>(27)</u>

**8 Finance expenses**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense			
– Bank overdrafts	–	–	2
– Convertible bonds	–	–	8
– Bank borrowings	–	23	30
– Finance lease liabilities	–	19	5
	<u>–</u>	<u>42</u>	<u>45</u>
Finance expenses recognised in profit or loss	<u>–</u>	<u>42</u>	<u>45</u>

**9 Income taxes**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Tax expense attributable to (loss)/profit is made up of:			
– Deferred income tax (Note 21)	(52)	174	667
	<u>(52)</u>	<u>174</u>	<u>667</u>
– Under provision in prior financial years:			
Current income tax – Foreign	14	–	–
	<u>(38)</u>	<u>174</u>	<u>667</u>

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**9 Income taxes (continued)**

The tax on the Group’s (loss)/profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
(Loss)/profit before tax	(49)	948	3,703
Tax calculated at tax rate of 17%	(8)	161	629
Effects of:			
– different tax rates in other countries	(7)	(2)	21
– expenses not deductible for tax purposes	4	15	17
– under provision in prior year deferred income tax	(16)	–	–
– tax exemptions	(25)	–	–
Tax charge	(52)	174	667

**10 Earnings per share**

For illustrative purpose, the calculation of the basic earnings per share is based on the net (loss)/profit attributable to equity holders of the Company for the financial years ended 31 March 2012, 2013 and 2014 and on 83,000 ordinary shares, representing the aggregate amounts of the paid-up share capital of mm2 Entertainment Pte. Ltd. and mm2 Entertainment Sdn. Bhd.

There were no diluted earnings per share for the financial years ended 31 March 2012, 2013 and 2014 as there were no potential ordinary shares outstanding.

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Basic and diluted	1.12	9.82	33.02

**11 Cash and cash equivalents**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Cash at bank and on hand	143	375	520
Short-term bank deposits	80	83	81
	223	458	601

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**11 Cash and cash equivalents (continued)**

For the purpose of presenting the combined Statement of cash flows, cash and cash equivalents comprises the following:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances (as above)	223	458	601
Less: Bank deposits pledged	(80)	(83)	(81)
Less: Bank overdrafts (Note 18)	(82)	(77)	(14)
Cash and cash equivalents per combined statement of cash flows	<u>61</u>	<u>298</u>	<u>506</u>

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 18).

**12 Trade and other receivables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables			
– Non-related parties	1,517	7,009	8,563
– Related parties	–	157	53
	<u>1,517</u>	<u>7,166</u>	<u>8,616</u>
Other receivables			
– Non-related parties	507	323	339
– Related parties	279	773	1,680
– Directors <sup>(1)</sup>	77	87	588
Deposits	16	16	20
Prepayments	1	4	120
	<u>2,397</u>	<u>8,369</u>	<u>11,363</u>

The amount due from related parties and directors are unsecured, interest-free and repayable on demand.

(1) The amount due from director will be settled in the subsequent period.

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**13 Film products and films under production**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Film products	270	–	562
Films under production	–	339	929
	<u>270</u>	<u>339</u>	<u>1,491</u>
<b>(a) Film products</b>			
Beginning of financial year	–	270	–
Transfer from films under production (Note 13(b))	400	1,048	6,209
Transfer to film rights (Note 15)	(130)	(1,318)	(5,647)
End of financial year	<u>270</u>	<u>–</u>	<u>562</u>
<b>(b) Films under production</b>			
Beginning of financial year	–	–	339
Additions	400	1,387	6,799
Transfer to film products (Note 13 (a))	(400)	(1,048)	(6,209)
End of financial year	<u>–</u>	<u>339</u>	<u>929</u>

**14 Property, plant and equipment**

	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Office equipment and computers</b>	<b>Tools and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2012</b>					
<i>Cost</i>					
Beginning of financial year	–	57	47	12	116
Additions	99	1	16	–	116
End of financial year	<u>99</u>	<u>58</u>	<u>63</u>	<u>12</u>	<u>232</u>
<i>Accumulated depreciation</i>					
Beginning of financial year	–	1	24	1	26
Depreciation charge (Note 5)	16	6	11	1	34
End of financial year	<u>16</u>	<u>7</u>	<u>35</u>	<u>2</u>	<u>60</u>
<b>Net book value</b>					
<b>End of financial year</b>	<u>83</u>	<u>51</u>	<u>28</u>	<u>10</u>	<u>172</u>

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**14 Property, plant and equipment (continued)**

	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Office equipment and computers</b>	<b>Tools and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2013</b>					
<i>Cost</i>					
Beginning of financial year	99	58	63	12	232
Additions	–	1	18	1	20
Written off	–	–	(10)	–	(10)
End of financial year	99	59	71	13	242
<i>Accumulated depreciation</i>					
Beginning of financial year	16	7	35	3	61
Depreciation charge (Note 5)	20	6	23	1	50
Written off	–	–	(10)	–	(10)
End of financial year	36	13	48	4	101
<b>Net book value</b>					
<b>End of financial year</b>	63	46	23	9	141
<b>2014</b>					
<i>Cost</i>					
Beginning of financial year	99	59	71	12	241
Currency translation differences	(4)	(2)	(2)	–	(8)
Additions	–	2	5	–	7
End of financial year	95	59	74	12	240
<i>Accumulated depreciation</i>					
Beginning of financial year	36	13	48	4	101
Currency translation differences	(1)	–	(2)	–	(3)
Depreciation charge (Note 5)	19	6	16	1	42
End of financial year	54	19	62	5	140
<b>Net book value</b>					
<b>End of financial year</b>	41	40	12	7	100

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**14 Property, plant and equipment (continued)**

Included within additions in the combined financial statements are property, plant and equipment acquired under finance leases amounting to \$81,000, \$12,000 and \$Nil at the respective financial years ended 31 March 2012, 2013 and 2014.

The carrying amounts of motor vehicles held under finance leases are \$83,000, \$63,000 and \$41,000 at the respectively financial years ended 31 March 2012, 2013 and 2014.

**15 Film rights**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Cost</i>			
Beginning of financial year	–	130	1,648
Currency translation differences	–	–	(5)
Additions	–	200	517
Transfer from film products (Note 13)	130	1,318	5,647
End of financial year	<u>130</u>	<u>1,648</u>	<u>7,807</u>
<i>Accumulated amortisation</i>			
Beginning of financial year	–	62	643
Currency translation differences	–	(1)	(3)
Amortisation charge	62	581	3,405
End of financial year	<u>62</u>	<u>642</u>	<u>4,045</u>
<b>Net book value</b>	<u><u>68</u></u>	<u><u>1,006</u></u>	<u><u>3,762</u></u>

**16 Trade and other payables**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables			
– Non-related parties	1,875	7,841	10,485
– Related parties	326	449	379
	<u>2,201</u>	<u>8,290</u>	<u>10,864</u>

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**16 Trade and other payables (continued)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Other payables			
– Non-related parties	112	172	116
– Related parties	132	132	127
– Director	193	163	–
Advances received from customer	92	121	–
Accruals for operating expenses	15	21	103
Withholding tax	–	–	87
GST payables	–	23	88
	<u>2,745</u>	<u>8,922</u>	<u>11,385</u>

The amounts due to a director and related parties are unsecured, interest-free and repayable on demand.

**17 Deferred income**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred income	<u>224</u>	<u>105</u>	<u>238</u>

**18 Borrowings**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current</i>			
Bank overdrafts (Note 11)	82	77	14
Term loan 1	14	15	15
Term loan 2	–	40	45
Term loan 3	–	12	14
Finance lease liabilities (Note 20)	20	25	12
	<u>116</u>	<u>169</u>	<u>100</u>

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**18 Borrowings (continued)**

	2012 \$'000	2013 \$'000	2014 \$'000
<i>Non-current</i>			
Term loan 1	64	50	32
Term loan 2	–	94	44
Term loan 3	–	50	38
Borrowings – non-related party	–	–	405
Convertible bonds (Note 19)	–	–	450
Finance lease liabilities (Note 20)	79	69	55
	<u>143</u>	<u>263</u>	<u>1,024</u>
Total borrowings	<u>259</u>	<u>432</u>	<u>1,124</u>

Bank overdrafts and Term Loan 1

Bank overdrafts and Term loan 1 is secured by fixed deposit against a fresh Letter of Set-off over first party fixed deposit pledged of \$76,923 (equivalent to RM200,000). Interest earned from short-term bank deposit shall be capitalised as additional security and guarantee against joint and several guarantee for \$192,307 (equivalent to RM500,000) by Angelin Ong Pei Sian<sup>(1)</sup> and Chan Teck Kian<sup>(1)</sup> and a personal guarantee of USD equivalent to \$192,307 (in USD equivalent to RM500,000) by Ang Wee Chye.

(1) Directors of subsidiary, mm2 Entertainment Sdn. Bhd.

Term Loan 2

Term loan 2 is secured by joint and several guarantee for \$134,615 (equivalent to RM350,000) to be signed by Angelin Ong Pei Sian and Ang Wee Chye.

Term Loan 3

Term Loan 3 is secured by Deed of guarantee and indemnity for all monies from Ang Wee Chye and a non-related party.

Borrowings – non-related party

The Group has entered into an agreement with Orientivity Pte Ltd (“Orientivity”), whereby Orientivity agreed to fund a production film with a guarantee on investment contribution at a minimum internal rate of return at 8%.

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**18 Borrowings** (continued)

Finance lease liabilities

Finance lease liabilities of the Group are effectively secured over the motor vehicles (Note 14), as the legal titles is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

The exposure of the borrowings of the Group to interest rate changes and contractual repricing dates at the balance sheet date are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
6 months or less	99	123	59
6 – 12 months	17	46	41
1 – 5 years	123	249	1,021
Over 5 years	20	14	3
	<u>259</u>	<u>432</u>	<u>1,124</u>

Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying amounts.

The fair values are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Borrowings – non-related party	–	–	5.35
Convertible bonds	–	–	5.38
Bank borrowings	4.80	5.38	5.35
Finance lease liabilities	<u>3.44</u>	<u>3.44</u>	<u>4.12</u>

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**19 Convertible bonds**

On 10 September 2013 and 5 November 2013, the subsidiary, mm2 Entertainment Pte. Ltd. issued redeemable convertible bonds denominated in Singapore Dollar with a nominal value of \$200,000 and \$250,000 respectively as part of the fund raising exercise prior to the listing on the Catalist, the sponsor-supervised listing platform of Singapore Stock Exchange Securities Trading Limited. The bonds are due for repayment on 28 August 2015 and 5 July 2015 at their nominal value of \$200,000 and \$250,000 respectively or conversion into shares of the Company at the holder’s option with the conversion price fixed at 37.5% discount to the issue price of the shares to be allotted to the public investors.

The convertible bonds are regarded as a hybrid instrument consisting of an embedded derivative, the economic characteristics and risks of which are not closely related to that of the host instrument, the bonds. The conversion options under the terms of the convertible bonds collectively formed a single compound embedded derivative in the convertible bonds. The management assessed the fair value of the single compound embedded derivative at the inception of the convertible bonds and at the balance sheet date and considered it as not significant, hence this single compound embedded derivative was not recognised.

The fair values of the liability component, is calculated using a market interest rate for an equivalent non-convertible bond at the respective date of issue. The residual amount, representing the value of the equity component which based on management’s assessment is not significant and was therefore included within the liability component.

The carrying amount of the liability component of the convertible bonds amounting to \$450,000 at the balance sheet date is presented as “Borrowings” and classified as non-current liabilities.

**20 Finance lease liabilities**

The Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Minimum lease payments due			
– Not later than one year	25	30	15
– Between one and five years	71	66	59
– Later than five years	27	15	4
	<u>123</u>	<u>111</u>	<u>78</u>
Less: Future finance charges	(24)	(16)	(11)
Present value of finance lease liabilities	<u><u>99</u></u>	<u><u>95</u></u>	<u><u>67</u></u>

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**20 Finance lease liabilities (continued)**

The present values of finance lease liabilities are analysed as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not later than one year (Note 18)	20	25	12
Later than one year (Note 18)			
– Between one and five years	59	55	52
– Later than five years	20	14	3
	<u>79</u>	<u>69</u>	<u>55</u>
Total	<u>99</u>	<u>94</u>	<u>67</u>

**21 Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the balance sheet as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred income tax assets</b>			
– To be recovered after one year	(74)	(117)	(137)
	<u>(74)</u>	<u>(117)</u>	<u>(137)</u>
<b>Deferred income tax liabilities</b>			
– To be settled within one year	3	25	145
– To be settled after one year	27	222	790
	<u>30</u>	<u>247</u>	<u>935</u>

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**21 Deferred income taxes (continued)**

Movement in deferred income tax account is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of financial year	8	(44)	130
Currency translation differences	–	–	1
Tax (credit)/charge to			
– profit or loss (Note 9)	(52)	174	667
End of financial year	<u>(44)</u>	<u>130</u>	<u>798</u>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

*Deferred income tax liabilities*

	<b>Deductible</b>	<b>Other</b>	<b>Total</b>
	<b>expenses</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2012</b>			
Beginning of financial year	–	8	8
Charged to			
– profit or loss	22	–	22
End of financial year	<u>22</u>	<u>8</u>	<u>30</u>
<b>2013</b>			
Beginning of financial year	22	8	30
Charged to			
– profit or loss	217	–	217
End of financial year	<u>239</u>	<u>8</u>	<u>247</u>

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**21 Deferred income taxes (continued)**

*Deferred income tax liabilities (continued)*

	<b>Deductible expenses \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>2014</b>			
Beginning of financial year	239	8	247
Currency translation differences	(2)	–	(2)
Charged to			
– profit or loss	690	–	690
End of financial year	927	8	935

*Deferred income tax assets*

	<b>Tax losses \$'000</b>	<b>Total \$'000</b>
<b>2012</b>		
Beginning of financial year	–	–
Credited to		
– profit or loss	(74)	(74)
End of financial year	(74)	(74)
<b>2013</b>		
Beginning of financial year	(74)	(74)
Credited to		
– profit or loss	(43)	(43)
End of financial year	(117)	(117)
<b>2014</b>		
Beginning of financial year	(117)	(117)
Currency translation differences	3	3
Credited to		
– profit or loss	(23)	(23)
End of financial year	(137)	(137)

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**22 Share capital**

For the purpose of the preparation of the combined financial statements, the share capital as at 31 March 2014 represents the aggregate amounts of the paid-up capital of the following companies:

	No. of ordinary shares '000	Amount \$'000
<i>Ordinary shares of no par value, fully paid</i>		
mm2 Entertainment Pte. Ltd.	20	20
mm2 Entertainment Sdn. Bhd.	63	63
	83	83
	83	83

The movements in the share capital are as follows:

	mm2 Entertainment Pte. Ltd. \$'000	mm2 Entertainment Sdn. Bhd. \$'000	Total \$'000
<b>2012</b>			
Beginning of financial year	1	63	64
Shares issued	15	–	15
End of financial year	16	63	79
<b>2013</b>			
Beginning of financial year	16	63	79
Shares issued	4	–	4
End of financial year	20	63	83
<b>2014</b>			
Beginning and end of financial year	20	63	83
	20	63	83

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

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**22 Share capital (continued)**

On 8 February 2012 and 28 May 2012, mm2 Entertainment Pte. Ltd. issued 15,000 and 4,000 ordinary shares for a total consideration of \$15,000 and \$4,000 respectively for cash to provide as working capital of the Company. The newly issued shares rank pari passu with the previously issued shares.

**23 Other reserves**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(a) Composition:			
Currency translation reserve	–	–	4
(b) Movement:			
<i>Currency translation reserve</i>			
Beginning of financial year	–	–	–
Net currency translation difference of financial statement of foreign subsidiary	–	–	12
Less: Non-controlling interests	–	–	(8)
End of financial year	–	–	4

**24 Commitments**

Operating lease commitments – where the Group is a lessee

The Group leases office space from related and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	30	93	119
Between one and five years	29	87	77
	59	180	196

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**25 Financial risk management**

*Financial risk factors*

The Group’s activities expose it to market risk (including currency risk, price risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk and capital risk. The Group’s overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group’s financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group’s operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Board of Directors. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective currencies (“foreign currencies”).

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar (“SGD”), Malaysian Ringgit (“RM”), United States Dollar (“USD”) and Chinese Renminbi (“RMB”).

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations in Malaysia.

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**25 Financial risk management (continued)**

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group’s currency exposure based on the information provided to key management is as follows:

	<b>SGD</b>	<b>RM</b>	<b>Others</b>	<b>Total</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
<u>At 31 March 2012</u>				
<b>Financial assets</b>				
Cash and cash equivalents	113	110	–	223
Trade and other receivables	1,253	1,044	99	2,396
	<u>1,366</u>	<u>1,154</u>	<u>99</u>	<u>2,619</u>
<b>Financial liabilities</b>				
Trade and other payables	(1,593)	(1,047)	(13)	(2,653)
Borrowings	–	(259)	–	(259)
	<u>(1,593)</u>	<u>(1,306)</u>	<u>(13)</u>	<u>(2,912)</u>
<b>Net financial (liabilities)/assets</b>	<u>(227)</u>	<u>(152)</u>	<u>86</u>	<u>(293)</u>
<b>Currency exposure of financial (liabilities)/assets net of those denominated in the Group’s functional currency</b>				
	<u>(142)</u>	<u>2</u>	<u>86</u>	<u>(54)</u>
<u>At 31 March 2013</u>				
<b>Financial assets</b>				
Cash and cash equivalents	55	403	–	458
Trade and other receivables	5,765	2,498	102	8,365
	<u>5,820</u>	<u>2,901</u>	<u>102</u>	<u>8,823</u>
<b>Financial liabilities</b>				
Trade and other payables	(6,369)	(2,157)	(275)	(8,801)
Borrowings	(62)	(370)	–	(432)
	<u>(6,431)</u>	<u>(2,527)</u>	<u>(275)</u>	<u>(9,233)</u>
<b>Net financial (liabilities)/assets</b>	<u>(611)</u>	<u>374</u>	<u>(173)</u>	<u>(410)</u>
<b>Currency exposure of financial (liabilities) net of those denominated in the Group’s functional currency</b>				
	<u>(386)</u>	<u>(74)</u>	<u>(173)</u>	<u>(633)</u>

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**25 Financial risk management (continued)**

(a) Market risk (continued)

(i) *Currency risk* (continued)

	<b>SGD</b>	<b>RM</b>	<b>Others</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>At 31 March 2014</u>				
<b>Financial assets</b>				
Cash and cash equivalents	268	333	–	601
Trade and other receivables	5,178	5,267	798	11,243
	5,446	5,600	798	11,844
<b>Financial liabilities</b>				
Trade and other payables	(4,923)	(5,156)	(1,306)	(11,385)
Borrowings	(905)	(219)	–	(1,124)
	(5,828)	(5,375)	(1,306)	(12,509)
<b>Net financial (liabilities)/assets</b>	<b>(382)</b>	<b>225</b>	<b>(508)</b>	<b>(665)</b>
<b>Currency exposure of financial (liabilities)/assets net of those denominated in the Group’s functional currency</b>				
	171	1,356	(508)	1,019

The Group’s exposure to currency risk is not significant as it mainly transacts in its functional currency and small portion in currency other than its functional currency.

(ii) *Price risk*

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group’s income is substantially independent of changes in market interest rates. The Group’s interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

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**25 Financial risk management (continued)**

(a) Market risk (continued)

*(iii) Cash flow and fair value interest rate risks (continued)*

The Group’s borrowings are at variable rates which no hedges have been entered into as the loans are denominated in the respective operating entities’ functional currencies and there are natural hedges as the Group’s collections are mainly in its respective operating entities’ functional currencies. If the interest rates had increased/decreased by 0.5% in the respective financial years ended 31 March 2012, 2013 and 2014 with all other variables including tax rate being held constant, management had assessed and determined the impact to profit after tax as a result of higher/lower interest expense on these borrowings is not significant.

(b) Credit risk

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank balances and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by Board of Directors based on continuous credit evaluation. The counterparty’s payment pattern and credit exposure are regularly monitored by the Board of Directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the combined balance sheets.

As at 31 March 2012, 2013 and 2014, the trade receivables are largely corporate companies and comprise 5 debtors in the respective financial year ended that individually represented 1% – 20% of trade receivables.

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**25 Financial risk management (continued)**

(b) Credit risk (continued)

The credit risk of trade receivables based on the information provided to key management is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>By geographical areas</u>			
Singapore	612	4,960	4,263
Malaysia	806	1,924	3,403
China	–	40	471
Taiwan	99	242	344
Hong Kong	–	–	135
	<u>1,517</u>	<u>7,166</u>	<u>8,616</u>

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and are not re-negotiated.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Past due less than 3 months	817	2,023	2,543
Past due over 3 months	–	285	2,025
	<u>817</u>	<u>2,308</u>	<u>4,568</u>

At the respective balance sheet date, management has assessed that no allowance for impairment is required for the receivables.

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**25 Financial risk management (continued)**

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 18). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and bank balances as disclosed in Note 11.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents of the Group on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Board of Directors.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<b>Less than 1 year \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>
<b>At 31 March 2012</b>				
Trade and other payables	2,653	–	–	–
Borrowings	116	45	102	27
	2,769	45	102	27
<b>At 31 March 2013</b>				
Trade and other payables	8,801	–	–	–
Borrowings	169	112	178	15
	8,970	112	178	15
<b>At 31 March 2014</b>				
Trade and other payables	11,385	–	–	
Borrowings	100	972	83	3
	11,485	972	83	3

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**25 Financial risk management (continued)**

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue to operate as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the gearing ratio which the Board of Directors monitors on a periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus and trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Net debt	2,781	8,896	11,908
Total equity	(54)	724	3,772
Total capital	<u>2,727</u>	<u>9,620</u>	<u>15,680</u>
<b>Gearing ratio</b>	<b><u>102%</u></b>	<b><u>92%</u></b>	<b><u>76%</u></b>

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2012, 2013 and 2014.

(e) Fair value measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the combined balance sheets, except for the following:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Loans and receivables	2,619	8,823	11,844
Financial liabilities at amortised cost	<u>2,912</u>	<u>9,233</u>	<u>12,509</u>

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**26 Related party transactions**

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Sales of goods and/or services to</i>			
– other related parties	569	25	169
<i>Purchase of materials from</i>			
– other related parties	795	215	57
Payments made on behalf and reimbursed by other related parties	231	716	1,009

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group’s key management personnel and their close family members.

Outstanding balance at 31 March 2012, 2013 and 2014, arising from sales/purchase of services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 16 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Directors</i>			
Wages and salaries	79	96	112
Employer’s contribution to defined contribution plans	7	9	11
	86	105	123
<i>Key management personnel</i>			
Wages and salaries	–	34	86
Employer’s contribution to defined contribution plans	–	4	10
	86	143	219

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**27 Segment information**

Management has determined the operating and geographical segment based on the reports reviewed by the Chief Executive Officer for the purpose of resource allocation and assessment of the Group’s performance.

At 31 March 2012, 2013 and 2014, the Group was organised into one operating segment, which is relating to motion pictures, videos, television programs and production activities. This is based on the Group’s internal organisation and management structure and the primary way in which the Board of Directors is provided with the financial information.

Whilst revenue are reported into three main revenue stream, as described below, the Group’s results, the cost and balance sheet components are only analysed into one operating segment.

(i) Production income

They are mainly related to selling of the firm’s future exploitation, producer fee income and consultancy fee income and government grant received.

(ii) Distribution income

They are mainly related to the Box Office receipts of the movies released and exploitation of the script and sequel rights of the movie via licensing agreements.

(iii) Sponsorship income

They are mainly related to sponsorships associated with the production of films.

Accordingly, no segmental information is presented based on operating segment as the Board of Directors is of the opinion that it is not meaningful and impracticable. Additionally, the measurement of results, the cost and balance sheet components are not used by the Chief Executive Officer when making operating decisions about allocating resources and assessment of performance.

(a) Geographical information

The Group’s revenue is mainly derived from the following geographical areas:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
Singapore	2,103	6,569	6,632
Malaysia	4,111	2,953	5,465
Other countries	358	385	4,024
	<u>6,572</u>	<u>9,907</u>	<u>16,121</u>

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE AUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 2013 AND 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Notes to the Combined Financial Statements  
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**27 Segment information** (continued)

(a) Geographical information (continued)

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Singapore	–	960	3,699
Malaysia	314	304	300
	<u>314</u>	<u>1,264</u>	<u>3,999</u>

Information of major customer

Revenue of approximately \$852,000, \$4,297,000 and \$1,408,000 is derived from a single external customer at the respective financial years ended 31 March 2012, 2013 and 2014.

**28 Events occurring after balance sheet date**

Subsequent to the financial year ended 31 March 2014:

- (i) mm2 Entertainment Pte Ltd (“mm2 Singapore”) has incorporated a subsidiary namely mm2 Entertainment Hong Kong Limited, a company incorporated and domiciled in Hong Kong on 26 May 2014 with a paid up capital of HKD10,000. Its intended principal activities are those of movie production and distribution;
- (ii) On 8 May 2014, mm2 Singapore, Melvin Ang and Philips Asia Pacific Opportunity Fund Ltd. (“PAPOF”), entered into a convertible bond subscription and share sale agreement pursuant to which (1) mm2 Singapore will issue, and PAPOF will subscribe for, redeemable convertible bonds, having an aggregate principal value of \$2,500,000 subject to the completion of legal and fulfilment of conditions stipulated in the agreement and (2) PAPOF will purchase 417 shares in mm2 Singapore from Melvin Ang for \$500,000;
- (iii) On 1 June 2014, mm2 Singapore and Wong Li Foon (“WLF”) entered into a convertible bond subscription agreement pursuant to which mm2 Singapore will issue and WLF will subscribe for, redeemable convertible bonds having an aggregate principal value of \$200,000 subject to the completion of legal documents and fulfilment of conditions stipulated in the agreement;

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Combined Financial Statements**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

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**28 Events occurring after balance sheet date (continued)**

- (iv) On 12 June 2014, mm2 Singapore and Cornerstone Pictures Pte Ltd (“CPPL”) entered into a convertible bond subscription agreement pursuant to which mm2 Singapore will issue and CPPL will subscribe for, redeemable convertible bonds having an aggregate principal value of \$250,000 subject to the completion of legal documents and fulfilment of conditions stipulated in the agreement;
- (v) On 4 July 2014, mm2 Singapore and Sng Siew Lin (“SSL”) entered into a convertible bond subscription agreement pursuant to which mm2 Singapore will issue and SSL will subscribe for, redeemable convertible bonds having an aggregate principal value of \$300,000 subject to the completion of legal documents and fulfilment of conditions stipulated in the agreement;
- (vi) On 31 July 2014, mm2 Singapore and Hesheng Media Co, Ltd (“HMCL”) entered into a convertible bond subscription agreement pursuant to which mm2 Singapore will issue and HMCL will subscribe for, redeemable convertible bonds having an aggregate principal value of \$300,000 subject to the completion of legal documents and fulfilment of conditions stipulated in the agreement;
- (vii) On 1 September 2014, mm2 Entertainment Sdn. Bhd. entered into a share purchase and subscription agreement to acquire 49% interest in the issued and paid-up share capital of MJX Studios Sdn. Bhd. for a total consideration of \$19 (equivalent to RM49); and
- (viii) On 4 November 2014, the sole shareholder, Melvin Ang, approved the Share Split whereby every one (1) Share was sub-divided into 7,500 Shares.

**29 New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group’s accounting periods beginning on or after 1 April 2014 or later periods and which the Group has not early adopted:

- FRS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 Investment in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Combined Financial Statements**

**For the Financial Years Ended 31 March 2012, 2013 and 2014**

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**29 New or revised accounting standards and interpretations** (continued)

- Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011): Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

**30 Authorisation of financial statements**

These combined financial statements for the financial years ended 31 March 2012, 2013 and 2014 have been prepared for inclusion in the Offer Document of mm2 Asia Ltd. (the “Company”) and were authorised for issue by the Board of Directors of the Company on 2 December 2014.

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**mm2 Asia Ltd. and its Subsidiaries  
Statement by Directors  
For the Three-Month Period Ended 30 June 2014**

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In the opinion of the directors,

- (i) the unaudited combined financial statements set out on pages B-4 to B-58 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2014, and of the results, changes in equity and cash flows of the Group for the three-month period then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Ang Wee Chye  
*Director*

Tan Liang Pheng  
*Director*

**Singapore  
2 December 2014**

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**INDEPENDENT AUDITOR’S REVIEW REPORT**

**2 December 2014**

**The Board of Directors**  
**mm2 Asia Ltd.**  
1002 Jalan Bukit Merah  
#07-11  
Singapore 159456

Dear Sirs

**Introduction**

We have reviewed the accompanying unaudited interim combined financial statements of mm2 Asia Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) set out on pages B-4 to B-58, which comprise the combined balance sheets of the Group as at 30 June 2014, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for three-month period ended 30 June 2014, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these unaudited interim combined financial statements in accordance with the Singapore Financial Reporting Standards. Our responsibility is to express a conclusion on these unaudited interim combined financial statements based on our review.

The comparative figures for the corresponding three-month period ended 30 June 2014 were extracted from the unaudited management financial information and we have not carried out a review of those financial information. The unaudited combined financial information for the corresponding three-month period ended 30 June 2014 is the responsibility of the management.

**Scope of Review**

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim combined financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**INDEPENDENT AUDITOR’S REVIEW REPORT** (continued)

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim combined financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and of its financial performance, unaudited combined statements of changes in equity and combined statements of cash flows for the three-month period then ended in accordance with Singapore Financial Reporting Standards.

**Restriction on Distribution and Use**

This report has been prepared solely for inclusion in the Offer Document of the Company in connection with the proposed initial public offering of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

**Nexia TS Public Accounting Corporation**  
*Public Accountants and Chartered Accountants*

**Director-in-charge: Loh Hui Nee**

**Singapore**  
**2 December 2014**

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Unaudited Combined Statements of Comprehensive Income  
For the Three-Month Period Ended 30 June 2014**

	Note	Three-month period ended 30 June (unaudited)	
		2013 \$'000	2014 \$'000
Revenue	4	1,462	4,708
Cost of sales		(1,604)	(1,461)
Gross profit		(142)	3,247
Other gains – net	7	9	18
Expenses			
– Administrative		(275)	(512)
– Finance	8	(10)	(47)
		(285)	(559)
(Loss)/profit before income tax		(418)	2,706
Income tax expense	9	(64)	(484)
<b>(Loss)/profit</b>		(482)	2,222
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains		–	3
		–	3
Total comprehensive (loss)/income		(482)	2,225
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		(466)	1,854
Non-controlling interests		(16)	368
		(482)	2,222
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company		(466)	1,855
Non-controlling interests		(16)	370
		(482)	2,225
<b>(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (\$ per share)</b>			
Basic and diluted	10	(5.61)	22.34

*The accompanying notes form an integral part of these unaudited combined financial statements.*

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Unaudited Combined Balance Sheets  
As at 30 June 2014**

	Note	31 March 2014 (audited) \$'000	30 June 2014 (unaudited) \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	601	2,221
Trade and other receivables	12	11,363	11,601
Film products and films under production	13	1,491	3,998
		13,455	17,820
<b>Non-current assets</b>			
Property, plant and equipment	14	100	112
Film rights	15	3,762	4,180
Deferred income tax assets	21	137	165
		3,999	4,457
<b>Total assets</b>		17,454	22,277
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	11,385	10,895
Deferred income	17	238	102
Borrowings	18	100	179
		11,723	11,176
<b>Non-current liabilities</b>			
Borrowings	18	1,024	3,655
Deferred income tax liabilities	21	935	1,449
		1,959	5,104
<b>Total liabilities</b>		13,682	16,280
<b>NET ASSETS</b>		3,772	5,997
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	22	83	83
Other reserves	23	4	5
Retained profits		3,559	5,413
		3,646	5,501
<b>Non-controlling interests</b>		126	496
<b>Total equity</b>		3,772	5,997

*The accompanying notes form an integral part of these unaudited combined financial statements.*

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Unaudited Combined Statements on Changes in Equity  
For the Three-Month Period Ended 30 June 2014**

Note	← Attributable to equity holders of the Company →			Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Currency translation reserve \$'000	Retained profits <sup>(1)</sup> \$'000			
<b>Balance as at 1 April 2013 (unaudited)</b>	83	–	818	901	(177)	724
Total comprehensive loss for the period	–	–	(466)	(466)	(16)	(482)
<b>Balance as at 30 June 2013</b>	83	–	352	435	(193)	242
<b>Balance as at 1 April 2014 (unaudited)</b>	83	4	3,559	3,646	126	3,772
Total comprehensive income for the period	–	1	1,854	1,855	370	2,225
<b>Balance as at 30 June 2014</b>	83	5	5,413	5,501	496	5,997

(1) The retained profits of the Group are distributable.

*The accompanying notes form an integral part of these unaudited combined financial statements.*

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

**mm2 Asia Ltd. and its Subsidiaries  
Unaudited Combined Statements of Cash Flows  
For the Three-Month Period Ended 30 June 2014**

	Note	Three-month period ended 30 June (unaudited)	
		2013 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Net (loss)/profit		(482)	2,222
Adjustments for:			
– Income tax expense	9	64	484
– Depreciation of property, plant and equipment	5	11	9
– Interest expense	8	10	47
– Amortisation of film rights	5	402	235
– Currency translation difference		(1)	(2)
		4	2,995
Change in working capital:			
– Film products and films under production		(819)	(3,075)
– Trade and other receivables		75	962
– Trade and other payables		1,339	(278)
– Deferred income		137	(136)
		736	468
Cash generated from operations		736	468
Income tax paid		–	–
		736	468
<b>Net cash provided by operating activities</b>			
<b>Cash flows from investing activities</b>			
Additions to film rights		–	(83)
Deposit to acquire film rights		–	(1,200)
Additions to property, plant and equipment		(3)	(1)
		(3)	(1,284)
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Fixed deposit pledged to bank		–	(1)
Proceeds from issuance of convertible bonds		–	2,500
Repayment of borrowings		(16)	(115)
Repayment of lease liabilities		(6)	(7)
Interest paid		(10)	(5)
		(32)	2,372
<b>Net cash (used in)/provided by financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
		701	1,556
<b>Cash and cash equivalents</b>			
Beginning of financial period		298	506
<b>End of financial period</b>			
		999	2,062

*The accompanying notes form an integral part of these unaudited combined financial statements.*

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Unaudited Combined Financial Statements  
For the Three-Month Period Ended 30 June 2014**

These notes form an integral part of and should be read in conjunction with the accompanying unaudited combined financial statements.

**1 Corporate information**

**1.1 The Company**

The Company is incorporated in Singapore on 20 August 2014 as a private company limited by shares, under the name of “mm2 Asia Pte. Ltd.”, to act as the holding corporation of the Group. At incorporation, the Company’s issued and paid-up share capital was \$1, comprising one (1) ordinary share. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2).

The Company was converted into a public limited company and the name was changed to “mm2 Asia Ltd.” on 12 November 2014. The unaudited combined financial statements are presented in Singapore Dollar and all values are rounded to the nearest thousand (\$’000) except otherwise indicated.

The unaudited combined financial statements of mm2 Asia Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) have been prepared for the purpose of inclusion in filings associated with the proposed initial public offering (“IPO”) of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The address of its registered and principal place of business is located at 1002 Jalan Bukit Merah #07-11 Singapore 159456.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described below.

The Group after restructuring comprises the Company and the following subsidiaries:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			31 March 2014	30 June 2014
			%	%
mm2 Entertainment Pte. Ltd.	Motion picture, video and television programme and production activities	Singapore	100	100
mm2 Entertainment Sdn. Bhd.	Motion picture, video and television programme and production activities	Malaysia	100	100

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
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**mm2 Asia Ltd. and its Subsidiaries  
Notes to the Unaudited Combined Financial Statements  
For the Three-Month Period Ended 30 June 2014**

**1 Corporate information** (continued)

**1.1 The Company** (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			31 March 2014	30 June 2014
			%	%
mm2 Entertainment Hong Kong Limited	Motion picture, video and television programme and production activities	Hong Kong	–	100

**1.2 Restructuring exercise**

The Group was formed through the following exercise (the “Restructuring Exercise”) which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the Invitation. Pursuant to the Restructuring Exercise, the Company became the holding corporation of the Group. The Restructuring Exercise involved the following steps:

*(a) Incorporation of the Company*

The Company was incorporated in the Republic of Singapore on 20 August 2014, as an investment holding company of the Group, in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of \$1 comprising one (1) Share held by Melvin Ang.

*(b) Issue of Convertible Bonds*

mm2 Singapore Pte. Ltd. (“mm2 Singapore”) issued Convertible Bonds to the following Pre-IPO Investors as set out below:

<b>Pre-IPO Investors</b>	<b>Aggregate principal amount (\$’000)</b>
<u>Issued as at 30 June 2014 (Note 19):</u>	
Chua Teck Hiong	140
Tan Koon Tat Patrick	20
Ng Toon Lee	30
Lim Chee Wee	10
Lim Kar Tian	250
Philip Asia Pacific Opportunity Fund Ltd. (“PAPOF”)	2,500
Cornerstone Pictures Pte Ltd	250

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**mm2 Asia Ltd. and its Subsidiaries**  
**Notes to the Unaudited Combined Financial Statements**  
**For the Three-Month Period Ended 30 June 2014**

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**1 Corporate information** (continued)

**1.2 Restructuring exercise** (continued)

*(b) Issue of Convertible Bonds* (continued)

<b>Pre-IPO Investors</b>	<b>Aggregate principal amount (\$'000)</b>
<u>Issued subsequent to 30 June 2014:</u>	
Wong Li Foon	200
Sng Siew Lin	300
Hesheng Media Co, Ltd	300

*(c) Incorporation of mm2 Entertainment Hong Kong Limited*

On 26 May 2014, mm2 Entertainment Hong Kong Limited was incorporated as a wholly-owned subsidiary of mm2 Singapore.

*(d) Acquisition of 49% interest in MJX Studios Sdn. Bhd. by mm2 Entertainment Sdn. Bhd.*

Pursuant to a share subscription and shareholders’ agreement dated 1 September 2014 between mm2 Entertainment Sdn. Bhd. (“mm2 Malaysia”), MJX Studios Sdn. Bhd. (“MJX”), Angelin Ong and Kent Chan, mm2 Malaysia acquired an aggregate of 49% interest in the issued and paid-up share capital of MJX for cash consideration of \$19 (equivalent to RM49).

*(e) Acquisition of mm2 Entertainment Sdn. Bhd.*

The acquisition by our Company of the entire issued and paid-up share capital of mm2 Malaysia on 1 September 2014 held by the then shareholders in mm2 Malaysia, comprising an aggregate of 350,000 common shares for a total consideration of \$13 (equivalent to RM35).

**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
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**mm2 Asia Ltd. and its Subsidiaries  
Notes to the Unaudited Combined Financial Statements  
For the Three-Month Period Ended 30 June 2014**

**1 Corporate information** (continued)

**1.2 Restructuring exercise** (continued)

*(f) Share transfers between Melvin Ang and various parties*

The following Transferees purchases shares in mm2 Singapore from Melvin Ang for cash consideration as set out below:

<b>Transferee</b>	<b>Date of Transfer</b>	<b>Number of mm2 Singapore Shares</b>	<b>Total Consideration paid (S\$)</b>
PAPOF	8 May 2014	417	500,000
Tan Chee Yean	18 September 2014	417	500,000
Tay Joo Heng	18 September 2014	233	279,616
Su Jufang	18 September 2014	177	220,000
Ng Say Yong	18 September 2014	154	184,293
Toong Soo Wei	18 September 2014	148	177,938
Neo Chee Keong	18 September 2014	53	63,549
Angelin Ong Pei Sian	18 September 2014	53	63,549
Chan Teck Hian	18 September 2014	53	63,549
Wong Shing	18 September 2014	16	19,065
Chong How Kiat	18 September 2014	16	19,065
Hung Yeow Huat	18 September 2014	16	19,065
Tee Mei Gaik	18 September 2014	11	12,710
Lim Boon Ser	18 September 2014	11	12,710
Lim Kien Nam	18 September 2014	11	12,710

*(g) Share Split*

On 4 November 2014, the sole shareholder, Melvin Ang, approved the Share Split whereby every one (1) Share was sub-divided into 7,500 Shares.

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**mm2 Asia Ltd. and its Subsidiaries  
Notes to the Unaudited Combined Financial Statements  
For the Three-Month Period Ended 30 June 2014**

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**1 Corporate information** (continued)

**1.2 Restructuring exercise** (continued)

*(h) Share swaps between the original shareholders of mm2 Singapore for Shares in the Company to acquire mm2 Singapore*

Pursuant to a share swap agreement dated 12 November 2014 between the Company, Melvin Ang and the Transferees (described in Note 1.2(f)), the Company acquired the entire shareholding of mm2 Singapore from Melvin Ang and the Transferees who held 91.07% and 8.93% shareholding in mm2 Singapore, representing 18,214 and 1,786 mm2 Singapore Shares respectively.

In consideration of Melvin Ang and the Transferees' transfer of their shareholding in mm2 Singapore to the Company, the Company allotted and issued 136,597,500 New Shares to Melvin Ang and an aggregate of 13,395,000 New Shares to the Transferees.

*(i) Conversion of the Convertible Bonds*

Concurrent with the above acquisition of mm2 Singapore, 100% of the principal amount and any accrued and/or unpaid interest in respect of the Convertible Bonds were converted into 25,729,032 Conversion Shares on 20 November 2014, pursuant to the terms and conditions of the Notes. The Convertible Bonds of all the Pre-IPO Investors were converted at a conversion price that is 62.5% of the Placement Price, with the exception of PAPOF whose Bonds were converted at a conversion price that is 62% of the Placement Price.

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**APPENDIX B – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE UNAUDITED COMBINED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2014**

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**mm2 Asia Ltd. and its Subsidiaries**

**Notes to the Unaudited Combined Financial Statements  
For the Three-Month Period Ended 30 June 2014**

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**1 Corporate information** (continued)

**1.2 Restructuring exercise** (continued)

The Restructuring Exercise as described in Note 1.2 (e) and (h) involved companies which are under common control since all the entities took part in the Restructuring Exercise were controlled by the same control party, Melvin Ang before and immediately after the Restructuring Exercise. Although Melvin Ang, holds 45% equity interest in mm2 Malaysia before the acquisition of share by the Company and is regarded as the controlling shareholder of mm2 Malaysia as he has the power to govern the financial and operating policies of mm2 Malaysia. The combined financial statements for the financial period ended 30 June 2014 (the “Relevant Periods”) have been prepared based on the pooling-of-interest method as if the current group structure had been in existence prior to the Restructuring Exercise.

**2 Summary of significant accounting policies**

**2.1 Basis of preparation**

These unaudited combined financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of unaudited combined financial statements in conformity with FRS requires the management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited combined financial statements, are disclosed in Note 3.

***Interpretations and amendments to published standards effective in 2015***

On 1 April 2014, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial period ended 30 June 2014. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and had no material effect on the amounts reported for the financial period ended 30 June 2014 or prior financial years.

**2.2 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities. Revenue is presented, net of goods and services tax (“GST”), rebates and discounts, and after eliminating sales within the Group.

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**2 Summary of significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:

*(a) Production income*

*(i) Sale of a share of a film revenue rights*

Revenue is recognised immediately at the point of time the contract has been entered into with unconditional delivery, no action of recourse and the arrangement of consideration is fixed or determinable and reasonably assured.

*(ii) Producer fee income and consultancy income*

Producer fee income from entertainment events and Television (“TV”) programs and consultancy income are recognised in the period in which the relevant services are rendered.

*(iii) Grants and other contributions*

Grants and other contributions to cover a particular expenditure and/or film are accounted for upon receipt of notification of the grant and/or contribution award and the Group will comply with all the attached conditions.

*(b) Distribution income*

*(i) Revenue from distribution of films*

Distribution of films to movie distributors and/or theatres and circuits are recognised when the films are exhibited. After the payment of taxes, other charges and deductions by movie distributors and/or theatres and circuits of their respective share of the box office sales, the net proceeds (the “Distributable Amount”) are remitted to the Group.

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**2 Summary of significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

*(b) Distribution income (continued)*

*(ii) Licence income*

Licence income from films licensed for a fixed fee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely over the period of time and/or in any designated territory and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue is recognised over the licence period and/or when the films are available for showing or telecast.

*(c) Sponsorship income*

The Group derives revenue from sponsorships associated with the production of films. Sponsorship fees relate to a one-time event. Revenue from a one-time event is recognised if (i) pervasive evidence of an arrangement exists; (ii) the event has occurred; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured. Sponsorship advances are deferred until earned pursuant to the sponsorship agreement and are presented as “Deferred income” on the unaudited combined balance sheets.

*(d) Interest income*

Interest income is recognised using the effective interest method.

*(e) Other income*

The income from post editing services, talent fee, formatting fee and management fee is recognised when services are rendered and the amount of income and cost incurred or to be incurred in respect of the transaction can be measured reliably.

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**2 Summary of significant accounting policies (continued)**

**2.3 Group accounting**

*(a) Subsidiaries*

*(i) Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the unaudited combined financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are a part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the company. They are shown separately in the unaudited combined statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

*(ii) Acquisitions*

The acquisition method of accounting is used to account for the acquisition of subsidiaries, other than those entities which are under common control.

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**2 Summary of significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiaries (continued)*

*(ii) Acquisitions (continued)*

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The unaudited combined financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the unaudited combined financial statements at their existing carrying amounts from the perspective of the controlling party;

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**2 Summary of significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiaries (continued)*

*(ii) Acquisitions (continued)*

- The unaudited combined statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve.

*(iii) Disposals*

When a change in the Group’s ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

*(b) Transactions with non-controlling interests*

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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**2 Summary of significant accounting policies (continued)**

**2.4 Property, plant and equipment**

*(a) Measurement*

*(i) Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

*(b) Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Motor vehicles	5 years
Furniture and fittings	10 years
Office equipment and computers	3 – 5 years
Tools and equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the unaudited combined financial statements.

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**2 Summary of significant accounting policies** (continued)

**2.4 Property, plant and equipment** (continued)

*(c) Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

*(d) Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “Other gains – net”.

**2.5 Film rights**

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses. Film rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of five (5) years. Additional amortisation and/or impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

**2.6 Borrowing costs**

Borrowing costs are recognised in profit or loss using the effective interest method.

**2.7 Impairment of non-financial assets**

*Property, plant and equipment  
Film rights*

Property, plant and equipment and film rights are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (“CGU”) to which the asset belongs.

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**2 Summary of significant accounting policies (continued)**

**2.7 Impairment of non-financial assets (continued)**

*Property, plant and equipment (continued)*

*Film rights*

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

**2.8 Financial assets**

*(a) Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at the initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

As at the financial period ended 30 June 2014, the Group does not hold any of the financial assets except loans and receivables.

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**2 Summary of significant accounting policies (continued)**

**2.8 Financial assets (continued)**

*(a) Classification (continued)*

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those that are expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “Trade and other receivables” (Note 12) and “Cash and cash equivalents” (Note 11) on the unaudited combined balance sheets.

*(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

*(c) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

*(d) Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

*(e) Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

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**2 Summary of significant accounting policies (continued)**

**2.8 Financial assets (continued)**

*(e) Impairment (continued)*

*(i) Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

*(f) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the unaudited combined balance sheets when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.9 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

*(a) Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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**2 Summary of significant accounting policies (continued)**

**2.9 Borrowings (continued)**

*(b) Convertible bonds*

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component which are separately presented on the unaudited combined balance sheets.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the embedded equity conversion option (equity component), which is presented in equity net of any deferred tax effect. The embedded equity conversion option is recognised initially at its fair value and subsequently carried at fair value. Changes in fair value are recognised in the profit or loss. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amounts of the liability and equity components are transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

**2.10 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. They are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.11 Fair value estimation of financial assets and liabilities**

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

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**2 Summary of significant accounting policies (continued)**

**2.12 Leases**

*When the Group is the lessee*

The Group leases motor vehicles under finance leases from non-related parties and office space under operating leases from related and non-related parties.

*(i) Lessee – Finance lease*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the unaudited combined balance sheets as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

*(ii) Lessee – Operating lease*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

**2.13 Film products and films under production**

Film products are stated at the lower of cost less accumulated impairment losses. Film products pending theatrical release are included in current assets. Cost of film products, accounted for on a film-by-film basis includes production costs, costs of services, direct labour costs and facilities in the creation of a film.

Films under production include production costs, costs of services, direct labour costs and facilities in the creation of films. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any accumulated impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

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**2 Summary of significant accounting policies (continued)**

**2.14 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unaudited combined financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

**2.15 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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**2 Summary of significant accounting policies (continued)**

**2.15 Provisions (continued)**

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the unaudited combined statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

**2.16 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

*(a) Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore and Employee Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

*(b) Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

*(c) Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

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**2 Summary of significant accounting policies (continued)**

**2.17 Currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The unaudited combined financial statements are presented in Singapore Dollar (“SGD”), which is the functional currency of the Company.

*(b) Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the unaudited combined financial statements, currency translation differences arising from borrowings in foreign currencies are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the unaudited combined income statement within “Finance expense”. All other exchange gains and losses impacting profit or loss are presented in the unaudited combined income statement within “Other gains – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

*(c) Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;

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**2 Summary of significant accounting policies (continued)**

**2.17 Currency translation (continued)**

*(c) Translation of Group entities’ financial statements (continued)*

- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

**2.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

**2.19 Cash and cash equivalents**

For the purpose of presentation in the unaudited combined statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the unaudited combined balance sheet.

**2.20 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**2.21 Dividends to Company’s shareholders**

Dividends to the Company’s shareholders are recognised when the dividends are approved for payment.

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**3 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

*(a) Accounting for film rights and film products*

The costs of film rights and film products, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of five (5) years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales and exploitations.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying amounts of the assets. This could have an impact on the Group’s results of operations. The carrying amounts of film products and film rights as at 30 June 2014 are disclosed in Notes 13 and 15 to the financial statements, respectively.

If the estimated projected revenues had been higher/lower by 10% from the management’s estimates, the amortisation of the film rights would have been lower/higher by \$44,000 as at 30 June 2014.

*(b) Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the media and information communication industry market, economic or legal environment in which the debtor operates in.

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**3 Critical accounting estimates, assumptions and judgements (continued)**

*(b) Impairment of loans and receivables (continued)*

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows had been higher/lower by 10% from management’s estimates for all past due loans and receivables, the allowance for impairment of the Group and the Company would have been lower/higher by \$576,000 respectively.

The carrying amounts of trade and other receivables as at 30 June 2014 are disclosed in Note 12 respectively.

**4 Revenue**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>
Production	45	3,376
Distribution	1,307	829
Sponsorship	45	315
Other	65	188
	1,462	4,708
	1,462	4,708

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**5 Expenses by nature**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013 \$'000</b>	<b>2014 \$'000</b>
Production and distribution of film costs*	1,202	1,226
Depreciation of property plant and equipment	11	9
Amortisation of film rights	402	235
Employee compensation (Note 6)	180	306
Rental expense on operating leases	11	21
Printing and advertising	4	5
Travelling and transportation	18	45
Other	51	126
	1,879	1,973
Total cost of sales and administrative expenses	1,879	1,973

\* Production and distribution of film costs includes subcontracting costs, artiste fee, copyright fees, production crew payroll, transport, rental of equipment, share in the net receipts from the exploitation of the films and overhead costs.

**6 Employee compensation**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013 \$'000</b>	<b>2014 \$'000</b>
Wages and salaries	149	268
Employer’s contribution to defined contribution plans	17	33
Other short-term benefits	14	5
	180	306
	180	306

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**7 Other gains – net**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Currency translation gains – net	9	18

**8 Finance expenses**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense		
– Bank overdrafts	–	–*
– Convertible bonds	–	40
– Bank borrowings	8	6
– Finance lease liabilities	2	1
Finance expenses recognised in profit or loss	10	47

\* Less than \$1,000

**9 Income taxes**

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Tax expense attributable to (loss)/profit is made up of:		
– (Loss)/profit for the financial period		
Current income tax – Singapore	64	–
	64	–
Deferred income tax (Note 21)	–	484
	64	484

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**9 Income taxes** (continued)

The tax on the Group’s (loss)/profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013 \$’000</b>	<b>2014 \$’000</b>
(Loss)/profit before tax	(418)	2,706
Tax calculated at tax rate of 17%	(71)	460
Effects of:		
– different tax rates in other countries	(1)	24
– expenses not deductible for tax purposes	136	–
Tax charge	64	484

**10 Earnings per share**

For illustrative purpose, the calculation of the basic earnings per share is based on the net (loss)/profit attributable to equity holders of the Company for the three-month periods ended 30 June 2013 and 2014 respectively and on 83,000 ordinary shares, representing the aggregate amounts of the paid-up share capital of mm2 Entertainment Pte. Ltd. and mm2 Entertainment Sdn. Bhd.

There were no diluted earnings per share for the financial periods ended 30 June 2013 and 2014 as there were no potential ordinary shares outstanding.

	<b>30 June 2013 (audited) \$</b>	<b>30 June 2014 (unaudited) \$</b>
Basic and diluted	(5.61)	22.34

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**11 Cash and cash equivalents**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Cash at bank and on hand	520	2,139
Short-term bank deposits	81	82
	<u>601</u>	<u>2,221</u>

For the purpose of presenting in the unaudited combined statement of cash flows, cash and cash equivalents comprises the following:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Cash and bank balances (as above)	601	2,221
Less: Bank deposits pledged	(81)	(82)
Less: Bank overdrafts (Note 18)	(14)	(77)
Cash and cash equivalents per unaudited combined statement of cash flows	<u>506</u>	<u>2,062</u>

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 18).

**12 Trade and other receivables**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Trade receivables		
– Non-related parties	8,563	8,391
– Related parties	53	290
	<u>8,616</u>	<u>8,681</u>

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**12 Trade and other receivables (continued)**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Other receivables		
– Non-related parties	339	812
– Related parties	1,680	439
– Directors <sup>(1)</sup>	588	193
Deposits	20	20
Deposit to acquire script rights	–	1,200
Prepayments	120	256
	11,363	11,601

The amount due from related parties and directors are unsecured, interest-free and repayable on demand.

On 6 March 2014, the subsidiary, mm2 Entertainment Pte. Ltd. entered into a purchase agreement to acquire the script rights of a film. As at the reporting date, the subsidiary had paid a refundable deposit of \$1,200,000.

(1) The amount due from director will be settled in the subsequent period.

**13 Film products and films under production**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Film products	562	–
Films under production	929	3,998
	1,491	3,998
(a) Film products		
Beginning of financial year/period	–	562
Transfer from films under production (Note 13(b))	6,209	6
Transfer to film rights (Note 15)	(5,647)	(568)
End of financial year/period	562	–

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**13 Film products and films under production (continued)**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
(b) Films under production		
Beginning of financial year/period	339	929
Additions	6,799	3,075
Transfer to film products (Note 13 (a))	(6,209)	(6)
End of financial year/period	<u>929</u>	<u>3,998</u>

**14 Property, plant and equipment**

	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Office equipment and computers</b>	<b>Tools and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 March 2014 (audited)</b>					
<i>Cost</i>					
Beginning of financial year	99	59	71	12	241
Currency translation differences	(4)	(2)	(2)	–	(8)
Additions	–	2	5	–	7
End of financial year	<u>95</u>	<u>59</u>	<u>74</u>	<u>12</u>	<u>240</u>
<i>Accumulated depreciation</i>					
Beginning of financial year	36	13	48	4	101
Currency translation differences	(1)	–	(2)	–	(3)
Depreciation charge	19	6	16	1	42
End of financial year	<u>54</u>	<u>19</u>	<u>62</u>	<u>5</u>	<u>140</u>
<b>Net book value</b>					
<b>End of financial year</b>	<u>41</u>	<u>40</u>	<u>12</u>	<u>7</u>	<u>100</u>

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**14 Property, plant and equipment (continued)**

	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Office equipment and computers</b>	<b>Tools and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2014 (unaudited)</b>					
<i>Cost</i>					
Beginning of financial period	95	59	74	12	240
Currency translation differences	1	(1)	–	–	–
Additions	–	20	–	–	20
End of financial period	96	78	74	12	260
<i>Accumulated depreciation</i>					
Beginning of financial period	54	19	62	5	140
Currency translation differences	–	(1)	–	–	(1)
Depreciation charge	5	2	2	–*	9
End of financial period	59	20	64	5	148
<b>Net book value</b>					
<b>End of financial period</b>	37	58	10	7	112

\* Less than \$1,000

Included within additions in the unaudited combined financial statements are property, plant and equipment acquired under finance leases amounting to \$Nil and \$19,000 at the respective financial year/period ended 31 March 2014 and 30 June 2014.

The carrying amounts of motor vehicles held under finance leases are \$41,000 and \$37,000 at the respective financial year/period ended 31 March 2014 and 30 June 2014.

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**15 Film rights**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
<i>Cost</i>		
Beginning of financial year/period	1,648	7,807
Currency translation differences	(5)	2
Additions	517	83
Transfer from film products (Note 13)	5,647	568
End of financial year/period	7,807	8,460
<i>Accumulated amortisation</i>		
Beginning of financial year/period	643	4,045
Currency translation differences	(3)	–
Amortisation charge	3,405	235
End of financial year/period	4,045	4,280
<b>Net book value</b>	<b>3,762</b>	<b>4,180</b>

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**16 Trade and other payables**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Trade payables		
– Non-related parties	10,485	10,118
– Related parties	379	354
	<hr/> 10,864	<hr/> 10,472
Other payables		
– Non-related parties	116	108
– Related parties	127	128
Accruals for operating expenses	103	83
Withholding tax	87	15
GST payables	88	89
	<hr/> <hr/> 11,385	<hr/> <hr/> 10,895

The amounts due to related parties are unsecured, interest-free and repayable on demand.

**17 Deferred income**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Deferred income	<hr/> 238	<hr/> 102

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**18 Borrowings**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
<i>Current</i>		
Bank overdrafts (Note 11)	14	77
Term loan 1	15	16
Term loan 2	45	48
Term loan 3	14	14
Finance lease liabilities (Note 20)	12	24
	100	179
<i>Non-current</i>		
Term loan 1	32	29
Term loan 2	44	33
Term loan 3	38	33
Borrowings – non-related party	405	305
Convertible bonds (Note 19)	450	3,200
Finance lease liabilities (Note 20)	55	55
	1,024	3,655
Total borrowings	1,124	3,834

Bank overdrafts and Term Loan 1

Bank overdrafts and Term loan 1 is secured by fixed deposit against a fresh Letter of Set-off over first party fixed deposit pledged of \$76,923 (equivalent to RM200,000). Interest earned from short-term bank deposit shall be capitalised as additional security and guarantee against joint and several guarantee for \$192,307 (equivalent to RM500,000) by Angelin Ong Pei Sian<sup>(1)</sup> and Chan Teck Kian<sup>(1)</sup> and a personal guarantee of \$192,307 (in USD equivalent to RM500,000) by Ang Wee Chye.

(1) Directors of subsidiary, mm2 Entertainment Sdn. Bhd.

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**18 Borrowings** (continued)

Term Loan 2

Term loan 2 is secured by joint and several guarantee for \$134,615 (equivalent to RM350,000) to be signed by Angelin Ong Pei Sian and Ang Wee Chye.

Term Loan 3

Term Loan 3 is secured by Deed of guarantee and indemnity for all monies from Ang Wee Chye and a non-related party.

Borrowings – non-related party

The Group has entered into an agreement with Orientivity Pte Ltd (“Orientivity”), whereby Orientivity agreed to fund a production film with a guarantee on investment contribution at a minimum internal rate of return at 8%.

Finance lease liabilities

Finance lease liabilities of the Group are effectively secured over the motor vehicles (Note 14), as the legal titles is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

The exposure of the borrowings of the Group to interest rate changes and contractual repricing dates at the balance sheet date are as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
6 months or less	59	126
6 – 12 months	41	53
1 – 5 years	1,021	3,655
Over 5 years	3	–
	<u>1,124</u>	<u>3,834</u>

Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying amounts.

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**18 Borrowings (continued)**

The fair values are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	<b>31 March 2014 (audited) %</b>	<b>30 June 2014 (unaudited) %</b>
Borrowings – non-related party	5.35	5.35
Convertible bonds	5.38	5.38
Bank borrowings	5.35	5.35
Finance lease liabilities	4.12	4.12

**19 Convertible bonds**

As part of the fund raising exercise prior to the Company’s listing on the Catalist, the sponsor-supervised listing platform of the Singapore Stock Exchange Securities Trading Limited, the Group’s subsidiary, mm2 Entertainment Pte. Ltd. had on:

- (i) 10 September 2013 and 5 November 2013 issued redeemable convertible bonds denominated in Singapore Dollar with a nominal value of \$200,000 and \$250,000. The bonds are due for repayment on 28 August 2015 and 5 July 2015 at their nominal value of \$200,000 and \$250,000 respectively or conversion into shares of the Company at the holder’s option with the conversion price fixed at 37.5% discount to the issue price of the shares to be allotted to the public investors; and
- (ii) 8 May 2014 and 12 June 2014 issued redeemable convertible bonds denominated in Singapore Dollar with a nominal value of \$2,500,000 and \$250,000. The bonds are due for repayment on 8 May 2016 and 12 December 2015 at their nominal value of \$2,500,000 and \$250,000 respectively or conversion into shares of the Company at the holder’s option with conversion price fixed at 38% and 37.5% discount to the issue price of the shares to be allotted to the public investors.

The convertible bonds are regarded as a hybrid instrument consisting of an embedded derivative, the economic characteristics and risks of which are not closely related to that of the host instrument, the bonds. The conversion options under the terms of the convertible bonds collectively formed a single compound embedded derivative in the convertible bonds. The management assessed the fair value of the single compound embedded derivative at the inception of the convertible bonds and at the balance sheet date and considered it as not significant, hence this single compound embedded derivative was not recognised.

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**19 Convertible bonds (continued)**

The fair values of the liability component is calculated using a market interest rate for an equivalent non-convertible bond at the respective date of issue. The residual amount, representing the value of the equity component which based on management’s assessment is not significant and was therefore included within the liability component.

The carrying amount of the liability component of the convertible bonds amounting to \$3,200,000 at the balance sheet date is presented as “Borrowings” and classified as non-current liabilities.

**20 Finance lease liabilities**

The Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	<b>31 March 2014 (audited) \$’000</b>	<b>30 June 2014 (unaudited) \$’000</b>
Minimum lease payments due		
– Not later than one year	15	27
– Between one and five years	59	64
– Later than five years	4	–
	<u>78</u>	<u>91</u>
Less: Future finance charges	(11)	(12)
Present value of finance lease liabilities	<u>67</u>	<u>79</u>

The present values of finance lease liabilities are analysed as follows:

	<b>31 March 2014 (audited) \$’000</b>	<b>30 June 2014 (unaudited) \$’000</b>
Not later than one year (Note 18)	<u>12</u>	<u>24</u>
Later than one year (Note 18)		
– Between one and five years	52	55
– Later than five years	3	–
	<u>55</u>	<u>55</u>
Total	<u>67</u>	<u>79</u>

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**21 Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the balance sheet as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
<b>Deferred income tax assets</b>		
– To be recovered after one year	(137)	(165)
	<u>(137)</u>	<u>(165)</u>
<b>Deferred income tax liabilities</b>		
– To be settled within one year	145	195
– To be settled after one year	790	1,254
	<u>935</u>	<u>1,449</u>

Movement in deferred income tax account is as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Beginning of financial year/period	130	798
Currency translation differences	1	2
Tax charge to		
– profit or loss (Note 9)	667	484
End of financial year/period	<u>798</u>	<u>1,284</u>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

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**21 Deferred income taxes (continued)**

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

*Deferred income tax liabilities*

	<b>Deductible expenses \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>31 March 2014 (audited)</b>			
Beginning of financial year	239	8	247
Currency translation differences	(2)	–	(2)
Charged to			
– profit or loss	690	–	690
End of financial year	927	8	935
<b>30 June 2014 (unaudited)</b>			
Beginning of financial period	927	8	935
Currency translation differences	3	–	3
Charged to			
– profit or loss	511	–	511
End of financial period	1,441	8	1,449

*Deferred income tax assets*

	<b>Tax losses \$'000</b>	<b>Total \$'000</b>
<b>31 March 2014 (audited)</b>		
Beginning of financial year	(117)	(117)
Currency translation differences	3	3
Charged/(credited) to		
– profit or loss	(23)	(23)
End of financial year	(137)	(137)
<b>30 June 2014 (unaudited)</b>		
Beginning of financial period	(137)	(137)
Currency translation differences	(1)	(1)
Charged/(credited) to		
– profit or loss	(27)	(27)
End of financial period	(165)	(165)

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**22 Share capital**

For the purpose of the preparation of the unaudited combined financial statements, the share capital as at 30 June 2014 represents the aggregate amounts of the paid-up capital of the following companies:

	<b>No. of ordinary shares '000</b>	<b>Amount \$'000</b>
<i>Ordinary shares of no par value, fully paid</i>		
mm2 Entertainment Pte. Ltd.	20	20
mm2 Entertainment Sdn. Bhd.	63	63
	<u>83</u>	<u>83</u>

The movements in the share capital are as follows:

	<b>mm2 Entertainment Pte. Ltd. \$'000</b>	<b>mm2 Entertainment Sdn. Bhd. \$'000</b>	<b>Total \$'000</b>
<b>31 March 2014</b>			
Beginning and end of financial year	<u>20</u>	<u>63</u>	<u>83</u>
<b>30 June 2014</b>			
Beginning and end of financial period	<u>20</u>	<u>63</u>	<u>83</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one (1) vote per share and carry a right to dividends as and when declared by the Company.

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**23 Other reserves**

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
(a) Composition		
Currency translation reserve	4	5
(b) Movement		
<i>Currency translation reserve</i>		
Beginning of financial year/period	–	4
Net currency translation difference of financial statement of foreign subsidiary	12	3
Less: Non-controlling interests	(8)	(2)
End of financial year/period	4	5

**24 Commitments**

Operating lease commitments – where the Group is a lessee

The Group leases office space from related and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Not later than one year	119	148
Between one and five years	77	74
	196	222

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**25 Financial risk management**

*Financial risk factors*

The Group’s activities expose it to market risk (including currency risk, price risk, and cash flow and fair value interest rate risk), credit risk, liquidity risk and capital risk. The Group’s overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group’s financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group’s operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Board of Directors. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective currencies (“foreign currencies”).

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar (“SGD”), Malaysian Ringgit (“RM”), United States Dollar (“USD”) and Chinese Renminbi (“RMB”).

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations in Malaysia.

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**25 Financial risk management (continued)**

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group’s currency exposure based on the information provided to key management is as follows:

	<b>SGD</b>	<b>RM</b>	<b>Others</b>	<b>Total</b>
	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>	<b>\$’000</b>
<b>At 31 March 2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	268	333	–	601
Trade and other receivables	5,178	5,267	798	11,243
	<b>5,446</b>	<b>5,600</b>	<b>798</b>	<b>11,844</b>
<b>Financial liabilities</b>				
Trade and other payables	(4,923)	(5,156)	(1,306)	(11,385)
Borrowings	(905)	(219)	–	(1,124)
	<b>(5,828)</b>	<b>(5,375)</b>	<b>(1,306)</b>	<b>(12,509)</b>
<b>Net financial (liabilities)/assets</b>	<b>(382)</b>	<b>225</b>	<b>(508)</b>	<b>(665)</b>
<b>Currency exposure of financial assets/(liabilities) net of those denominated in the Group’s functional currency</b>				
	<b>171</b>	<b>1,356</b>	<b>(508)</b>	<b>1,019</b>
<b>At 30 June 2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,258	963	–	2,221
Trade and other receivables	7,988	2,430	927	11,345
	<b>9,246</b>	<b>3,393</b>	<b>927</b>	<b>13,566</b>
<b>Financial liabilities</b>				
Trade and other payables	(5,938)	(4,410)	(547)	(10,895)
Borrowings	(3,552)	(282)	–	(3,834)
	<b>(9,490)</b>	<b>(4,692)</b>	<b>(547)</b>	<b>(14,729)</b>
<b>Net financial (liabilities)/assets</b>	<b>(244)</b>	<b>(1,299)</b>	<b>380</b>	<b>(1,163)</b>
<b>Currency exposure of financial assets/(liabilities) net of those denominated in the Group’s functional currency</b>				
	<b>651</b>	<b>(680)</b>	<b>380</b>	<b>351</b>

The Group’s exposure to currency risk is not significant as it mainly transacts in its functional currency and small portion in currency other than its functional currency.

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**25 Financial risk management (continued)**

(a) Market risk (continued)

(ii) *Price risk*

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group’s income is substantially independent of changes in market interest rates. The Group’s interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

The Group’s borrowings are at variable rates which no hedges have been entered into as the loans are denominated in the respective operating entities’ functional currencies and there are natural hedges as the Group’s collections are mainly in its respective operating entities’ functional currencies. If the interest rates had increased/decreased by 0.5% in the respective financial year/period ended 31 March 2014 and 30 June 2014 with all other variables including tax rate being held constant, management had assessed and determined the impact to profit after tax as a result of higher/lower interest expense on these borrowings is not significant.

(b) Credit risk

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank balances and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by Board of Directors based on continuous credit evaluation. The counterparty’s payment pattern and credit exposure are regularly monitored by the Board of Directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the unaudited combined balance sheets.

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**25 Financial risk management (continued)**

(b) Credit risk (continued)

As at 31 March 2014 and 30 June 2014, the trade receivables are largely corporate companies and comprise 5 debtors in the respective financial year/period ended that individually represented 2% – 20% of trade receivables.

The credit risk of trade receivables based on the information provided to key management is as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
<u>By geographical areas</u>		
Singapore	4,263	5,850
Malaysia	3,403	1,598
China	471	632
Taiwan	344	385
Hong Kong	135	216
	8,616	8,681

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and are not re-negotiated.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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**25 Financial risk management** (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired* (continued)

The age analysis of trade receivables past due but not impaired is as follows:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Past due less than 3 months	2,543	3,011
Past due over 3 months	2,025	2,746
	4,568	5,757

At the respective balance sheet date, management has assessed that no allowance for impairment is required for the receivables.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 18). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and bank balances as disclosed in Note 11.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents of the Group on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Board of Directors.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

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**25 Financial risk management** (continued)

(c) Liquidity risk (continued)

	<b>Less than 1 year \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>
<b>At 31 March 2014</b>				
Trade and other payables	11,385	–	–	–
Borrowings	100	972	83	3
	<u>11,485</u>	<u>972</u>	<u>83</u>	<u>3</u>
<b>At 30 June 2014</b>				
Trade and other payables	10,895	–	–	–
Borrowings	179	843	3,066	9
	<u>11,074</u>	<u>843</u>	<u>3,066</u>	<u>9</u>

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue to operate as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the gearing ratio which the Board of Directors monitors on a periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus and trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Net debt	11,908	12,508
Total equity	<u>3,772</u>	<u>5,997</u>
Total capital	<u>15,680</u>	<u>18,505</u>
<b>Gearing ratio</b>	<u><b>76%</b></u>	<u><b>68%</b></u>

The Group is in compliance with all externally imposed capital requirements for the respective financial year and period ended 31 March 2014 and 30 June 2014.

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**25 Financial risk management** (continued)

(e) Fair value measurements

The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the unaudited combined balance sheets, except for the following:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Loans and receivables	11,844	13,566
Financial liabilities at amortised cost	<u>12,509</u>	<u>14,729</u>

**26 Related party transactions**

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013 \$'000</b>	<b>2014 \$'000</b>
<u>Sales of goods and/or services to</u>		
– other related parties	<u>12</u>	<u>21</u>
Payments made on behalf and reimbursed by other related parties	<u>40</u>	<u>(1,010)</u>

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**26 Related party transactions (continued)**

(a) Sales and purchases of goods and services (continued)

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group’s key management personnel and their close family members.

Outstanding balances at 31 March 2014 and 30 June 2014, arising from sales/purchase of services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 16 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>
<i>Directors</i>		
Wages and salaries	23	50
Employer’s contribution to defined contribution plans	2	5
	25	55
<i>Key management personnel</i>		
Wages and salaries	27	89
Employer’s contribution to defined contribution plans	3	11
	55	155

**27 Segment information**

Management has determined the operating and geographical segment based on the reports reviewed by the Chief Executive Officer for the purpose of resource allocation and assessment of the Group’s performance.

At 31 March 2014 and 30 June 2014, the Group was organised into one operating segment, which is relating to motion pictures, videos and television programs and production activities. This is based on the Group’s internal organisation and management structure and the primary way in which the Board of Directors is provided with the financial information.

Whilst revenue are reported into three main revenue stream, as described below, the Group’s results, the cost and balance sheet components are only analysed into one operating segment.

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**27 Segment information (continued)**

(i) Production income

They are mainly related to selling of the firm’s future exploitation, producer fee income and consultancy fee income and government grant received.

(ii) Distribution income

They are mainly related to the Box Office receipts of the movies released and exploitation of the script and sequel rights of the movie via licensing agreements.

(iii) Sponsorship income

They are mainly related to sponsorships associated with the production of films.

Accordingly, no segmental information is presented based on operating segment as the Board of Directors is of the opinion that it is not meaningful and impracticable. Additionally, the measurement of results, the cost and balance sheet components are not used by the Chief Executive Officer when making operating decisions about allocating resources and assessment of performance.

(a) Geographical information

The Group’s revenue is mainly derived from the following geographical areas:

	<b>Three-month period ended 30 June (unaudited)</b>	
	<b>2013</b>	<b>2014</b>
	<b>\$’000</b>	<b>\$’000</b>
Singapore	379	2,309
Malaysia	1,033	1,494
Other countries	50	905
	1,462	4,708
	1,462	4,708

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**27 Segment information** (continued)

(a) Geographical information (continued)

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas:

	<b>31 March 2014 (audited) \$'000</b>	<b>30 June 2014 (unaudited) \$'000</b>
Singapore	3,699	3,667
Malaysia	300	790
	<u>3,999</u>	<u>4,457</u>

Information of major customer

Revenue of approximately \$250,000 and \$416,000 is derived from a single external customer at the respective three-month period ended 30 June 2013 and 30 June 2014.

**28 New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group’s accounting periods beginning on or after 1 April 2014 or later periods and which the Group has not early adopted:

- Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- FRS 114: Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

**29 Authorisation of financial statements**

These unaudited combined financial statements for the financial period ended 30 June 2014, have been prepared for inclusion in the Offer Document of mm2 Asia Ltd. (the “Company”) and were authorised for issue by the Board of Directors of the Company on 2 December 2014.

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## APPENDIX C – SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

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The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Articles.

The instruments that constitute and define our Company are the Memorandum and Articles of Association of our Company.

### Articles of Association

The provisions in the Articles of Association of our Company relating to:

(a) *Ability of interested Directors to vote*

A Director shall not vote in respect of any contract or proposed contract or arrangement with our Company in which he has any personal material interest directly or indirectly, and he shall not be counted in the quorum present at the meeting, save that where the matter relates to his appointment to any office or place of profit under our Company or the terms of such appointment, he may be counted in the quorum but shall not vote.

(b) *Remuneration*

The remuneration of a Non-executive Director shall be a fixed sum (not being a commission on or percentage of profits or turnover of our Company). Fees payable to the Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director may be paid such sum, as the Directors may think fit for expenses and also such remuneration as the Directors shall determine (but not by way of commission on or percentage of turnover), either in addition to or in substitution for any other remuneration he may be entitled to receive.

The remuneration of a Managing Director (or person holding equivalent position) shall be fixed by the Directors, subject to the provisions of any contract between the Managing Director (or a person holding an equivalent position) and our Company, and may be by way of fixed salary, commission or participation in profits (but not turnover) of our Company or by any or all of these modes.

Subject to the provisions of the relevant statutes, our Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

(c) *Borrowing powers*

The Directors may exercise all the powers of our Company to raise or borrow or secure the payment of any sum or sums of moneys for the purposes of our Company. There are no specific provisions under our Articles of Association for the variation of such powers.

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## APPENDIX C – SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

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(d) *Retirement age limit*

There is no retirement age limit for Directors under our Articles of Association. Section 153 (1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company or of a subsidiary of a public company, unless he is appointed or re-appointed as a director of our Company or authorised to continue in office as a director of our Company by way of an ordinary resolution passed at an annual general meeting of our Company.

(e) *Shareholding qualification*

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of our Company.

(f) *Ordinary shares*

We have only one class of shares, namely, our ordinary shares, which have identical rights in all respects and rank equally with one another. Our Articles of Association provide that we may issue shares of a different class with preferential, deferred, qualified or other special rights, privileges or conditions as our Company may determine and may issue preference shares which are, or at our option are, subject to redemption and limitations.

All of our ordinary shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own ordinary shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our own ordinary shares.

(g) *Change in capital*

The Company in general meeting may from time to time by ordinary resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.

(h) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be modified, affected, altered or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. The necessary quorum for such meetings shall be at least two persons present and holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy, shall on a poll have one vote for every share of the class held by him.

(i) *Dividends and distribution*

We may, by ordinary resolution, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. Any dividend we pay must be paid out of our profits or pursuant to Section 76 of the Companies Act. Our Board

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## APPENDIX C – SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

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of Directors may also declare an interim dividend. All dividends are paid *pro rata* among the shareholders in proportion to the number of shares held by them. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, our payment to CDP of any dividend payable to a shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

CDP will hold all dividends unclaimed for six (6) years after having been declared and paid before release to our Directors, and our Directors may invest or otherwise make use of the unclaimed dividends for the benefit of our Company. Any dividend unclaimed after a period of six (6) years from the date they are first payable may be forfeited and the relevant Shareholder shall not have any right or claim in respect of such dividends or moneys against our Company.

Our Directors may retain any dividends on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(j) *Limitations on foreign or non-resident shareholders*

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of non-resident shareholders to hold or vote our ordinary shares.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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### 1. NAME OF THE PLAN

The Plan shall be called the “Performance Share Plan”.

### 2. DEFINITIONS

2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<i>“Act”</i>	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time.
<i>“Adoption Date”</i>	The date on which the Plan is adopted by resolution of the Shareholders of our Company.
<i>“Articles”</i>	The Articles of our Company, as amended or modified from time to time.
<i>“Auditors”</i>	The auditors of our Company for the time being.
<i>“Award”</i>	A contingent award of Shares granted under Rule 5.
<i>“Award Date”</i>	In relation to an Award, the date on which the Award is granted pursuant to Rule 5.
<i>“Award Letter”</i>	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee.
<i>“Board”</i>	The Board of Directors of our Company for the time being.
<i>“CDP”</i>	The Central Depository (Pte) Limited.
<i>“Catalist”</i>	The Catalist Board of the SGX-ST.
<i>“Committee”</i>	The remuneration committee of the Company duly authorised by the Board of Directors to administer the Plan.
<i>“Company”</i>	mm2 Asia Ltd.
<i>“Control”</i>	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of our Company.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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<i>“Controlling Shareholder”</i>	A person who holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in our Company; or in fact exercises Control over our Company.
<i>“Depositor”</i>	A person being a Depository Agent or holder of a securities account maintained with CDP but not including a holder of a sub-account maintained with a Depository Agent.
<i>“Group”</i>	Our Company and its subsidiaries.
<i>“Group Executive”</i>	Any employee of our Group (including any Group Executive Director and Group Non-Executive Director who meets the relevant age and rank criteria and who shall be regarded as a Group Executive for the purposes of the Plan) selected by the Committee to participate in the Plan in accordance with Rule 4(a).
<i>“Group Executive Director”</i>	A director of our Company and/or any of its subsidiaries, as the case may be, who performs an executive function.
<i>“Group Non-Executive Director”</i>	A director of our Company and/or any of its subsidiaries, as the case may be, who is not a Group Executive Director, including independent directors.
<i>“Listing Manual”</i>	Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
<i>“Market Value”</i>	In relation to a Share, on any day:  (a) the average price of a Share on the SGX-ST over the five immediately preceding Trading Days; or  (b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.
<i>“Participant”</i>	Any eligible person selected by the Committee to participate in the Plan in accordance with the rules hereof.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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<i>“Performance Condition”</i>	In relation to an Award, the condition specified on the Award Date in relation to that Award.
<i>“Performance Period”</i>	In relation to an Award, a period, the duration of which is to be determined by the Committee on the Award Date, during which the Performance Condition is to be satisfied.
<i>“Plan”</i>	The Performance Share Plan, as the same may be modified or altered from time to time.
<i>“Release”</i>	In relation to an Award, the release at the end of the Performance Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and “Released” shall be construed accordingly.
<i>“Release Schedule”</i>	In relation to an Award, a schedule in such form as the Committee shall approve, setting out the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the Performance Period.
<i>“Released Award”</i>	An Award which has been released in accordance with Rule 7.
<i>“Retention Period”</i>	In relation to an Award, such period commencing on the Vesting Date in relation to that Award as may be determined by the Committee on the Award Date.
<i>“SGX-ST”</i>	The Singapore Exchange Securities Trading Limited.
<i>“Shares”</i>	Ordinary shares in the capital of our Company.
<i>“Shareholders”</i>	The registered holders for the time being of the shares (other than the CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register.
<i>“Sponsor”</i>	The sponsor of our Company from time to time, as required by the Listing Manual.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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- “Subsidiary”* A company (whether incorporated within or outside Singapore and wheresoever resident) being a subsidiary for the time being of our Company within the meaning of Section 5 of the Act.
- “Trading Day”* A day on which the Shares are traded on Catalist.
- “Vesting”* In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “Vest” and “Vested” shall be construed accordingly.
- “Vesting Date”* In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested pursuant to Rule 7.
- 2.2 For purposes of the Plan, our Company shall be deemed to have control over another company if it has the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company.
- 2.3 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.
- 2.4 Any reference to a time of a day in the Plan is a reference to Singapore time.
- 2.5 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in the Plan and used in the Plan shall have the meaning assigned to it under the Act or any statutory modification thereof, as the case may be.
- 2.6 The term “Associate” shall have the meaning ascribed to it by the Listing Manual as set out below:
- (a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:
    - a. his immediate family;
    - b. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    - c. any corporation in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
  - (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a corporation) means any other corporation which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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- 2.7 The terms “Depository Register” and “Depository Agent” shall have the same meanings ascribed to them by Section 130A of the Act.

### 3. OBJECTIVES OF THE PLAN

The Plan has been proposed in order to:

- (a) foster an ownership culture within our Group which aligns the interests of Group Executives with the interests of Shareholders;
- (b) motivate Participants to achieve key financial and operational goals of our Company and/or their respective business units and encourage greater dedication and loyalty to our Group; and
- (c) make total employee remuneration sufficiently competitive to recruit new Participants and/or retain existing Participants whose contributions are important to the long term growth and profitability of our Group.

### 4. ELIGIBILITY OF PARTICIPANTS

- 4.1 The following persons shall be eligible to participate in the Plan at the absolute discretion of the Committee:

- (i) Group Executives

Full-time employees of our Group, Group Executive Directors and Group Non-Executive Directors who have attained the age of 21 years as of the Award Date and hold such rank as may be designated by the Committee from time to time. The Participant must also not be an undischarged bankrupt and must not have entered into a composition with his creditors.

- (ii) Controlling Shareholders and Associates of Controlling Shareholders

Subject to Rule 4.2, persons who are qualified under 4.1(i) above and who are also Controlling Shareholders or Associates of Controlling Shareholders.

- 4.2 Employees who are Controlling Shareholders or Associates of Controlling Shareholders shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1(i) above) not participate in the Plan unless:

- (i) their participation; and
- (ii) the terms of each grant and the actual number of Awards to be granted to them,

have been approved by the independent Shareholders in general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the terms of each grant and the actual number of Awards to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent Shareholders of our Company for the participation in the Plan of a Controlling Shareholder or an Associate of a Controlling Shareholder who

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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is, at the relevant time already a Participant. For the purposes of obtaining such approval from the independent Shareholders, our Company shall procure that the circular, letter or notice to the Shareholder in connection therewith shall set out the following:

- (a) clear justifications for the participation of such Controlling Shareholders or Associates of Controlling Shareholders; and
- (b) clear rationale for the terms of the Awards to be granted to such Controlling Shareholders or Associates of Controlling Shareholders.

4.3 Save as prescribed by Rule 853 of the Listing Manual, there shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive scheme, whether or not implemented by any other companies within our Group.

4.4 Subject to the Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee.

### 5. GRANT OF AWARDS

5.1 Except as provided in Rule 8, the Committee may grant Awards to Group Executives as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force, provided that no Participant who is a member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.

5.2 The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and the extent of effort and resourcefulness with which the Performance Condition may be achieved within the Performance Period, provided that in relation to Controlling Shareholders and Associates of Controlling Shareholders:

- (a) the aggregate number of Shares which may be offered by way of grant of Awards to Participants who are Controlling Shareholders or Associates of Controlling Shareholders under this Plan shall not exceed 25% of the total number of Shares available under this Plan, and such aggregate number of Shares which may be offered to such Participants under this Plan has been approved by the independent Shareholders of our Company in a separate resolution. For the purposes of obtaining such approval of the independent Shareholders of our Company, the Committee shall procure that the circular, letter or notice to the Shareholders in connection therewith shall set out clear rationale for the participation of and grant of Awards to Participants who are Associates of Controlling Shareholders, provided always that it shall not be necessary to obtain the approval of the independent Shareholders of our Company for the participation in this Plan of Associates of Controlling Shareholders who at the relevant time were already Participants; and
- (b) the number of Shares available to each Controlling Shareholder or Associate of a Controlling Shareholder shall not exceed 10% of the Shares available under this Plan.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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- 5.3 The Committee shall decide, in relation to an Award:
- (a) the Participant;
  - (b) the Award Date;
  - (c) the Performance Period;
  - (d) the number of Shares which are the subject of the Award;
  - (e) the Performance Condition;
  - (f) the Release Schedule; and
  - (g) any other condition(s) which the Committee may determine in relation to that Award.
- 5.4 The Committee may amend or waive the Performance Period, the Performance Condition and/or the Release Schedule in respect of any Award:
- (a) in the event of a takeover offer being made for the Shares or if (i) Shareholders of our Company or (ii) under the Act, the court, sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies or in the event of a proposal to liquidate or sell all or substantially all of the assets of our Company; or
  - (b) if anything happens which causes the Committee to conclude that:
    - (i) a changed Performance Condition and/or Release Schedule would be a fairer measure of performance, and would be no less difficult to satisfy; or
    - (ii) the Performance Condition and/or Release Schedule should be waived, and shall notify the Participants of such change or waiver.
- 5.5 As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:
- (a) the Award Date;
  - (b) the Performance Period;
  - (c) the number of Shares which are the subject of the Award;
  - (d) the Performance Condition;
  - (e) the Release Schedule; and
  - (f) any other condition which the Committee may determine in relation to that Award.
- 5.6 Participants are not required to pay for the grant of Awards.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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- 5.7 An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of the Committee, that Award or Released Award shall immediately lapse.

### 6. EVENTS PRIOR TO THE VESTING DATE

- 6.1 An Award shall, to the extent not yet Released, immediately lapse without any claim whatsoever against our Company:
- (a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;
  - (b) subject to Rule 6.2(b), where the Participant is a Group Executive, upon the Participant ceasing to be in the employment of our Group for any reason whatsoever; or
  - (c) in the event of an order being made or a resolution passed for the winding-up of our Company on the basis, or by reason, of its insolvency.

For the purpose of Rule 6.1(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 6.2 In any of the following events, namely:
- (a) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Award;
  - (b) where the Participant being a Group Executive ceases to be in the employment of the Group by reason of:
    - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
    - (ii) redundancy;
    - (iii) retirement at or after the legal retirement age;
    - (iv) retirement before the legal retirement age with the consent of the Committee;
    - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within our Group or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group;
    - (vi) (where applicable) his transfer of employment between companies within our Group;

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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(vii) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within our Group; or

(viii) any other event approved by the Committee;

(c) the death of a Participant; or

(d) any other event approved by the Committee,

the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to Vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the Performance Period and subject to the provisions of the Plan. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the Performance Condition has been satisfied.

6.3 Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:

(a) a takeover offer for the Shares becomes or is declared unconditional;

(b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies being approved by Shareholders of our Company and/or sanctioned by the court under the Act; or

(c) an order being made or a resolution being passed for the winding up of our Company (other than as provided in Rule 6.1(c) or for amalgamation or reconstruction),

the Committee will consider, at its discretion, whether or not to Release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to Release any Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Performance Period which has elapsed and the extent to which the Performance Condition has been satisfied. Where Awards are Released, the Committee will, as soon as practicable after the Awards have been Released, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7. If the Committee so determines, the Release of Awards may be satisfied in cash as provided in Rule 7.

## 7. RELEASE OF AWARDS

### 7.1 Review of Performance Condition

(a) As soon as reasonably practicable after the end of each Performance Period, the Committee shall review the Performance Condition specified in respect of each Award and determine at its discretion whether it has been satisfied and, if so, the extent to which it has been satisfied, and provided that the relevant Participant has continued to be a Group Executive from the Award Date up to the end of the Performance Period, shall Release to that Participant all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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satisfaction of the Performance Condition) of the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date. If not, the Awards shall lapse and be of no value.

If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or (subject to Rule 6) if the relevant Participant has not continued to be a Group Executive from the Award Date up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rules 7.2 to 7.4 shall be of no effect.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of our Company or our Group to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events, and further the right to amend the Performance Condition if the Committee decides that a changed performance target would be a fairer measure of performance.

- (b) Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Trading Day falling as soon as practicable after the review by the Committee referred to in Rule 7.1(a) and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.
- (c) Where new Shares are allotted upon the Vesting of any Award, our Company shall, as soon as practicable after such allotment, apply to the Sponsor and/or the SGX-ST and any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of such Shares.

### 7.2 Release of Award

On Vesting of the Award, after the end of each Performance Period, the Committee has the discretion to determine whether to issue new Shares or to procure the transfer of existing Shares, or a combination of both methods to the Participant. Shares which are allotted or transferred on the Release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent, in each case, as designated by that Participant.

### 7.3 Ranking of Shares

New Shares issued and allotted, and existing Shares procured by our Company for transfer, on the Release of an Award shall:

- (a) be subject to all the provisions of the Articles and the Memorandum of Association of our Company (including provisions relating to the liquidation of our Company); and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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“Record Date” means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

### 7.4 Cash Awards

The Committee, in its absolute discretion, may determine to make a Release of an Award, wholly or partly, in the form of cash rather than Shares, in which event the Participant shall receive on the Vesting Date, in lieu of all or part of the Shares which would otherwise have been allotted or transferred to him on Release of his Award, the aggregate Market Value of such Shares on the Vesting Date.

### 7.5 Moratorium

Shares which are issued and allotted or transferred to a Participant pursuant to the Release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during the Retention Period, except to the extent set out in the Award Letter or with the prior approval of the Committee. Our Company may take steps that it considers necessary or appropriate to enforce or give effect to this disposal restriction including specifying in the Award Letter the conditions which are to be attached to an Award for the purpose of enforcing this disposal restriction.

## 8. LIMITATIONS ON THE SIZE OF THE PLAN

8.1 The total number of new Shares which may be issued pursuant to Awards granted under the Plan on any date, when added to (i) the number of new Shares issued and issuable in respect of all Awards granted under the Plan; and (ii) all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by our Company for the time being in force, shall not exceed 15.0% of the issued and paid-up share capital of our Company on the day preceding that date. The aggregate number of Shares available under the Plan and any other share incentive schemes or share plans adopted by our Company for the time being in force shall not exceed 15.0% of the total issued share capital of our Company from time to time.

8.2 In addition, the number of Shares available to Controlling Shareholders or Associates of a Controlling Shareholder under this Plan are subject to the limits stated in Rule 5.2 above.

8.3 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.

## 9. ADJUSTMENT EVENTS

9.1 If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction) shall take place, then:

- (a) the class and/or number of Shares which is/are the subject of an Award to the extent not yet Vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan,

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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shall be adjusted in such manner as the Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive.

- 9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition, a private placement of securities or the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders of our Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.
- 9.3 Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.
- 9.4 Upon any adjustment required to be made pursuant to this Rule 9, our Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the nominal amount, class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award. Any adjustment shall take effect upon such written notification being given.

### 10. ADMINISTRATION OF THE PLAN

- 10.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.
- 10.2 The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as they may, in their absolute discretion, think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.
- 10.3 Neither the Plan nor the grant of Awards under the Plan shall impose on our Company or the Committee or any of its members any liability whatsoever in connection with:
- (a) the lapsing of any Awards pursuant to any provision of the Plan;
  - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and/or
  - (c) any decision or determination of the Committee made pursuant to any provision of the Plan.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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10.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulation or procedure hereunder or as to any rights under the Plan). The Committee shall not be required to furnish any reasons for any decision or determination made by it.

### 11. NOTICES AND COMMUNICATIONS

11.1 Any notice required to be given by a Participant to our Company shall be sent or made to the registered office of our Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by our Company to him in writing.

11.2 Any notices or documents required to be given to a Participant or any correspondence to be made between our Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of our Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of our Company or the last known address, electronic mail address or facsimile number of the Participant.

11.3 Any notice or other communication from a Participant to our Company shall be irrevocable, and shall not be effective until received by our Company. Any other notice or communication from our Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

### 12. MODIFICATIONS TO THE PLAN

12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by a resolution of the Committee, except that:

- (a) no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were Released to them upon the Performance Conditions for their Awards being satisfied in full, would become entitled to not less than three quarters of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the Performance Conditions for all outstanding Awards being satisfied in full;
- (b) the definitions of “Group Executive”, “Group Executive Director”, “Group Non-Executive Director”, “Participant”, “Performance Period” and “Release Schedule” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10 and this Rule 12 shall not be altered to the advantage of Participants except with the prior approval of our Company’s Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

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## **APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN**

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For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive. For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan to amend or adjust any Award.

12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

### **13. TERMS OF EMPLOYMENT UNAFFECTED**

The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

### **14. DURATION OF THE PLAN**

14.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of our Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

14.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of our Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Committee hereunder.

14.3 The expiry or termination of the Plan shall not affect Awards which have been granted prior to such expiry or termination, whether such Awards have been Released (whether fully or partially) or not.

### **15. TAXES**

All taxes (including income tax) arising from the grant or Release of any Award granted to any Participant under the Plan shall be borne by that Participant.

### **16. COSTS AND EXPENSES OF THE PLAN**

16.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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16.2 Save for the taxes referred to in Rule 15 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by our Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue, or transfer, of Shares pursuant to the Release of any Award, shall be borne by our Company.

### 17. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and our Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to our Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of new Shares on Catalist in accordance with Rule 7.1(c).

### 18. DISCLOSURES IN ANNUAL REPORTS

The following disclosures (as applicable) will be made by our Company in its annual report for so long as the Plan continues in operation:

- (a) the names of the members of the Committee administering the Plan;
- (b) in respect of the following Participants:
  - (i) Directors of our Company;
  - (ii) Controlling Shareholders and their Associates; and
  - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the Release of Awards granted under the Plan which, in aggregate, represent 5% or more of the aggregate number of new Shares available under the Plan;

the following information:

- (aa) the name of the Participant;
- (bb) the aggregate number of Shares comprised in Awards granted during the financial year under review;
- (cc) the number of new Shares issued to such Participant during the financial year under review;
- (dd) the number of existing Shares purchased for delivery pursuant to release of Awards to such Participant during the financial year under review;
- (ee) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review;
- (ff) the aggregate number of Shares comprised in Awards granted since the commencement of the Plan to the end of the financial year under review;

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## APPENDIX D – RULES OF THE PERFORMANCE SHARE PLAN

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- (gg) the number of new Shares allotted to such Participant since the commencement of the Plan to the end of financial year under review; and
  - (hh) the number of existing Shares transferred to such Participant since the commencement of the Plan to the end of the financial year under review.
- (c) in relation to the Plan:
- (i) the aggregate number of Shares comprised in Awards which have Vested under the Plan since the commencement of the Plan to the end of the financial year under review;
  - (ii) the aggregate number of new Shares issued which are comprised in the Awards vested during the financial year under review; and
  - (iii) the aggregate number of Shares comprised in Awards which have not yet Released, as at the end of the financial year under review; and
- (d) such other information as may be required by the Listing Manual or the Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

### 19. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

### 20. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting grants of Awards in accordance with the Plan, and our Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

### 21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B)

No person other than our Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore.

### 22. ELIGIBLE SHAREHOLDERS

Shareholders who are eligible to participate in the scheme must abstain from voting on any resolution relating to the Plan (other than a resolution relating to the participation of, or grant of options to, directors and employees of the Company's parent company and its subsidiaries).

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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You are invited to apply and subscribe for the Placement Shares at the Placement Price for each Placement Share subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 PLACEMENT SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for the Placement Shares may only be made by way of printed Placement Shares Application Forms.

**YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE PLACEMENT SHARES.**

3. You are allowed to submit **ONLY ONE** application in your own name for the Placement Shares.

**If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Issue Manager, the Sponsor and the Vendors in consultation with the Placement Agent.**

**Joint and multiple applications shall be rejected. If you submit or procure submissions of multiple share applications for the Placement Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company, the Issue Manager, the Sponsor and the Vendors in consultation with the Placement Agent.**

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR**

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## **APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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**APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company, the Sponsor, Issue Manager and Placement Agent and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance or remittances which are not honoured upon the first presentation.**
10. **Our Company, the Sponsor, Issue Manager and Placement Agent and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
11. Our Company, the Sponsor, Issue Manager and Placement Agent and the Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. In deciding the basis of allotment and/or allocation which shall be at the discretion of our Company, due consideration will be given to the desirability of allotting the Placement Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
12. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Placement Shares allotted to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company, the Issue Manager, the Sponsor, the Placement Agent and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf, as transferor or renounee, any instrument of transfer and/or other documents required for the issue or transfer of the Placement Shares allotted and/or allocated to you.

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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You hereby consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residency status, CDP Securities Account number, CPF Investment Account number (if applicable) and shares application amount to the Share Registrar, SGX-ST, CDP, CPF, our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent.

13. In the event that our Company lodges a supplementary or replacement Offer Document (“**Relevant Document**”) pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Placement, and the Placement Shares have not been issued and/or transferred, we will (as required by law), at our Company’s sole and absolute discretion and subject to the SFA, either
- (i) within seven (7) days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw; or
  - (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven (7) days from the lodgement of the Relevant Document.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 13(i) and (ii) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the Placement Shares without interest or any share or revenue or other benefit arising therefrom and at your own risk, within seven (7) days from the receipt of such notification.

In the event that at the time of the lodgement of the Relevant Document, the Placement Shares have already been issued and/or transferred but trading has not commenced, we will (as required by law), and subject to the SFA, either:

- (iii) within seven (7) days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Placement Shares; or
- (iv) deem the issue as void and refund your payment for the Placement Shares (without interest or any share of revenue or other benefit arising therefrom) to you within seven (7) days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraph 13(iii) above to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those Placement Shares, whereupon we shall, subject to the SFA, within seven (7) days from the receipt of such notification and documents, pay to him all monies paid by him for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the Placement Shares issued to him shall be void.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw, may be found in such Relevant Document.

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Placement Shares allotted to you pursuant to your application, to us, the Vendors, the Sponsor, Issue Manager and Placement Agent and any other parties so authorised by the foregoing persons.
15. Any reference to “**you**” or the “**applicant**” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Placement Shares through the Placement Agent or its designated sub-placement agent.
16. By completing and delivering an Application Form in accordance with the provisions of this Offer Document, you:
  - (i) irrevocably offer, agree and undertake to subscribe for the number of Placement Shares specified in your application (or such smaller number for which the application is accepted) at the Placement Price for each Placement Share and agree that you will accept such Placement Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company for application;
  - (ii) agree that the aggregate Placement Price for the Placement Shares applied for is due and payable to our Company upon application;
  - (iii) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendors in determining whether to accept your application and/or whether to allot any Placement Shares and/or allocate any Placement Shares to you; and
  - (iv) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendors and/or the Sponsor, Issue Manager and Placement Agent will infringe any such laws as a result of the acceptance of your application.
17. Our acceptance of applications will be conditional upon, *inter alia*, our Company, the Issue Manager, the Sponsor and the Vendors being satisfied that:
  - (i) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Placement Shares on a “ready” basis on Catalist;
  - (ii) the Management Agreement and the Placement Agreement referred to in the section entitled “General and Statutory Information – Management and Placement Arrangements” of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
  - (iii) the SGX-ST, acting as an agent on behalf of the Authority, has not served a stop order (“**Stop Order**”) which directs that no or no further shares to which this Offer Document relates be allotted.

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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18. In the event that a Stop Order in respect of the Placement Shares is served by the SGX-ST, acting as an agent on behalf of the Authority or other competent authority, and
- (i) in the case where the Placement Shares have not been issued, we will (as required by law), subject to the SFA, deem all applications withdrawn and cancelled and our Company shall refund (at your own risk) all monies paid on account of your application for the Placement Shares (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the Stop Order; or
  - (ii) in the case where the Placement Shares have already been issued and/or sold but trading has not yet commenced, the issue of the Placement Shares shall (as required by law) be deemed to be void and:
    - (a) if documents purporting to evidence title had been issued to you, our Company shall inform you to return such documents to us within 14 days from that date; and
    - (b) we will refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days from the date of receipt of those documents (if applicable) or the date of the Stop Order, whichever is later.

This shall not apply where only an interim Stop Order has been served.

19. In the event that an interim Stop Order in respect of the Placement Shares is served by the SGX-ST, acting as an agent on behalf of the Authority or other competent authority, no Placement Shares shall be issued during the time when the interim Stop Order is in force.
20. The Authority or the SGX-ST (acting on behalf of the Authority) is not able to serve a Stop Order in respect of the Placement Shares if the Placement Shares have been issued and listed for quotation on a securities exchange and trading in the Placement Shares has commenced.
21. In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a generally circulating daily press.
22. We will not hold any application in reserve.
23. We will not allot Shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST (acting on behalf of the Authority).
24. Additional terms and conditions for applications by way of Application Forms are set out below.

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as the Memorandum and Articles of Association of our Company. **ONLY ONE APPLICATION** should be enclosed in each envelope.

1. Your application for the Placement Shares must be made using the Application Forms for Placement Shares, accompanying and forming part of this Offer Document.

We draw your attention to the detailed instructions contained in the Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company and the Sponsor, Issue Manager and Placement Agent reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms, except those under the heading “**FOR OFFICIAL USE ONLY**”, must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity cards (if you have such identification document) or in your passports and, in the case of a corporation, in your full name as registered with a competent authority. If you are a non-individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50 per cent. of the issued share

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Placement Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**mm2 SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", with your name, CDP Securities Account Number and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement or receipt will be issued by our Company, the Sponsor or the Placement Agent for applications and application monies received.
8. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Placement is cancelled by us following the termination of the Management Agreement and/or Placement Agreement or the Placement does not proceed for any reason, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five (5) Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of a Stop Order by the SGX-ST, acting as an agent on behalf of the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 Market Days from the date of the Stop Order.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Vendors, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement, and if, in any such event, our Company and/or the Sponsor does not receive your Application Form, you shall have no claim whatsoever against our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement for the Placement Shares applied for or for any compensation, loss or damage.

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## APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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11. By completing and delivering the Application Form, you agree that:
- (i) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 5 December 2014** or such other time or date as our Directors and the Vendors may, in consultation with the Sponsor, Issue Manager and Placement Agent, decide:
    - (a) your application is irrevocable; and
    - (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (ii) neither our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent nor any other party involved in the Placement shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
  - (iii) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (iv) in respect of the Placement Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
  - (v) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
  - (vi) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Vendors, the Sponsor, the Issue Manager and Placement Agent or other authorised operators involved in the Placement shall have any liability for any information not so contained;
  - (vii) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent or other authorised operators; and
  - (viii) you irrevocably agree and undertake to subscribe for the number of Placement Shares applied for as stated in the Application Form or any smaller number of such Placement Shares that may be allotted to you in respect of your application. In the event that our Company decides to allot any smaller number of Placement Shares or not to allot any Placement Shares to you, you agree to accept such decision as final.



## mm2 Asia Ltd.

(Company Registration Number: 201424372N)  
(Incorporated in Singapore on 20 August 2014)

### SINGAPORE

1002, Jalan Bukit Merah #07-11  
Singapore 159456

### MALAYSIA

B-09-01, Menara Bata, PJ Trade Centre  
No.8, Jalan PJU 8/8A  
Bandar Damansara Perdana  
47820 Petaling Jaya, Selangor, Malaysia.





## Investing in the Future of **Asia's** Movies