



ISSUE OF UP TO S\$32,000,000 IN PRINCIPAL AMOUNT OF CONVERTIBLE NOTES

1. INTRODUCTION

We refer to our announcement dated 1 October 2007.

The board of directors of mDR Limited (the "**Company**") is pleased to announce that the Company has on 5 November 2007 entered into a subscription agreement (the "**Subscription Agreement**") with Advance Opportunities Fund (the "**Subscriber**") and Value Capital Asset Management Private Limited, as investment manager of the Subscriber relating to the subscription of convertible notes due 2010 (the "**Convertible Notes**"), which are convertible into new ordinary shares in the capital of the Company ("**New Shares**"). The Subscriber is the sole subscriber of the Convertible Notes.

2. PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms and conditions of the Convertible Notes are summarised as follows:

Issue Size : Up to S\$32,000,000 in principal amount of Convertible Notes comprising three tranches of principal amount of S\$12,000,000, S\$10,000,000 and S\$10,000,000 respectively (the three tranches of the Convertible Notes shall be referred to as "**Tranche 1 Notes**", "**Tranche 2 Notes**" and "**Tranche 3 Notes**" respectively). Each of Tranche 1 Notes, Tranche 2 Notes and Tranche 3 Notes shall further comprise four equal sub-tranches of S\$3,000,000 each for the Tranche 1 Notes and S\$2,500,000 each for the Tranche 2 and Tranche 3 Notes.

Each sub-tranche will only be issued if the previous sub-tranche has been converted in full into New Shares.

Accordingly, the maximum principal amount of Convertible Bonds that may be outstanding at any

point of time is S\$3,000,000 and there is no assurance that more than S\$3,000,000 in principal amount of Convertible Notes will be issued by the Company pursuant to the terms of the Subscription Agreement.

- Issue Price : 100 per cent. of the principal amount of the Convertible Notes.
- Settlement and Payment : Subject to fulfilment of the conditions of the Subscription Agreement, settlement and payment of the first sub-tranche of the Tranche 1 Notes is expected to take place as soon as practicably possible upon approval of the Company's shareholders obtained at an extraordinary general meeting to be held in due course.
- Interest : The Convertible Notes will bear interest at the rate of 1.5 per cent. per annum.
- Conversion Price : Conversion price for each New Share shall be the Fixed Conversion Price or the Floating Conversion Price as determined in accordance with the formula set out in Condition 8.4 of the terms and conditions of the Convertible Notes.

The "Fixed Conversion Price" shall be, subject to adjustments, equal to 125% of the average of the traded volume weighted average prices per share for the 30 business days on which there was trading in the shares of the Company on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), immediately preceding:-

- (a) in respect of Tranche 1 Notes, the date of the Subscription Agreement;
- (b) in respect of Tranche 2 Notes, the closing date of the first sub-tranche of Tranche 2 Notes; and
- (c) in respect of Tranche 3 Notes, the closing date of the first sub-tranche of Tranche 3 Notes.

The Floating Conversion Price shall be equal to 90% of the average of any five consecutive closing prices per share as selected by the relevant Noteholder during the 30 business days immediately preceding the relevant conversion

date on which there was trading in the shares of the Company on the SGX-ST.

- Conversion Period : Convertible at the option of the holder of the Convertible Notes, at any time from the issue date of the Convertible Note to the close of business one week before the date falling three years from the issue date of the first sub-tranche of Tranche 1 Notes.
- Status of the Convertible Notes : The Convertible Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 of the Terms and Conditions of the Convertible Notes) unsecured obligations of the Company, ranking *pari passu* and rateably without preference among themselves, and, subject as mentioned above and save as otherwise provided under any applicable laws or regulations, equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
- Status of New Shares : The New Shares shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank *pari passu* in all respects with all other then existing shares of the Company, except that such New Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the relevant conversion date of the Convertible Notes, and will be admitted to listing on the Official List of the SGX- ST.
- Maturity Date : Unless previously converted or purchased and cancelled, the Convertible Notes will mature on the date falling three years from the issue date of the first sub-tranche of Tranche 1 Notes and will be redeemed at 100 per cent. of the principal amount of the Convertible Notes.
- Redemption at the Option of the Company : If, on presentation of any Convertible Notes for conversion into New Shares, the conversion price (as determined in accordance with the formula set out in Condition 8.4 of the Terms and Conditions

of the Convertible Notes) is less than or equal to 65% of the average of the closing prices per share for the 30 consecutive business days prior to the relevant issue date(s) of the Convertible Notes (subject to adjustments), the Company may redeem such Convertible Notes for conversion in cash at an amount (the “**Conversion Redemption Amount**”) calculated in accordance with the following formula set out in Condition 10.4 of the Terms and Conditions of the Convertible Notes:

$$R = N \times \{P + [8\% \times P \times (D/365)] + I\}$$

where:-

“R” = the Conversion Redemption Amount.

“D” = the number of days elapsed since the relevant closing date in respect of each sub-tranche of the Convertible Notes.

“N” = the number of Convertible Notes presented for conversion.

“P” = the face value of the Convertible Notes presented for conversion.

“I” = the remaining unpaid interest accrued on the Convertible Notes presented for conversion.

Governing Law : Singapore law.

3. NEW SHARES

The actual number of New Shares to be allotted and issued by the Company, pursuant to the full conversion of the Convertible Notes can only be determined after the number of Convertible Notes to be issued by the Company and the conversion price have been determined.

By way of illustration, it is envisaged that the New Shares to be allotted and issued by the Company, pursuant to the full conversion of the Convertible Notes, will represent a maximum of approximately 21.9% of the Company's enlarged issued and paid-up share capital. This assumes the full conversion of the Convertible Notes at a conversion price set at 90% of the average of any five consecutive closing prices per share as selected by the relevant noteholder during the 30 business days immediately preceding the relevant conversion date of the Convertible Notes, which is assumed to be S\$0.0675 per share. (For illustrational purposes, assuming the average of any five consecutive closing prices per share as selected by the relevant noteholder during the 30 business days immediately preceding the relevant conversion date of the Convertible Notes is S\$0.075, the conversion price will be at S\$0.0675 per share).

4. USE OF PROCEEDS

The estimated net proceeds from the issue of the Convertible Notes, after deduction of professional fees of \$960,000 and assuming the full issue of the Convertible Notes, are approximately S\$31,040,000. The Company intends to use the proceeds:-

- (a) to expand current businesses as well as develop new businesses/markets;
- (b) for capital repayment of bank borrowings with the view of restructuring and normalizing the Company's credit facilities with its lender banks, in line with Point (10) of the Company's second quarter result announcement, released on SGXNET on 13 August 2007;
- (c) for general corporate purposes; and
- (d) for working capital.

5. THE SUBSCRIBER

Advance Opportunities Fund is incorporated in the Cayman Islands, with its registered office at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. It is an open-ended fund whose investors are mainly based in Asia.

Value Capital Asset Management Private Limited ("VCAM") is an investment management company, incorporated in Singapore with its registered office at 1 Raffles Place, #39-01 OUB Centre, Singapore 048616. VCAM has been appointed by the Subscriber, to manage on a discretionary basis, the Subscriber's investment in the Company. The nature of business of VCAM is fund management. VCAM is exempted from holding a capital markets services licence for fund management pursuant to the Securities and Futures (Licensing and Conduct of Business) Regulations 2005 of Singapore. The directors of VCAM are Mr. Chey Kok Hoe and Mr. Poon Seng Fatt.

6. FINANCIAL EFFECTS

For the purposes of illustration, the financial effects of the issue of the Convertible Notes, based on the audited consolidated financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2006, and the unaudited consolidated financial statements of the Group as at 30 June 2007, on the share capital, net tangible assets ("NTA"), earnings and net gearing of the Group are as follows:

(a) Share Capital

	The Group and the Company	
	<u>31 Dec 2006</u>	<u>30 Jun 2007</u>
Number of Shares:-		
Before the issue of Convertible Notes	1,539,452,227	1,608,891,409 ⁽¹⁾
After the full issue of S\$32,000,000 in principal amount of Convertible Notes but before any conversion	<u>1,539,452,227</u>	<u>1,608,891,409⁽¹⁾</u>
Assuming full conversion of the S\$32,000,000 in principal amount of Convertible Notes	<u>2,013,526,301</u>	<u>2,082,965,483</u>

Note:-

(1) The number of Shares as at 30 June 2007 does not take into account the 6,097,561 new ordinary shares issued by the Company to Ng Hai Hong (as announced via SGXNET on 20 July 2007), as well as the 73,500,000 new ordinary shares issued by the Company to Portal World Investment Limited and Ng Swee Hua (as announced via SGXNET on 23 October 2007).

The number of outstanding share options under the mDR Share Option Scheme 2003 is as follows:-

	The Company	
	<u>31 Dec 2006</u>	<u>30 Jun 2007</u>
Share options	26,755,249	26,022,396

(b) NTA

	The Group	
	<u>31 Dec 2006</u>	<u>30 Jun 2007</u>
	S\$'000	S\$'000
NTA as reported	(2,384)	(1,905)
Estimated issue expenses	(960)	(960)
Adjusted NTA after the full issue of S\$32,000,000 in principal amount of Convertible Notes but before any conversion ⁽²⁾	<u>(3,344)</u>	<u>(2,865)</u>
NTA per share (Singapore cents)		
Before the issue of the Convertible Notes	(0.15)	(0.12)
After the full issue of S\$32,000,000 in principal amount of Convertible Notes but before any conversion ⁽²⁾	<u>(0.22)</u>	<u>(0.18)</u>

Note:-

(2) This is for illustrational purposes only as it is not possible to fully issue S\$32,000,000 in principle amount of Convertible Notes without any conversion into shares in accordance with the terms of the Subscription Agreement.

Assuming the full conversion of S\$32,000,000 in principal amount of the Convertible Notes, the effects on the NTA and NTA per share would be as follows:

	The Group	
	<u>31 Dec 2007</u>	<u>30 June 2007</u>
	S\$'000	S\$'000
Adjusted NTA	28,656	29,135
Adjusted NTA per share (Singapore cents)	<u>1.42</u>	<u>1.40</u>

(c) Earnings

The Convertible Notes are non-recallable by the Subscriber. In the event the Company decides to redeem any outstanding convertible notes, the interest expense in the event of such redemption is estimated to be at an aggregate of 1.5% interest payable on a six-monthly basis. However, it is not possible to quantify the effects of the issue of the Convertible Notes on the earnings of the Group until the proceeds from the issue of the Convertible Notes have been deployed.

(d) Net Gearing

	The Group	
	<u>31 Dec 2006</u>	<u>30 Jun 2007</u>
	S\$'000	S\$'000
Net borrowings, as reported	8,085	10,215
Estimated issue expenses	960	960
Adjusted net borrowings after the full issue of S\$32,000,000 in principal amount of Convertible Notes but before any conversion ⁽³⁾	<u>9,045</u>	<u>11,175</u>
Total Equity, as reported	21,439	21,821
Estimated issue expenses	<u>(960)</u>	<u>(960)</u>

Adjusted Total Equity after the full issue of S\$32,000,000 in principal amount of the Convertible Notes	20,479	20,861
Net gearing (number of times)		
As reported	0.38	0.47
After the full issue of S\$32,000,000 in principal amount of the Convertible Notes	0.44	0.54

Note:-

(3) This is for illustrational purposes only as it is not possible to fully issue S\$32,000,000 in principle amount of Convertible Notes without any conversion into shares in accordance with the terms of the Subscription Agreement.

Assuming the full conversion of S\$32,000,000 in principal amount of the Convertible Notes, the effects on the net gearing of the Group would be as follows:

	The Group	
	<u>31 Dec 2006</u>	<u>30 Jun 2007</u>
	S\$'000	S\$'000
Adjusted net borrowings assuming the full conversion of S\$32,000,000 in principal amount of the Convertible Notes	(22,955) ⁽⁴⁾	(20,825) ⁽⁴⁾
Adjusted Total Equity assuming the full conversion of S\$32,000,000 in principal amount of the Convertible Notes	52,479	52,861
Net gearing (number of times)	N.A. ⁽⁴⁾	N.A. ⁽⁴⁾

Note:-

(4) Assuming full conversion of S\$32,000,000 in principal amount of the Convertible Notes, the Company will be in the positive cash flow position instead of borrowings.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

To the best knowledge and belief of the Company's directors, none of the Company's directors or substantial shareholders have any interest, directly or indirectly in the Subscription Agreement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection during normal business hours at the Company's registered office at 20 Toh Guan Road, #07-00 CJ GLS Building, Singapore 608839.

9. CIRCULAR TO SHAREHOLDERS

The issue of the Convertible Bonds is conditional upon the approval of the Company's shareholders at an extraordinary general meeting, as well as the approval-in-principle of the SGX-ST for the listing of the New Shares on the Official List of the SGX-ST.

A circular to the Company's shareholders containing, *inter alia*, the notice of the extraordinary general meeting and further details of the Subscription Agreement will be dispatched in due course.

By Order of the Board

HUANG WENJIAN EUGENE
Legal and Corporate Affairs Manager
Company Secretary
mDR Limited

6 November 2007