



mDR LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No.: 200009059G

ANNOUNCEMENT

ENTRY INTO DEBT RESTRUCTURING AGREEMENT AND BOND ISSUE AGREEMENT

**ISSUE OF S\$12,000,000 IN PRINCIPAL AMOUNT OF 3.75 PER CENT CLASS A
CONVERTIBLE BONDS DUE 2010, AND OF UP TO S\$5,174,827 IN PRINCIPAL AMOUNT
OF 3.75 PER CENT CLASS B CONVERTIBLE BONDS DUE 2010**

INTRODUCTION

Background

One of the key priorities of the Company since FY2005 is to complete a long-term restructuring of its loan, reduce its borrowings and work towards a normalisation of credit and banking facilities extended by its Lenders.

The Company has been working closely with its Lenders to negotiate a beneficial loan restructuring structure, as communicated through its previous SGX announcements (the latest being paragraph 10 of the Company's third quarter results announcement for FY007 made on 13 November 2007).

Towards this end, the Company has, since 2005, reduced its borrowings by approximately S\$25.1 million through capital repayments.

Execution of Bank Restructuring Agreements

The board of directors of mDR Limited (the "**Company**") is pleased to announce that the Company has on 20 January 2008, together with Distribution Management Solutions Pte. Ltd, Distribution Management Solutions (Hong Kong) Co Limited ("**DMS (HK)**"), PC (Singapore) Pte Ltd, Super Mobile Pte Ltd, A-Mobile Pte Ltd, Menel Pte Ltd (collectively, the "**Borrowing Companies**") and together with the Company (but excluding DMS (HK)), the "**Obligors**") entered into a debt restructuring agreement (the "**Debt Restructuring Agreement**") with United Overseas Bank Limited ("**UOB**"), DBS Bank Ltd ("**DBS**") and The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**", and together with UOB and DBS, the "**Lenders**"), pursuant to which the credit and other facilities extended by each of the Lenders severally to the Company and/or the relevant Borrowing Companies (the "**Existing Facilities**") are restructured on the terms and subject to the conditions of the Debt Restructuring Agreement (the "**Restructuring**").

Pursuant to the terms of the Debt Restructuring Agreement, the Company has on 20 January 2008 also entered into a bond issue agreement (the "**Bond Issue Agreement**") with the Lenders, relating to the issuance of 3.75 per cent Class A convertible bonds due 2010 (the "**Class A Bonds**") and 3.75 per cent Class B convertible bonds due 2010 (the "**Class B Bonds**") and together with the Class A Bonds, the "**Convertible Bonds**"). The Convertible Bonds are convertible into new ordinary shares in the capital of the Company ("**New Shares**"). The Class A Bonds will be issued to the Lenders and the Class B Bonds will be issued to HSBC and/or DBS, pursuant to the terms and conditions of the Bond Issue Agreement.

Terms used in this announcement but not otherwise defined shall, unless the context otherwise requires, bear the meanings ascribed to them in the Debt Restructuring Agreement and/or the Bond Issue Agreement, as appropriate.

Rationale

The Company is constantly aware, and appreciates the positives therein, to strengthen its balance sheet and improve its cash position. This includes reducing its short-term borrowings and associated interest servicing costs, as well as normalising and restoring its banking relationship and facilities with its Lenders.

To this end, the Company has executed/completed the following exercises towards the later part of FY2007 and the beginning of FY2008:-

- (i) Convertible notes issue of up to S\$32.0 million redeemable non-recallable structured convertible notes as per the Company's announcement on 1 October 2007 and adopted and approved by the Company's shareholders at the extraordinary general meeting of the Company held on 10 January 2008;

- (ii) Placement of 73,500,000 new ordinary shares in the capital of the Company, equivalent to approximately S\$5.0 million, as announced by the Company on 9 October 2007 and completed on 23 October 2007; and
- (iii) Execution of the Debt Restructuring Agreement and Bond Issue Agreement as detailed in this announcement, to reduce the borrowings of the mDR Group (the "**Group**") and re-activate credit facilities.

The board of directors believe that the aforementioned initiatives (i) to (iii) puts the Group in a position to effectively fund current activities and organic growth and at the same time put in place a funding stream that the Group can all upon to undertake investment activities as and when required. Current and potential business partners will be further comforted with the Group's strengthened financial position and ability to evaluate potential and incremental business opportunities.

1. PRINCIPAL TERMS OF THE DEBT RESTRUCTURING AGREEMENT

The main terms of the Restructuring include the following:

(A) Restructuring

- 1) All principal amounts due and owing by the Company and/or the relevant Borrowing Companies to the Lenders as at the date of the Debt Restructuring Agreement (the "**Commencement Date**") totalling S\$19,061,070.64 *plus* the Singapore Dollar equivalent of HK\$11,143,520.60 *less* S\$89,357 (as held in escrow) are treated as the "**Total Principal Indebtedness**" for the purpose of the Restructuring.
- 2) S\$12,000,000 of the Total Principal Indebtedness (the "**Conversion Debt**") shall be repaid and discharged by way of conversion into Class A Bonds in accordance with the terms of the Bond Issue Agreement. The total Principal Indebtedness *less* the Conversion Debt is treated as the "**Restructured Debt**".
- 3) All liabilities under outstanding Bank Guarantees issued by the Lenders under the Existing Facilities (the "**Contingent Debt**") which become due and payable on or before 28 June 2010 (the "**Crystallised Liabilities**") (less cash collateral held by the relevant Lender as security for the relevant Bank Guarantee) shall be repaid and discharged by way of conversion into Class B Bonds in accordance with the terms of the Bond Issue Agreement.
- 4) Any part of the Contingent Debt which becomes due and payable after 28 June 2010 shall form part of the Restructured Debt.
- 5)
 - (a) Any part of the Contingent Debt which remains unexpired as at Commencement Date (the "**Unexpired Portion**") shall be secured by placing a Singapore Dollar fixed deposit with the relevant Lender in the sum equivalent to such proportion of such part of the Contingent Debt which the Conversion Debt bears to the Total Principal Indebtedness as at Commencement Date.
 - (b) During the Restructuring Period, with the consent of the relevant Lender, any Obligor may reduce, cancel, release or discharge the amount of the Unexpired Portion and the sum of the fixed deposit referred to in paragraph (a) above shall also be reduced, cancelled, released or (as the case may be) discharged accordingly. The relevant excess amount shall be released from the fixed deposit by the relevant Lenders to be redistributed to the Lenders *pro rata* based on the Relevant Proportion.
- 6) On and with effect from the Commencement Date, all outstanding liabilities under the Existing Facilities which form part of the Restructured Debt shall (aa) first be converted to overdraft facilities (with drawn limits of an amount equivalent to the

Lender's Relevant Proportion of the Restructured Debt) and (bb) thereafter converted to Invoice Financing Facilities in the following manner:

(a) Each Lender shall, at its own option, be entitled to require the Obligors to effect payment of their portion of one-eighth (1/8) of the Restructured Debt calculated in accordance with the provisions of the Debt Restructuring Agreement on the following payment dates:

- (i) 30 June 2008;
- (ii) 31 December 2008;
- (iii) 30 June 2009; and
- (iv) 31 December 2009

(collectively, the "**Payment Dates**").

(b) The relevant Obligor shall make the payment referred to in (a) above to the relevant Lender on the respective Payment Dates to reduce the limit of its overdraft facility with the relevant Lender and upon receipt of such payment, the relevant Lender shall grant an Invoice Financing Facility to the relevant Obligor (with a limit of up to the extent of the amount paid pursuant to this paragraph (b)) or (if such a facility has already been granted) increase the limit of such facility by the amount of the payment received).

At the end of the Restructuring Period or when an Event of Default has been declared in accordance with the provisions of the Debt Restructuring Agreement or when an Obligor is wound at any time during the Restructuring Period, the net amount of payments received by a Lender pursuant to paragraph (b) above (being the aggregate of all payments made in reduction of the overdraft facility maintained with each Lender in accordance with paragraph (b) above less all outstanding amounts under the Invoice Financing Facility drawn down by the Obligor) shall be redistributed to the between the Lenders based on their Relevant Proportion.

- 7) During the Restructuring Period, the Quarterly Cash Sweep will occur at the end of each financial quarter, commencing no earlier than the financial quarter ending 31 March 2008. The Monitoring Accountant shall procure from the Company the information it requires to review and determine the cash and operational requirements and projections of the Group and thereafter provide the Lenders with a quarterly report. If such report shows that the Group has a positive projected cash position at the end of the 12-month period following the end of the last financial quarter, the Company shall pay or procure such excess cash amounts to be paid to each Lender *pro rata* based on the relevant Proportion in reduction and discharge of the Restructured Debt.
- 8) (a) The rate of interest applicable to the Restructured Debt is the aggregate of one per cent. per annum and the average prime lending rates as quoted by the Lenders and interest shall be paid by the Obligors to the Lenders on the Interest Payment Date.
- (b) Default Interest shall accrue at a rate which is the aggregate of four per cent. per annum and the average prime lending rates as quoted by the Lenders.
- 9) The Company shall pay to the Lenders a restructuring fee in accordance with Clause 7.3 of the Debt Restructuring Agreement.

(B) Covenants

During the Restructuring Period, the Obligors shall observe certain covenants that are customary in such transactions, including the following:

- 1) (except with the prior written consent of the Lenders) the Company shall:
 - (a) maintain a Consolidated Net Worth for the Group of not less than S\$4,000,000;
 - (b) maintain, as at 31 December 2007, a Group EDITDA of not more than S\$3,000,000 in total consolidated net operating losses based on the full financial year ended 31 December 2007;
 - (c) maintain, at any time after 31 December 2007, a minimum Interest Coverage Ratio of not less than 2:1;
 - (d) maintain a maximum debt-to-equity ratio of not more than 6:1 calculated as at 31 December 2007 based on the full financial year ended 31 December 2007 and for any subsequent period, based on each six (6) month period ending on the date at the end of each six-month (half-yearly) period of the financial year for the Group;
 - (e) not declare or pay any dividends; and
 - (f) ensure that there is no material adverse change in the business or financial condition of the Company.

- 2) (except with the prior written consent of the Lenders or as expressly permitted in accordance with the Debt Restructuring Agreement) the Company shall not and shall procure that each of the Borrowing Companies does not:
 - (a) (save for existing loans and financial arrangements which have been disclosed to the Lenders prior to the Commencement Date) incur any additional loan, advance or other credit facility from any person, corporation, bank or financial institution except for credit incurred on normal arms length commercial terms in the ordinary course of business or inter-company loans in the ordinary course of business;
 - (b) create any encumbrance over its or their assets;
 - (c) incur any liability or issue or give any guarantees or indemnities for the account or on behalf of any person or otherwise become contingently liable for or in connection with any borrowing, obligation or indebtedness of any person save in the ordinary course of business for indebtedness other than for borrowings;
 - (d) enter into or make any commitment in relation to any transaction requiring or involving any capital investment or expenditure or investment in any corporation or assume or incur any liability in relation to anything of a similar nature, which would cause the aggregate capital expenditure or investment by the Company to be in excess of S\$5,000,000 per transaction;
 - (e) repay any debts to its directors, shareholders and associated, affiliated or subsidiary companies other than the inter-company loans in the ordinary course of business; and
 - (f) sell, transfer, assign, lease out, grant licenses over, alienate,

lend or otherwise dispose of (whether outright by a sale-and-repurchase or sale-and-lease-back arrangement or otherwise) or cease to exercise direct control over all or any part of its assets which, when either alone or aggregated with all other disposals required to be taken into account under Clause 10.1.2 of the Debt Restructuring Agreement, would have a material adverse effect on the financial condition of the Group taken as a whole, save for disposal of assets in the ordinary course of business and non-core assets in respect of which it shall provide to the Lenders within seven days of disposition of such non-core assets, written details of the disposition of such non-core assets and the basis upon which it arrived at the price for the disposition of such non-core assets.

- 3) (a) no Obligor shall obtain any additional banking and/or credit facilities (the "**Additional Facilities**") without prior written consent from the Lenders, save in accordance with Clause 5.3.1 of the Debt Restructuring Agreement;
- (b) the Obligors shall give each Lender a first right of refusal to finance trade-related activities in the ordinary course of their business (such facilities to be fully cash collateralised). Any further new additional trade finance facilities and/or an increase in the credit limits of any prior or existing additional trade facilities obtained shall be subject to a Lender's right of first refusal and where the Lenders have declined to exercise their right of first refusal, each Obligor shall not obtain any further new additional trade finance facilities and/or obtain a further increase in the credit limits of any prior or existing additional trade facilities, without first giving each Lender a right of first refusal in respect of such fresh additional trade facilities and/or an increase in the credit limits of any prior or existing additional trade facilities and such right of first refusal shall be exercised by the Lenders in accordance with Clause 5.3.2 of the Debt Restructuring Agreement;
- (c) upon making any payments under such Additional Facilities referred to in Clause 5.3.1 of the Debt Restructuring Agreement, the Obligors shall make payment to the Lenders of an equivalent proportion of the Restructured Debt to be distributed to each of the Lenders *pro rata* based on the Relevant Proportion, and applied in reduction and discharge of the Restructured Debt. Upon the making of such payment to the Lenders, the respective limits of the overdraft facility and/or Invoice Financing Facilities shall be reduced to the extent of such amount received by the relevant Lender and the Obligors shall not be allowed to make any further drawdowns under the overdraft facility and/or Invoice Financing Facilities to the extent of the amounts received by the Lenders;
- (d) the Obligors shall furnish the Lenders with all such information as the Lenders may reasonably require regarding the Additional Facilities; and
- (e) the Obligors shall promptly advise the Lenders of any matters arising out of the Additional Facilities which may adversely affect the Lenders' position or any of the rights of the Lenders under the Debt Restructuring Agreement.

(C) Events of Default

The Debt Restructuring Agreement includes the following Events of Default:

- 1) the non-payment by any Obligor of any sum payable under the overdraft facilities and/or the Invoice Financing Facilities and under the terms of the Debt Restructuring Agreement and/or the terms of the Bond Issue Agreement;
- 2) where any representation or warranty made or given by the Obligors under the Debt Restructuring Agreement is incorrect or untrue, ceases to be correct or true, is in any respect considered by the Lenders to be material or is not complied with;
- 3) the breach or non-compliance any Obligor of its material undertakings or obligations under the Debt Restructuring Agreement;
- 4) where Clause 5.6 of the Debt Restructuring Agreement is not complied with;
- 5) the breach or default of the terms of the Bond Issue Agreement or the termination of the Bond Issue Agreement for any reason;
- 6) the application for or entering into of a scheme of arrangement or other composition by the Company with its creditors (other than with the Lenders);
- 7) any Obligor admits that it is insolvent;
- 8) an application for winding up or judicial management is made against the Company or any Obligor which is not frivolous or vexatious;
- 9) execution and/or enforcement proceedings are levied or enforced against any material part of the assets of any Obligor;
- 10) any legal proceeding, administrative or arbitration proceeding, suit or action of any kind whatsoever is instituted against any Obligor which is not frivolous or vexatious in nature, and which, if adversely determined would, materially and adversely affect the ability of such party to perform or observe its material obligations under the Debt Restructuring Agreement;
- 11) any winding up order, judicial management order or other order for a similar form of insolvency administration is made against any Obligor; and
- 12) any event or circumstance which constitutes a material adverse change in the financial position of the Company or the Group and it likely to cause any Obligor to be unable to comply with its obligations under the Debt Restructuring Agreement.

If an Event of Default occurs under paragraphs 2) and 3) above and is not rectified within fourteen (14) days (the "**Rectification Period**") or waived by all the Lenders, the following shall apply:

- (a) upon the occurrence of an Event of Default under paragraph 1) above, any of the Lenders may at its discretion, unilaterally issue a written notice to the Obligors to declare an Event of Default and demand for its portion of the Total Indebtedness owing to that Lender by the Obligors, whereupon the Debt Restructuring Agreement shall be terminated and the Total Indebtedness owing to the Lenders by the Obligors under the Debt Restructuring Agreement shall become immediately due and payable and upon receipt of such notice from any Lender hereunder,

each of the Obligors shall immediately provide notice to each of the other Lenders of its receipt of such written notice;

- (b) upon the occurrence of an Event of Default under paragraph 4) above, the Debt Restructuring Agreement shall be automatically terminated and the Total Indebtedness owing to the Lenders by the Obligors under the Debt Restructuring Agreement shall become immediately due and payable;
- (c) upon the occurrence of any other Events of Default under paragraphs 2) and 3) (and where such Event of Default has not been rectified within the Rectification Period and paragraphs 5) to 12), the Lenders (acting collectively and unanimously) may by a written notice given at any time to the Obligors, declare an Event of Default, whereupon the Debt Restructuring Agreement shall be terminated and the Total Indebtedness owing to the Lenders by the Obligors under the Debt Restructuring Agreement shall become immediately due and payable,

provided always that where, in accordance with Clauses 4.1.1 and 4.1.2 of the Debt Restructuring Agreement respectively, the Conversion Debt and/or any Crystallised Liabilities has been repaid and discharged upon issuance of the respective Class A Bonds and Class B Bonds to the Lenders under and in accordance with the terms of the Bond Issue Agreement, such Conversion Debt and/or any Crystallised Liabilities shall not form part of the Total Indebtedness for the above purpose.

(D) Moratorium

During the Restructuring Period, except in accordance with the Debt Restructuring Agreement, no Lender shall:

- 1) take any step or commence or continue any legal, insolvency or other proceeding, or exercise any right of set-off, against the Obligors;
- 2) accept any payment or provision of cash collateral to them in respect of any Indebtedness of the Obligors or any member of the Group;
- 3) take any step or action to perfect, enforce or make any demand under any security interest, guarantee, like commitment or similar support in respect of the Total Indebtedness;
- 4) take any action to terminate or cancel any swap or similar hedging arrangement, any guarantee, letter of credit or like commitment in favour of a third party, any foreign exchange facility or any other financial accommodation available to any Obligor as at Commencement Date;
- 5) receive any payment or benefit in reductions or discharge of any Obligor's liabilities;
- 6) amend the terms of (a) the overdraft facilities and Invoice Financing Facilities under the Debt Restructuring Agreement and (b) any Banker's Guarantee; and
- 7) assign or transfer all or any part of its rights or obligations under the Debt Restructuring Agreement unless such assignee or transferee agrees in writing to be bound by the terms of the Debt Restructuring Agreement.

2. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS UNDER THE BOND ISSUE AGREEMENT

The principal terms and conditions of the Convertible Bonds (the "**Conditions**") are summarised below:

Issue Size : For the Class A Bonds:

S\$12,000,000 in aggregate principal amount of Class A Bonds issued to the Lenders in their respective Relevant Proportions (as defined in the Debt Restructuring Agreement).

For the Class B Bonds:

Upon the occurrence of the HSBC Specified Event (as defined below), such principal amount of Class B Bonds equivalent to the Singapore Dollar equivalent (as determined in the manner set out in Clause 4.1.2 of the Debt Restructuring Agreement) of the unsecured portion of the HSBC Guarantee (as defined below) that has become due and payable will be issued to HSBC.

Upon the occurrence of the DBS Specified Event (as defined below), such principal amount of Class B Bonds equivalent to the unsecured portion of the DBS Guarantee (as defined below) that has become due and payable will be issued to DBS.

"**DBS Guarantee**" means the bankers' guarantee in the amount of S\$5,000,000 (or such amount from time to time) issued by DBS pursuant to banking facilities granted by DBS to Distribution Management Solutions Pte Ltd in accordance with the terms of the letters of offer, agreements and other documents entered into prior to the date of the Bond Issue Agreement, of which an amount is unsecured.

"**DBS Specified Event**" means all liabilities under the unsecured portion of the DBS Guarantee owed by Distribution Management Solutions Pte Ltd to DBS becoming due and payable, and such liabilities having been assigned to or otherwise assumed by the Company on or before 28 June 2010.

"**HSBC Guarantee**" means the bankers' guarantee in the amount of AUD134,985.60 (or such amount from time to time) issued by HSBC pursuant to banking facilities granted by HSBC to the Company in accordance with the terms of the letters of offer, agreements and other documents entered into prior to the date of the Bond Issue Agreement, of which an amount is unsecured.

"**HSBC Specified Event**" means all liabilities under the unsecured portion of the HSBC Guarantee owed by the Company to HSBC becoming due and payable on or before 28 June 2010.

Issue Price : For the Class A Bonds:

100 per cent. of the principal amount of the Class A Bonds.

For the Class B Bonds:

100 per cent. of the principal amount of the Class B Bonds.

- Settlement and Payment : For the Class A Bonds:
- Subject to the fulfilment of the conditions of the Bond Issue Agreement, each Lender's respective portion of the Conversion Debt (as defined below) shall be deemed to have been applied towards and set off against the aggregate principal amount of the Class A Bonds issued to it, as payment by such Lender to the Company for the issuance of such Class A Bonds to it.
- "Conversion Debt"** means S\$12,000,000 of the Total Principal Indebtedness (as defined in the Debt Restructuring Agreement) owed or assumed by the Company.
- For the Class B Bonds:
- Subject to the fulfilment of the conditions of the Bond Issue Agreement, all liabilities under the unsecured portion of the HSBC Guarantee owed by the Company to HSBC or all liabilities under the unsecured portion of the DBS Guarantee owed by Distribution Management Solutions Pte Ltd to DBS and which have been assigned to or otherwise assumed by the Company (as the case may be) shall be deemed to have been applied towards and set off against the aggregate principal amount of the Class B Bonds to be issued to HSBC or DBS (as the case may be), as payment by HSBC or DBS (as the case may be) to the Company for the issuance of such Class B Bonds to it.
- Interest : The Convertible Bonds will bear interest at the rate of 3.75 per cent. per annum.
- Conversion Price : The initial conversion price for each New Share will be equal to S\$0.05 or such price representing a ten per cent (10%) discount to the volume weighted average market price for ordinary shares of the Company traded on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the five (5) Trading Days immediately preceding the date of the Conversion Notice, whichever is the lower. The initial conversion price will be subject to adjustment in accordance with the Conditions upon the occurrence of certain events, including (i) any alteration to the number of issued shares in the Company as a result of consolidation, subdivision or reclassification, (ii) any issue of shares by the Company by way of capitalisation of profits or reserves, (iii) any Capital Distribution by the Company to its shareholders, (iv) any issue of shares or other securities by way of rights, options, warrants or other rights to subscribe for or purchase any shares in the Company, and (v) any issue wholly for cash of shares, or issue or grant options, warrants or other rights to subscribe for or purchase shares in the Company at a price per share which is less than 90.0 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue.
- Conversion Period : Subject to the Conditions, the Convertible Bonds will be convertible at the option of the holder of the Convertible Bonds, at any time on and after the date of issue of the relevant Convertible Bond up to the close of business on 30 June 2010.

Status of the Convertible Bonds : The Convertible Bonds will at all times rank *pari passu* and without any preference or priority among themselves, and the payment obligations of the Company under the Convertible Bonds rank at least *pari passu* with all other unsecured obligations (other than subordinated obligations and priorities created by law) of the Company.

Status of New Shares : The New Shares will rank *pari passu* in all respects with all other existing ordinary shares of the Company. Save as otherwise set forth in the Conditions, a holder of New Shares shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

Maturity Date and Redemption of the Convertible Bonds : Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Company shall redeem the Convertible Bonds on 30 June 2010, at their Redemption Amount.

"Redemption Amount" means the aggregate of the principal amount of the relevant Convertible Bonds, all interest accruing thereon and, where applicable, the Break Cost.

"Break Cost" means any funding or carrying costs and/or losses in connection with the re-employment of funds during the remainder of any Interest Period (as defined in the Bond Issue Agreement) or such other period when moneys remain unpaid.

Redemption at the Option of the Holders of the Convertible Bonds: : For the Class A Bonds only:

The holders of the Class A Bonds (the "**Class A Bondholders**") shall have the right (but not the obligation) to require the Company to redeem such proportion of the Class A Bonds set out in the manner below on the following dates respectively:

<u>Date</u>	<u>Principal Amount of Class A Bonds to be redeemed</u>
31 December 2008 :	The lower of: <ul style="list-style-type: none">(i) each Class A Bondholder's Proportion (as defined below) of S\$2,000,000 of the aggregate principal amount of the Class A Bonds; and(ii) the entire principal amount of the Class A Bonds issued by the Company and which are held by such Class A Bondholder and which have not already been redeemed or converted.
30 June 2009 :	The lower of: <ul style="list-style-type: none">(i) each Class A Bondholder's Proportion of S\$2,000,000 of the aggregate principal amount of the Class A Bonds; and(ii) the entire principal amount of the Class A Bonds issued by the Company and which are held by such Class A Bondholder and which have

not already been redeemed or converted.

31 December 2009 : The lower of:

- (i) each Class A Bondholder's Proportion of S\$4,000,000 of the aggregate principal amount of the Class A Bonds; and
- (ii) the entire principal amount of the Class A Bonds issued by the Company and which are held by such Class A Bondholder and which have not already been redeemed or converted.

30 June 2010 : The lower of:

- (i) each Class A Bondholder's Proportion of S\$4,000,000 of the aggregate principal amount of the Class A Bonds; and
- (ii) the entire principal amount of the Class A Bonds issued by the Company and which are held by such Class A Bondholder and which have not already been redeemed or converted.

In the event that any Class A Bondholder does not exercise its right of redemption in accordance with the above on any of the relevant dates specified, the Company shall be entitled (but not obliged) on each such relevant date to redeem such proportion of such Class A Bondholder's Class A Bonds as set out above. In the event of a redemption of Class A Bonds on each date of redemption hereunder, the Company shall pay to such Class A Bondholder the relevant Redemption Amount in respect of the principal amount of the Bonds redeemed.

"Class A Bondholder's Proportion" means, in respect of the Class A Bonds issued by the Company, the proportion representing the aggregate principal amount of such Class A Bonds still held by the relevant Class A Bondholder (which have not already been redeemed or converted) over the total aggregate principal amount of such Class A Bonds held by all Class A Bondholders (which have not already been redeemed or converted).

For the Class A Bonds and the Class B Bonds:

a. Delisting Put Right

In the event the ordinary shares of the Company cease to be listed or admitted to trading on the SGX-ST or trading in the ordinary shares of the Company on the SGX-ST is halted or suspended for a period exceeding 10 consecutive Trading Days (as defined in the Conditions) each holder of the Convertible Bonds (the "**Bondholder**") shall, subject to the Conditions, have the right, at such Bondholder's option, to require the Company to redeem all (but not less than all) of

such Bondholder's Convertible Bonds at the applicable Redemption Amount.

b. Redemption upon Event of Default

The Company shall redeem a Bondholder's Convertible Bonds by paying the applicable Redemption Amount to such Bondholder forthwith upon its receipt of notice from such Bondholder that its Convertible Bonds are immediately due and repayable due to an Event of Default (as defined in the Conditions, which includes without limitation, any winding up, judicial management or any other insolvency proceedings commenced or a winding up order, judicial management order or any other order for a similar form of insolvency administration being made against the Company).

Transfer of Convertible Bonds : Title to the Convertible Bonds passes only by transfer and registration in the register of Bondholders in accordance with the Conditions. The holder of a Convertible Bond will (except as otherwise required by law or ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes.

Governing Law : Singapore law.

3. **NEW SHARES**

For the Class A Bonds:

The number of New Shares to be allotted and issued by the Company, pursuant to the full conversion of the Class A Bonds, is 240,000,000 New Shares. (Assuming, for illustrational purposes that the conversion price of the Class A Bonds is at S\$0.05 for the principal amount of S\$12,000,000).

For the Class B Bonds:

Assuming that the full aggregate principal amount of Class B Bonds is issued, the number of New Shares to be allotted and issued by the Company, pursuant to the full conversion of the Class B Bonds, is 103,496,532 New Shares. (Assuming, for illustrational purposes that the conversion price of Class B Bonds is at S\$0.05 for the principal amount of S\$5,174,827).

As such, the total number of New Shares to be allotted and issued by the Company, pursuant to full conversion of the Class A and Class B Bonds, assuming that the conversion price is S\$0.05 for the aggregate amount of S\$17,174,827 is 343,496,532 New Shares.

4. **FINANCIAL EFFECTS OF THE CONVERTIBLE BONDS**

For the purposes of illustration, the financial effects of the issue of the Convertible Bonds, 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 September 2007, on the share capital, net tangible assets ("**NTA**"), earnings and net gearing of the Group are as follows:

(a) **Share Capital**

Number of Shares	The Group and the Company	
	31 Dec 2006 ('000)	30 Sep 2007 ('000)
Before the issue of Convertible Bonds	1,539,452	1,614,989
After the full issue of S\$17,174,827 in principal amount of Convertible Bonds but before any conversion	1,539,452	1,614,989
Assuming full conversion of the S\$17,174,827 in principal amount of Convertible Bonds	1,882,949	1,958,486

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

	The Company	
	31 Dec 2006 ('000)	30 Sep 2007 ('000)
Share options	26,755	26,022

(b) **NTA**

	The Group	
	31 Dec 2006 (\$'000)	30 Sep 2007 (\$'000)
NTA as reported	(2,384)	(1,208)
Estimated issue expenses	(1,000)	(1,000)
Adjusted NTA after the full issue of S\$17,174,827 in principal amount of Convertible Bonds but before any conversion	(3,384)	(2,208)
NTA per share (Singapore Cents)		
Before the issue of the Convertible Bonds	(0.15)	(0.07)
After the full issue of S\$17,174,827 in principal amount of Convertible Bonds but before any conversion	(0.22)	(0.14)

Assuming the full conversion of S\$17,174,827 in principal amount of the Convertible Bonds, the effects on the NTA and NTA per share would be as follows:

	The Group	
	31 Dec 2006	30 Sep 2007
	(S\$'000)	(S\$'000)
Adjusted NTA	13,791	14,967
Adjusted NTA per share (S\$)	0.01	0.01
Adjusted NTA per share (Singapore Cents)	0.73	0.76

(c) **Earnings**

The interest expense in respect of the Class A Bonds prior to any conversion is estimated to be at the aggregate of 3.75 per cent. interest payable each year and the amortisation of the fair value of the conversion rights recorded on the date of issue, and the interest expense in respect of the Class B Bonds (assuming the Class B Bonds are fully issued) prior to any conversion is estimated to be at the aggregate of 3.75 per cent. interest payable each year and the amortisation of the fair value of the conversion rights recorded on the date of issue. However, it is not possible to quantify the effects of the issue of the Convertible Bonds on the earnings of the Group until the proceeds of the Convertible Bonds have been deployed.

(d) **Net Gearing**

	The Group	
	31 Dec 2006	30 Sep 2007
	(S\$'000)	(S\$'000)
<i>Borrowings</i>		
Net borrowings, as reported	(8,085)	(7,814)
Estimated issue expenses	(1,000)	(1,000)
Assuming full crystallisation of the Contingent Debt	(5,175)	(5,175)
Assuming full issue of S\$17,174,827 of Convertible Bonds	17,175	17,175
Adjusted net borrowings after issue of S\$17,174,827 of Convertible Bonds	N.A. ⁽¹⁾	N.A. ⁽¹⁾

Note (1): The adjusted net borrowings is deemed not applicable because the Group is now in a positive cash position

	The Group	
	31 Dec 2006	30 Sep 2007
	(S\$'000)	(S\$'000)
Total Equity, as reported	21,439	22,382
Estimated issue expenses	(1,000)	(1,000)
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Adjusted Total Equity after the full issue of S\$17,174,827 of Convertible Bonds (before conversion)	20,439	21,382
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Net gearing (number of times)		
As reported	0.38	0.35
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After the full issue of S\$17,174,827 of Convertible Bonds (before conversion)	N.A. ⁽²⁾	N.A. ⁽²⁾
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Note (2): The net gearing is deemed not applicable because the Group is now in a positive cash position

Assuming the full conversion of S\$17,174,827 in principal amount of the Convertible Bonds, the effects on the net gearing of the Group would be as follows:

	The Group	
	31 Dec 2006	30 Sep 2007
	(S\$'000)	(S\$'000)
Adjusted net borrowings assuming the full conversion of S\$17,174,827 in principal amount of the Convertible Bonds	N.A. ⁽³⁾	N.A. ⁽³⁾
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Adjusted Total Equity assuming the full conversion of S\$17,174,827 in principal amount of the Convertible Bonds	37,614	38,557
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Net gearing (number of times)	N.A. ⁽³⁾	N.A. ⁽³⁾
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Note (3): Deemed not applicable because Group is in positive cash flow position

5. 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 Debt Restructuring Agreement or the Bond Issue Agreement.

6. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Debt Restructuring Agreement and the Bond Issue 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.

7. 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 Bond Issue Agreement will be dispatched in due course.

8. FURTHER DEVELOPMENTS

Further announcements will be made by the Company as and when there are material developments in relation to the above matter.

By Order of the Board

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

25 February 2008