



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

MEMORANDUM OF UNDERSTANDING

1. INTRODUCTION

The board of directors (the “**Board**” and the directors, the “**Directors**”, and each a “**Director**”) of mDR Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 6 July 2015 entered into a memorandum of understanding (the “**MOU**”) with the four shareholders (“**Vendors**”) of a Japan-based company primarily engaged in the business of developing and providing mobile content (the “**Target**” and together with its subsidiaries, the “**Target Group**”), in relation to the potential acquisition by the Company of all the issued shares in the capital of the Target from the Vendors (the “**Potential Acquisition**”). The Vendors comprise of three corporate entities (“**Corporate Vendors**”) and an individual (“**Individual Vendor**”). The Vendors and the Company are collectively referred to herein as the “**Parties**”.

The MOU is non-binding and entry into a definitive and legally binding sale and purchase agreement (“**SPA**”) and all other relevant documents which will set out the terms and conditions of the Potential Acquisition (together with the SPA, the “**Definitive Agreements**”) is conditional upon, amongst other things:

- (a) the Company completing a due diligence exercise on the Target Group, and the results of the due diligence exercise being satisfactory to the Company, at its absolute discretion;
- (b) the Vendors completing a due diligence exercise on the Company, and the results of the due diligence exercise being satisfactory to the Vendors, at their absolute discretion;
- (c) an independent valuation commissioned by the Company valuing the business of the Target Group at no less than the Consideration (as defined below);
- (d) the Company raising the necessary bank financing, if any; and
- (e) the approval of the Potential Acquisition by (i) the respective boards of directors of the Company and the Target, and (ii) the Corporate Vendors.

The Potential Acquisition, if undertaken and completed, is expected to constitute a “very substantial acquisition” or “reverse takeover” of the Company pursuant to Rule 1015 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and is subject to, *inter alia*, the approval of the SGX-ST and the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened.

Shareholders should note that the MOU is not intended to be legally binding on the Parties, except for certain provisions relating to, *inter alia*, confidentiality, exclusivity, and governing law, and is intended to set out the basis on which the Parties will commence negotiations on the Definitive Agreements.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as there is no certainty or assurance that the SPA and/or the other Definitive Agreements will be entered into, that the final terms and conditions of the Definitive Agreements with respect to the Potential Acquisition will not differ from that set out in the MOU, or that the Potential Acquisition will be undertaken at all.

2. RATIONALE FOR THE POTENTIAL ACQUISITION

2.1. The Company believes that the Potential Acquisition, if approved by the SGX-ST and the Shareholders, would enhance the value of the Company and provide an attractive investment opportunity to the Company for the following key reasons:

(a) Continued diversification and expansion of the Company's business

The Company's Singapore-centric business in the distribution and retail of mobile devices and services operates in an extremely competitive and saturated market space, resulting in declining profitability for this segment of its business. As such, it is crucial for the Group to diversify into new businesses and expand beyond Singapore to remain resilient in its long term revenue and profit growth.

As such, over the last two years, the Company has embarked on a diversification drive of its business and expanded beyond Singapore to build new and sustainable revenue streams. The Potential Acquisition presents another opportunity to the Company to diversify into a new business, which the Company believes has significant growth opportunities in the South East Asia region, and also to diversify into a new geographical market, namely Japan.

(b) Acquisition of a synergistic and profitable business

The Target is a profitable company and is expected to become a key revenue and profit contributor to the Company's bottom-line in future.

The Company believes that the Target's product offerings and services are synergistic with the Company's mobile devices business. The Company also believes that the Target's product offerings, when integrated with the Group's existing products and services, and offered through the Group's diverse distribution platforms, may result in the Group gaining a competitive edge over its competitors.

(c) Enhanced investment profile of the Company

The Potential Acquisition will upon completion ("**Completion**"), significantly increase the market capitalisation of the Company and widen the investor base and liquidity of the Company's shares, which are intended to be in the interest of the Shareholders. A larger market capitalisation and an enlarged asset portfolio are also expected to enable the Company to attract more extensive analyst coverage, leading to an overall increase in investor interest and trading liquidity of its shares.

3. PRINCIPAL TERMS OF THE MOU

3.1. Consideration

As disclosed above, the Potential Acquisition, if undertaken and completed, is expected to constitute a “very substantial acquisition” or “reverse takeover” of the Company pursuant to Rule 1015 of the Listing Manual.

The consideration payable by the Company for the Potential Acquisition (“**Consideration**”) will be denominated in Japanese Yen (“**JPY**”) and the Singapore dollar equivalent of the Consideration is expected to be between S\$110 million and S\$165 million. The Consideration will be satisfied by a combination of:

- (a) cash (“**Cash Consideration**”);
- (b) new ordinary shares in the Company (“**Consideration Shares**”); and
- (c) subordinated debt convertible into new ordinary shares in the Company (“**Conversion Shares**”) at the option of the Corporate Vendors three (3) years after Completion (such debt together with the interest payable thereon, the “**Convertible Debt**”).

Based on the terms of the MOU, the Vendors are expected to hold in aggregate:

- (i) between 35% and 40% of the total number of issued shares in the capital of the Company on an enlarged basis upon Completion; and
- (ii) between 45% and 50% of the total number of issued shares in the capital of the Company on an enlarged basis upon conversion of the full amount of the Convertible Debt, assuming that there are no changes in the share capital of the Company and the Vendors’ interest in the shares of the Company between Completion and the time of such conversion.

3.2. The Consideration is subject to, amongst others:

- (a) a downward adjustment on a dollar for dollar basis for any shortfall between the net cash balance of the Target as at Completion and the amount agreed between the Corporate Vendors and the Company in the Definitive Agreements, based on completion accounts to be prepared on terms to be agreed in the Definitive Agreements; and
- (b) no dividend having been declared or paid by the Target at any time from the date of the MOU until (and including) the date of Completion.

3.3. Appointment of nominee of the Corporate Vendors to the Board

On Completion and subject to the approval of the Shareholders, the Corporate Vendors will collectively be entitled to appoint one Director to the Board.

3.4. Termination

The MOU shall be effective from the date of execution and shall continue to be in force unless terminated by either the Company or the Vendors by giving one (1) month prior notice in writing to the Vendors or the Company, respectively.

4. WAIVER OF OBLIGATION TO MAKE A MANDATORY GENERAL OFFER

If the Potential Acquisition is undertaken and completed, the Vendors will own more than 30% of the voting shares comprised in the enlarged share capital of the Company upon Completion, and will therefore be required to make a mandatory general offer for all the remaining issued shares in the Company not already owned, controlled or agreed to be acquired by them pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (“**Code**”). As such, the Vendors will be seeking a waiver of their obligation to make a mandatory general offer under Rule 14 of the Code from the Securities Industry Council.

An ordinary resolution will be tabled at the EGM to be convened which if passed, will result in a waiver by the independent Shareholders of their right to receive a mandatory general offer from the Vendors and their concert parties in connection with the allotment and issuance of the Consideration Shares and/or the Conversion Shares upon conversion of the Convertible Debt (the “**Whitewash Resolution**”).

5. FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

The Company will appoint a financial adviser to the Company in respect of the Potential Acquisition. The Company will also appoint an independent financial adviser to the independent Directors of the Company in connection with the Whitewash Resolution in due course.

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, upon the execution of the Definitive Agreements and/or when there are material updates or developments in respect of the Potential Acquisition, including the relative figures computed under Rule 1006 of the Listing Manual in relation to the Potential Acquisition.

7. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (save for information relating to the Target Group and the Vendors) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Potential Acquisition, the Company and its subsidiaries as at the date hereof, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors respectively has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

8. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as there is no certainty or assurance that the SPA and/or the other Definitive Agreements will be entered into, that the final terms and conditions of the Definitive Agreements with respect to the Potential Acquisition will not differ from that set out in the MOU, or that the Potential Acquisition will be undertaken at all.

Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Madan Mohan
Company Secretary

6 July 2015