



MDR Limited

(Incorporated in the Republic of Singapore)

(Company Registration No. 200009059G)

PROPOSED ACQUISITION OF (i) LAND AND PROPERTY; AND (ii) OTHER ASSETS IN SELANGOR, MALAYSIA

Exchange rate for Malaysian Ringgit (RM) and Singapore Dollar (S\$) where used in this announcement is based on an illustrative exchange rate of S\$1 = RM3.03.

1. INTRODUCTION

The board of Directors (the “**Board**”) of mDR Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Pixio Sdn. Bhd. (the “**Purchaser**” or “**Pixio**”), has entered into two separate sale and purchase agreements (the “**SPAs**”) on 7 November 2016 with Paragon Converters Sdn. Bhd. (In compulsory liquidation) (“**PCM**” or the “**Vendor**”), an unrelated and independent third party, in respect of the purchase of the land known as Lot No. PT 32, Jalan 51A/223, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia (the “**Land**”) and the buildings thereon (the “**Property**”) and certain plant and machinery (the “**Assets**”) (collectively, the “**Proposed Acquisition**”).

2. ABOUT PCM

The information relating to PCM in this section is based on information provided by and/or representations made by PCM. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

- 2.1 PCM is a private limited company that was engaged in the manufacture and distribution of smart and sim cards, labels, barcode forms and related products.
- 2.2 By an order of the High Court of Malaya in Kuala Lumpur made on 24 June 2016, Mustapha Bin Mohamed and Jayapalasingam A/L Kandiah of MustaphaRaj Sdn. Bhd. have been appointed as the joint and/or several Liquidators of PCM (the “**Liquidators**”).

3. INFORMATION RELATING TO THE LAND, THE PROPERTY AND THE ASSETS

- 3.1 The Land has an area of 6,182.495 square metres (66,548 square feet) and the Property has a built-up area of 5,472.83 square metres (58,909 square feet), comprising a 2-storey factory, a 3-storey office block, a 2-storey warehouse and a guardhouse. The 99-year leasehold Land will expire on 9 July 2069 (balance lease of about 53 years). The Property is zoned for industrial usage.

- 3.2 The Assets to be acquired include, amongst others, printers, sealing machines, packing machines, shrink tunnel, label printing machines, slitting machines, ink dispenser machines, pallet trucks, reach truck, forklift, office furniture, equipment and miscellaneous items.
- 3.3 The Land, the Property and the Assets are to be purchased on an "as is where is" basis.

4. RATIONALE

4.1 Purchase of the Land and the Property

Pixio's existing premises are no longer sufficient to house its current operations, and its existing lease will expire in March 2017. The purchase of the Land and the Property is in line with Pixio's plan to acquire its own premises to house its expanding business needs as the company enters into new growth areas like 3D products, which require large operating spaces. With its own premises, Pixio will no longer be dependent on a third party for rental premises.

4.2 Purchase of the Assets

The Assets are complementary to Pixio's existing business.

5. PURCHASE CONSIDERATION AND FUNDING

5.1 Purchase of the Land and the Property

- (a) The purchase consideration for the Land and the Property was arrived at on a willing-buyer willing-seller basis, after taking into account the following factors:
- (i) location of the Land;
 - (ii) market price of comparable properties in the vicinity of Petaling Jaya; and
 - (iii) valuation of the Land and the Property by an established local Malaysian bank.
- (b) The total purchase consideration for the Proposed Acquisition of the Land and the Property is RM18,000,000 (S\$5,940,594).
- (c) The Proposed Acquisition of the Land and the Building will be funded through a combination of internal resources and bank borrowings.
- (d) Pixio has paid 2% of the purchase price of the Land and the Property i.e. RM360,000 (S\$118,811) as earnest deposit. Upon execution of the SPA for the Land and the Property ("**Property SPA**"), Pixio shall pay 8% of the purchase price of the Land and the Property i.e. RM1,440,000 (S\$475,248) to the Vendor.
- (e) The remaining 90% of the purchase price of the Land and the Property i.e. RM16,200,000 (S\$5,346,535) shall be paid by Pixio to the Vendor's solicitors as stakeholders within 90 days from the date of execution of the Property SPA or 14 days from the date when the Property SPA becomes unconditional under the terms of the Property SPA, whichever of the two is later.

5.2 Purchase of the Assets

- (a) The purchase consideration for the Assets was arrived at on a willing-buyer willing-seller basis.
- (b) Pixio shall pay 82.5% of the Purchase Price i.e. RM660,000 (S\$217,821) to Pixio's solicitors as stakeholders within 30 days of execution of the SPA for the Assets. 17.5% of the purchase consideration for the Assets i.e. RM140,000 (S\$46,205) has previously been paid to the Vendor as earnest deposit.

6. **MATERIAL CONDITIONS OF THE PROPOSED ACQUISITION**

- 6.1 The Proposed Acquisition of the Land and the Property is conditional upon *inter alia*, the approval of the state authority having been obtained for the transfer of the Land and the Property to the Purchaser.
- 6.2 Purchaser shall not proceed with the purchase of the Assets, in the event that the sale and purchase of the Land and the Property is not successfully completed.

7. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

For illustrative purposes only, based on the Group's audited financial statements for the financial year ended 31 December 2015, being the end of the most recently concluded financial year ended 31 December 2015 ("FY2015"), the proforma financial effects of the Proposed Acquisition on the consolidated net tangible assets ("NTA") of the Group for FY2015 are estimated as follows:

Net tangible assets per share

	Before completion of the Proposed Acquisition	After completion of the Proposed Acquisition
Net tangible assets (S\$'000)	59,761	59,646
Number of issued shares	12,528,241,084	12,528,241,084
Net tangible assets per share (Singapore cents)	0.48	0.48

Earnings per share

For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 January 2015, being the beginning of FY2015, the proforma financial effects of the Proposed Acquisition on the consolidated earnings per share (“EPS”) of the Group for FY2015 will be as follows:

	Before completion of the Proposed Acquisition	After completion of the Proposed Acquisition
Profits after tax attributable to equity holders of the Company (S\$'000)	4,060	3,407 ⁽¹⁾
Weighted average number of shares	12,528,241,084	12,528,241,084
EPS (Singapore cents)	0.032	0.027

Notes:

- ⁽¹⁾ This is determined on the assumption that 30% and 70% of the Proposed Acquisition will be financed from internal resources and bank borrowings respectively. For illustrative purposes, it has been assumed that a 15- year term loan of RM12.6 million (S\$4.158 million) with an interest rate of 5% per annum will be undertaken. Adjustments have been made for expenses which are expected to be incurred by the Group for the Proposed Acquisition including, *inter alia*, depreciation and land lease expenses. The Company is under negotiations with financial institutions on the financing structure and the quantum of loan for the Proposed Acquisition. As such, this section on financial effects of the Proposed Acquisition remains subject to changes.

8. APPLICATION OF RULE 1006 OF THE LISTING MANUAL

Based on the latest announced unaudited consolidated financial statements of the Group for the second quarter ended 30 June 2016, which had been released by the Company on 12 August 2016, the relative figures for the Proposed Acquisition (“**Relative Figures**”) computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited Mainboard Rules are as follows:

	Relative Figures (%)
<u>Rule 1006 (a)</u> The net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable

<u>Rule 1006 (b)</u> Net profits attributable to the assets acquired, compared with the Group's net profits	Not applicable as the Property is purchased for the Group's use
<u>Rule 1006 (c)</u> The aggregate value of the consideration given or received, compared with the issuer's market capitalisation ⁽¹⁾ as at 4 November 2016, being the last full market day with trades done immediately preceding the execution of the SPAs (excluding treasury shares)	17% ⁽¹⁾
<u>Rule 1006 (d)</u> The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
<u>Rule 1006 (e)</u> The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas asset by a mineral, oil and gas company, but to an acquisition of such assets.	Not applicable

Notes:

- (1) The market capitalisation of the Company of approximately S\$37.6 million is determined by multiplying 12,528,241,084 shares in issue by the volume weighted average price of S\$0.003 of such Shares transacted as at S\$0.003, being the market day with trades done preceding the date of the SPAs.

As the relative figure calculated under Rule 1006(c) of the Mainboard Rules exceeds 5% but is less than 20%, the Proposed Acquisition constitutes a "Discloseable Transaction" as defined under Chapter 10 of the Mainboard Rules.

9. DIRECTORS OR CONTROLLING SHAREHOLDERS' INTEREST

- 9.1 No directors are proposed to be appointed to the Company, and no service contracts are to be entered into by the Company, in connection with the Proposed Acquisition.
- 9.2 None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the SPAs or the Proposed Acquisition, other than through their respective shareholdings in the Company.

10. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. DOCUMENTS FOR INSPECTION

A copy of each of the two SPAs is available for inspection during normal business hours at the Company's registered office at 53 Ubi Crescent, Singapore 408594, for three months from the date of this announcement.

12. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as the Proposed Acquisition is subject to, *inter alia*, state authority's consent in Malaysia and there is presently no assurance or certainty that the Proposed Acquisition will materialise. The Company will keep shareholders updated on material developments on the Proposed Acquisition as and when appropriate. In the meantime, 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

7 November 2016