



mDR Limited
2008 – First Half Financial Statement

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

In S\$'000	Notes	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07	Q2 Inc/(Dec) %	YTD Inc/(Dec) %
Revenue	1(a)(i)	66,858	68,289	135,219	127,829	-2%	6%
Cost of sales	1(a)(i)	<u>(57,914)</u>	<u>(56,538)</u>	<u>(117,183)</u>	<u>(105,059)</u>	-2%	-12%
Gross profit	1(a)(i)	8,944	11,751	18,036	22,770	-24%	-21%
Other operating income	1(a)(ii)	135	541	1,489	2,221	-75%	-33%
Administrative expenses	1(a)(iii)	(8,168)	(10,773)	(16,603)	(21,582)	24%	23%
Other operating expenses	1(a)(iv)	(877)	(849)	(4,172)	(3,946)	-3%	-6%
Finance cost	1(a)(v)	<u>(334)</u>	<u>(293)</u>	<u>(679)</u>	<u>(611)</u>	-14%	-11%
Net expenses		(9,244)	(11,374)	(19,965)	(23,918)	19%	17%
Profit (Loss) before income tax		(300)	377	(1,929)	(1,148)	-180%	-68%
Income tax expense	1(a)(vi)	<u>(93)</u>	<u>(185)</u>	<u>72</u>	<u>(448)</u>	50%	116%
Profit (Loss) for the period		<u>(393)</u>	<u>192</u>	<u>(1,857)</u>	<u>(1,596)</u>	-305%	-16%
<u>Attributable to:</u>							
Equity holders of the parent company		(463)	14	(2,050)	(2,001)	-3,407%	-2%
Minority interests		70	178	193	405	-61%	-52%
Profit (Loss) attributable to shareholders		<u>(393)</u>	<u>192</u>	<u>(1,857)</u>	<u>(1,596)</u>	-305%	-16%

1(a)(i) Revenue, Cost of Sales and Gross Profit

The Group operates in two business segments – After Market Services (“AMS”) and Distribution Management Solutions (“DMS”). The breakdown of revenue and cost of goods sold and spare parts are as follows:

In S\$'000	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07
<u>Revenue</u>				
AMS	8,296	14,003	16,558	25,304
DMS	58,562	54,286	118,661	102,525
	<u>66,858</u>	<u>68,289</u>	<u>135,219</u>	<u>127,829</u>
<u>Cost of Goods Sold and Spare Parts</u>				
AMS	(4,084)	(6,959)	(7,858)	(11,828)
DMS	(53,830)	(49,579)	(109,325)	(93,231)
	<u>(57,914)</u>	<u>(56,538)</u>	<u>(117,183)</u>	<u>(105,059)</u>
<u>Gross Profit</u>				
AMS	4,212	7,044	8,700	13,476
DMS	4,732	4,707	9,336	9,294
	<u>8,944</u>	<u>11,751</u>	<u>18,036</u>	<u>22,770</u>

1(a)(ii) Other operating income consist of the following:

In S\$'000	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07
Interest income				
- Bonds	-	499	-	993
- Others	12	15	34	24
Rental income	47	59	87	108
Bad debt recovered	31	2	31	3
Write back of accounts payable	-	-	45	-
Write back of debts due to liquidation of subsidiary	33	-	33	-
Release of negative goodwill to income on re-acquisition of interest in a subsidiary	-	-	63	-
Gain on divestment of business	-	-	-	935
Refund of GST from Inland Revenue Authority of Singapore	-	-	682	-
Early termination fee	-	-	484	-
Waiver of debts	-	-	-	150
Others	12	(34)	30	8
	<u>135</u>	<u>541</u>	<u>1,489</u>	<u>2,221</u>

1(a)(iii) Administrative Expenses

The administrative expenses comprise mainly staff cost.

In S\$'000	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07
<u>Staff Cost</u>				
AMS	4,285	6,257	8,660	12,798
DMS	1,961	1,893	4,086	3,706
	<u>6,246</u>	<u>8,150</u>	<u>12,746</u>	<u>16,504</u>

The lower administrative expenses for Q2-08 compared to the corresponding period in 2007 is mainly due to the decrease in staff cost which is in line with the cessation of certain AMS business operations and closure of service centres as part of the restructuring exercise.

1(a)(iv) Included in other operating expenses are the following:

In S\$'000	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07
Minimum lease payments under operating lease	1,771	1,958	3,616	4,001
Depreciation expenses	380	532	753	1,116
Reversal of impairment on fixed assets	-	-	-	(69)
Loss / (Gain) on disposal of fixed assets	39	(8)	24	6
Reversal of impairment of other investments	-	(840)	-	(840)
Provision / (Reversal) for doubtful trade receivables (Reversal) / Provision of allowance for doubtful other receivables (Note I)	10 (1,799)	(13) 497	21 (1,799)	(5) 995
Provision / (reversal) of allowance for inventories	21	33	135	(32)
Loss / (Gain) on foreign exchange	455	(1,310)	1,422	(1,226)
	<u>877</u>	<u>849</u>	<u>4,172</u>	<u>3,946</u>

Note I : This represents reversal of allowance for doubtful other receivables which are no longer required as the receivables have been fully settled.

1(a)(v) Finance cost

Finance cost comprises mainly interest expense arising from loans drawn down for operating and investing activities.

1(a)(vi) Income tax expense

The tax expense provision is calculated for profitable subsidiaries using the tax rates applicable in the jurisdictions where the companies in the Group operate.

1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

In S\$'000	Notes	Group 30-Jun-08	Group 31-Dec-07	Company 30-Jun-08	Company 31-Dec-07
ASSETS					
Current assets					
Cash		6,055	9,613	1,459	2,034
Cash pledged		1,851	152	101	152
Trade receivables	A	25,203	33,184	7,575	7,659
Other receivables and prepayments	B	7,285	6,137	11,572	7,499
Inventories	C	20,303	16,678	444	-
		<u>60,697</u>	<u>65,764</u>	<u>21,151</u>	<u>17,344</u>
Non-current assets					
Investment in subsidiaries		-	-	27,783	26,523
Plant and equipment		3,525	3,841	588	424
Goodwill on consolidation		11,655	11,655	-	-
Other goodwill		8,074	8,074	-	-
		<u>23,254</u>	<u>23,570</u>	<u>28,371</u>	<u>26,947</u>
Total assets		<u>83,951</u>	<u>89,334</u>	<u>49,522</u>	<u>44,291</u>
Current liabilities					
Bank loans		2	11,612	-	3,695
Bank overdraft		8,828	7,495	2,133	1,557
Trade payables	D	19,229	18,941	827	1,319
Other payables	E	11,695	20,645	18,862	19,075
Income tax payable		1,142	1,460	-	-
Obligations under finance leases		34	84	-	-
		<u>40,930</u>	<u>60,237</u>	<u>21,822</u>	<u>25,646</u>
Non-current liabilities					
Obligations under finance leases		9	42	-	-
Deferred tax		1,151	1,179	912	912
Convertible notes / bonds	F	13,500	-	13,500	-
		<u>14,660</u>	<u>1,221</u>	<u>14,412</u>	<u>912</u>
Equity					
Issued capital	1(d)(i)	98,915	98,055	98,915	98,055
Capital redemption reserve		22	22	22	22
Share options reserve		3,015	3,015	3,015	3,015
Foreign currency translation reserve		2,334	789	-	-
Revenue reserve		(79,836)	(77,786)	(88,664)	(83,359)
Equity attributable to equity holders of the parent		24,450	24,095	13,288	17,733
Minority interests		3,911	3,781	-	-
		<u>28,361</u>	<u>27,876</u>	<u>13,288</u>	<u>17,733</u>
Total equity and liabilities		<u>83,951</u>	<u>89,334</u>	<u>49,522</u>	<u>44,291</u>

(A) Trade receivables

The trade receivables turnover days is 34 as at 30 June 2008 (31 December 2007 : 42 days).

(B) Other receivables and prepayments

The major components of other receivables and prepayments are tabulated below :

S\$'000	Group	
	<u>30-Jun-08</u>	<u>31-Dec-07</u>
Related parties	1,983	-
Recoverables	1,703	3,303
Deposits	2,210	1,703
Prepayments	1,029	875
Accrued interest receivables	<u>90</u>	<u>129</u>

(C) Inventories

The inventory turnover is 32 days for the quarter ended 30 June 2008 (31 December 2007 : 25 days).

(D) Trade payables

Trade payables turnover days is 30 as at 30 June 2008 (31 December 2007 : 28 days).

(E) Other payables

The major components of other payables are tabulated below :

S\$'000	Group	
	<u>30-Jun-08</u>	<u>31-Dec-07</u>
Amount owing to related parties	178	248
Other payables to third parties	2,034	2,008
Accrued staff related expenses	2,077	2,590
Accrued operating expenses	4,027	10,338
Accrued restructuring costs	3,324	3,364
Loan payable to bank by associate company	<u>-</u>	<u>2,075</u>

(F) Convertible notes

On 10 January 2008, approval was obtained from shareholders at the Company's extraordinary general meeting to approve the issue of up to \$32.0 million redeemable non-recallable structured convertible notes. On 30 January 2008, the Company issue convertible notes of \$3.0 million, of which \$1.5 million was subsequently converted into ordinary shares as at 30 June 2008.

Convertible bonds

On 25 April 2008, approval was obtained from shareholders at the Company's extraordinary general meeting to approve the issue of \$12.0 million convertible bonds. On 12 June 2008, the Company issued convertible bonds of \$12.0 million as repayment and discharge of \$12.0 million of the principal indebtedness of the Company and its subsidiaries to the Lenders.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2008		As at 31 December 2007	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
34	8,830	84	19,107

Amount repayable after one year

As at 30 June 2008		As at 31 December 2007	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
9	-	42	-

Details of collateral

Finance lease is secured by the fixed assets acquired under the lease arrangement.

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

In S\$'000	Q2-08	Q2-07	YTD 30-Jun-08	YTD 30-Jun-07
Operating activities				
Profit (Loss) before income tax	(300)	377	(1,929)	(1,148)
Adjustments for				
Depreciation expense	380	532	753	1,116
Interest expense	334	293	679	611
Interest income	(12)	(487)	(34)	(1,017)
(Gain) / loss on disposal of plant and equipment	39	(8)	24	6
Reversal of allowance for doubtful other receivables	(1,799)	-	(1,799)	-
Reversal of impairment on plant and equipment	-	-	-	(69)
Provision for doubtful trade receivables	10	-	21	-
Gain on sales of business	-	-	-	(935)
Provision / (Reversal) of allowance for inventories	21	33	135	(32)
Write off of non-trade debts	633	-	633	-
Write back of trade bad debts	(665)	-	(710)	-
Negative goodwill released to income	-	-	(63)	-
Reversal of impairment of other investments	-	(840)	-	(840)
Operating cash flows before movements in working capital	(1,359)	(100)	(2,290)	(2,308)
Trade receivables	3,461	(5,030)	7,960	2,264
Other receivables and prepaid expenses	(1,391)	1,265	18	436
Inventories	(1,988)	223	(3,760)	(906)
Trade payables	(141)	623	998	(3,108)
Other payables	(983)	141	(8,950)	(2,339)
Cash used in operations	(2,401)	(2,878)	(6,024)	(5,961)
Interest received	12	487	34	1,017
Income tax paid	(422)	(141)	(274)	(166)
Net cash used in operating activities	(2,811)	(2,532)	(6,264)	(5,110)
Investing activities				
Purchase of plant and equipment	(236)	(127)	(529)	(286)
Proceeds from sale of business	-	-	-	1,743
Proceeds from disposal of plant and equipment	17	84	68	141
Net cash (used in) / generated from investing activities:	(219)	(43)	(461)	1,598
Financing activities				
Proceeds from issue of shares	1,000	3,119	1,500	3,119
Expenses in relation to issuance of convertible notes	-	-	(640)	-
Interest paid	(334)	(293)	(679)	(611)
Repayment of finance lease	(24)	(109)	(83)	(135)
Proceeds from issuance of convertible notes / bonds	11,000	-	13,500	-
Fixed deposits subject to restriction	-	-	(1,699)	98
Repayment of bank loans	(12,000)	(448)	(11,609)	(1,391)
Net cash (used in) / generated from financing activities	(358)	2,269	290	1,080
Net effect of foreign exchange rate changes	481	(1,241)	1,544	(1,126)
Net (decrease) increase in cash & cash equivalents	(2,907)	(1,547)	(4,891)	(3,558)
Cash & cash equivalents at beginning of year	134	3,641	2,118	5,652
Cash & cash equivalents at end of period	(2,773)	2,094	(2,773)	2,094

I. Cash and cash equivalent at end of financial year :

In S\$'000	30-Jun-08	30-Jun-07
Cash	7,906	9,886
Bank overdraft	(8,828)	(7,792)
Less: Cash subject to restriction	(1,851)	-
	<hr/>	<hr/>
	(2,773)	2,094
	<hr/>	<hr/>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

In S\$'000	Share capital	Capital redemption reserve	Share options reserve	Translation reserve	Revenue reserve	Attributable to equity holders of the company	Minority interest	Total
Group (6 months ended 30 June 2007)								
Balance at 1 January 2007	89,841	22	3,166	1,204	(76,369)	17,864	3,575	21,439
Net loss for the period	-	-	-	-	(2,001)	(2,001)	405	(1,596)
Foreign currency translation	-	-	-	(639)	-	(639)	(502)	(1,141)
Issue of ordinary shares	3,119	-	-	-	-	3,119	-	3,119
Balance at 30 June 2007	92,960	22	3,166	565	(78,370)	18,343	3,478	21,821
Group (6 months ended 30 June 2008)								
Balance at 1 January 2008	98,055	22	3,015	789	(77,786)	24,095	3,781	27,876
Net loss for the period	-	-	-	-	(2,050)	(2,050)	193	(1,857)
Expenses in relation to issuance of convertible notes	(640)	-	-	-	-	(640)	-	(640)
Issue of shares upon conversion of convertible notes	1,500	-	-	-	-	1,500	-	1,500
Effects of acquisition of interest in subsidiaries	-	-	-	-	-	-	(63)	(63)
Foreign currency translation	-	-	-	1,545	-	1,545	-	1,545
Balance at 30 June 2008	98,915	22	3,015	2,334	(79,836)	24,450	3,911	28,361
Company (6 months ended 30 June 2007)								
Balance at 1 January 2007	89,841	22	3,166	-	(70,412)	22,617	-	22,617
Net loss for the period	-	-	-	-	(2,148)	(2,148)	-	(2,148)
Issue of ordinary shares	3,119	-	-	-	-	3,119	-	3,119
Balance at 30 June 2007	92,960	22	3,166	-	(72,560)	23,588	-	23,588
Company (6 months ended 30 June 2008)								
Balance at 1 January 2008	98,055	22	3,015	-	(83,359)	17,733	-	17,733
Net loss for the period	-	-	-	-	(5,305)	(5,305)	-	(5,305)
Expenses in relation to issuance of convertible notes	(640)	-	-	-	-	(640)	-	(640)
Issue of shares upon conversion of convertible notes	1,500	-	-	-	-	1,500	-	1,500
Balance at 30 June 2008	98,915	22	3,015	-	(88,664)	13,288	-	13,288

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Issued Share Capital

As at 30 June 2008, the issued ordinary shares of the Company numbered 1,738,753,519. During the quarter, the Company issued 37,037,036 ordinary shares that arose from the conversion of convertible notes.

Share Options

The mDR Limited Share Option Scheme 2003 (the "Scheme") was approved and adopted by members at the Extraordinary General Meeting held on 13 January 2003. The price at which a participant of the Scheme shall subscribe for each share upon the exercise of an option was determined based on the average closing prices of the shares for each of the last five market days immediately preceding the date of grant of the options ("Date of Grant"). The vesting period of the options commences on the date not earlier than the first anniversary of the Date of Grant and expires on the tenth anniversary of the Date of Grant.

The share options granted and exercised during the financial year and share options outstanding as at 30 June 2008 under the Scheme were as follows:

<u>Date of grant</u>	<u>Balance at 1 January 2008 or grant date if later</u>	<u>Lapsed/ Cancelled</u>	<u>Balance at 31 March, 2008</u>	<u>Subscription Price</u>	<u>Expiry date</u>
17 September 2003	1,465,708	(77,142)	1,388,566	\$0.3111	16 September 2013
14 April 2004	12,381,404	(462,855)	11,918,549	\$0.5063	13 April 2014
22 September 2005	11,238,000	-	11,238,000	\$0.1200	21 September 2010
10 January 2008	1,088,000	-	1,088,000	\$0.0550	09 January 2013
13 May 2008	22,000,000	-	22,000,000	\$0.0300	12 May 2018
	<u>48,173,112</u>	<u>(539,997)</u>	<u>47,633,115</u>		

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>2008</u>	<u>2007</u>
	Number of ordinary shares	
Issued and paid up:	<u>1,738,753,519</u>	<u>1,688,488,970</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited, or reviewed and in accordance with which standard

The figures for the period from 1 January 2008 to 30 June 2008 have not been audited or reviewed by our auditors.

The auditors have expressed an “except for” opinion for the 2007 financial statements where matters below, that have an impact on the opening balances for the year ended 31 December 2007, were highlighted in 2006 financial statements as described in the following:

- a) The opening balances affected by adjustments arising from the matters below were brought forward into the financial statements for the year ended 31 December 2006 and hence have effects on the 2006 financial statements.
- b) The completeness of the disclosure of related party transactions and other financial effects.
- c) The audit clearances for certain subsidiaries were not received as at date of auditors' report.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The accounting policies and methods of computation have been applied consistently. The Group and the Company have applied accounting policies and methods of computation in the financial statements for the current reporting period consistent with those of the audited financial statements as at 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised Singapore Financial Reporting Standards (“FRS”) and interpretations of FRS and amendments to FRS effective for accounting periods beginning 1 January 2008 and they are assessed to have no significant impact on the Group's financial position and results of the Group.

6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary share	YTD	YTD
(based on consolidated net loss	30-Jun-08	30-Jun-07
attributable to equity holders of the Company)	Cents	Cents
- Basic	(0.03)	(0.13)
- Fully diluted	<u>(0.03)</u>	<u>(0.13)</u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 1,704,652,700 (30 June 2007 : 1,571,471,405).

Fully diluted earnings per ordinary share is computed based on the weighted average number of shares during the period adjusted for the effect of all potential dilutive ordinary shares of 1,704,652,700 (30 June 2006 : 1,571,471,405).

7. Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Jun-08 Cents	31-Dec-07 Cents	30-Jun-08 Cents	31-Dec-07 Cents
Net Asset Value ("NAV") per share	<u>1.43</u>	<u>1.50</u>	<u>0.78</u>	<u>1.10</u>

The NAV per share as at 30 June 2008 is calculated based on 1,704,652,700 (31 December 2007: 1,610,125,914) ordinary shares.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

Revenue

Revenue for the second quarter has decreased by 2% to \$66.8 million from \$68.3 million in Q2-08. The decrease in revenue is mainly due to lower AMS revenue offset partially by higher sales from DMS business.

Revenue from the AMS business has decreased by approximately \$5.7 million as compared to Q2-07. This is primarily due to the cessation of certain non-viable AMS businesses which is part of the Group's restructuring exercise started in FY2006 and has been on-going through FY2007.

Profit/(Loss) after income tax

In Q2-08, the Group reported a loss after tax of \$0.39 million compared to a net profit of \$0.19 million in Q2-07 mainly due to currency translation loss of about \$0.5 million.

At the operating level, the Group recorded an operating loss of \$1.0 million in Q2-08 compared to a loss of \$1.1 million in Q2-07. *[For adjustment to profit after tax, please refer to 1(a) (iv), page 3]*

Cash Flows

The net decrease in cash and cash equivalents were attributed mainly to working capital usage.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The Group, on 15 July 2008, announced that it has set up a company in Singapore with Thai mobile software and information distribution specialist, Playwork Company Ltd. The new subsidiary company, Playwork Solutions Pte Ltd, will provide Mobile Value-Added Services initially in Singapore and subsequently to other markets. The new services will be launched in the third quarter of FY2008 and will not have material impact to the Group in FY2008.

While the general economic conditions remain difficult, the Group continues to monitor and streamline its operations.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended.

BY ORDER OF THE BOARD

**Gn Chiang Soon
Company Secretary**

Negative Assurance Confirmation Under Rule 705(4) of the Listing Manual

We, Mah Kah On and Tong Choo Cherng, being two directors of mDR Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first half 2008 financial results to be false or misleading in any material respect.

On behalf of the Board of Directors

Mah Kah On
Chairman of Audit Committee

Tong Choo Cherng
Chief Executive Officer

Singapore, 8 August 2008