



MDR Limited

mDR Limited

First Quarter Financial Statements for the Period Ended 31 March 2010

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	Q1-10	Q1-09	Incl/(Dec) %
Continuing Operations				
Revenue	2	70,216	44,005	60%
Cost of sales	2	<u>(62,895)</u>	<u>(37,600)</u>	67%
Gross profit	2	7,321	6,405	14%
Other income	3	241	43	460%
Administrative expenses	4	(4,838)	(5,341)	-9%
Other operating expenses	5	(1,952)	14	-14043%
Changes in fair value of convertible notes designated as fair value through profit and loss		57	-	N.M.
Finance cost	6	<u>(205)</u>	<u>(234)</u>	-12%
Total expenses		<u>(6,938)</u>	<u>(5,561)</u>	25%
Profit before income tax		624	887	-30%
Income tax expense	7	<u>(149)</u>	<u>(13)</u>	1046%
Profit for the period from continuing operations		475	874	-46%
Discontinued operation				
Loss for the period from discontinued operation	8	-	(91)	N.M.
Profit for the period		<u>475</u>	<u>783</u>	-39%
Attributable to:				
Equity holders of the parent company		300	833	-64%
Minority interests		<u>175</u>	<u>(50)</u>	-450%
Profit attributable to shareholders		<u>475</u>	<u>783</u>	-39%

Statement of comprehensive income for the first quarter ended 31 March 2010

In S\$'000	Q1-10	Q1-09	Incl/(Dec) %
Profit for the period after tax	475	783	-39%
Other comprehensive income			
Translation differences relating to financial statements of foreign subsidiaries	(492)	(1,806)	-73%
Total comprehensive income for the period	<u>(17)</u>	<u>(1,023)</u>	-98%
Attributable to:			
Equity holders of the parent company	(192)	(973)	-80%
Minority interests	<u>175</u>	<u>(50)</u>	-450%
Total comprehensive income for the period	<u>(17)</u>	<u>(1,023)</u>	-98%

N.M. : Not Meaningful

1(a)(i) Breakdown and explanatory notes to the income statement

Note 1 Operation profit/(loss) after tax is derived at after charging/(crediting) the following:

In S\$'000	Q1-10	Q1-09
Profit for the period	475	783
<i>Adjusted for:</i>		
Changes in fair value of convertible notes/bonds	(57)	-
Loss/(Gain) on disposal of plant and equipment	64	(4)
Gain on disposal of a subsidiary	(45)	-
Allowance/(Reversal) of impairment for plant and equipment	62	(22)
Allowance for doubtful debts - non-trade	-	7
Bad debts written back	-	(45)
Liabilities written back	(57)	-
Negative goodwill written off	-	(63)
Foreign exchange gain	(222)	(2,012)
Provision for closure of subsidiaries	111	-
Provision for inventory obsolescence	320	73
Total adjustments	<u>176</u>	<u>(2,066)</u>
Operation profit/(loss) after tax	<u><u>651</u></u>	<u><u>(1,283)</u></u>

Note 2 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	Q1-10	Q1-09
Revenue		
AMS	4,841	5,743
DMS	<u>65,375</u>	<u>38,262</u>
	<u><u>70,216</u></u>	<u><u>44,005</u></u>
Cost of Goods Sold and Spare Parts		
AMS	(2,935)	(3,113)
DMS	<u>(59,960)</u>	<u>(34,487)</u>
	<u><u>(62,895)</u></u>	<u><u>(37,600)</u></u>
Gross Profit		
AMS	1,906	2,630
DMS	<u>5,415</u>	<u>3,775</u>
	<u><u>7,321</u></u>	<u><u>6,405</u></u>
GP%		
AMS	39%	46%
DMS	<u>8%</u>	<u>10%</u>
	<u><u>10%</u></u>	<u><u>15%</u></u>

Total gross profits improved by 14.3% from \$6.4 million in 1Q 2009 to \$7.3 million in 1Q 2010 due to higher sales volume generated by DMS. However, gross margins for both AMS and DMS businesses registered a decline due to higher spare part costs at AMS and higher distribution business, consequently leading to lower margins at DMS.

Note 3 Other income consist of the following:

In S\$'000	Q1-10	Q1-09
Interest income	3	4
Rental income	133	34
Gain on disposal of a subsidiary	45	-
Liabilities written back	57	-
Others	3	5
	<u>241</u>	<u>43</u>

Note 4 Administrative Expenses

The administrative expenses comprise mainly staff cost.

In S\$'000	Q1-10	Q1-09
<u>Staff</u>		
AMS	1,772	2,479
DMS	1,898	1,684
	<u>3,670</u>	<u>4,163</u>

AMS incurred lower administrative expenses during 1Q-10 compared to the corresponding period in 2009 due mainly to a reduction in headcount.

Note 5 Other operating expenses consist of the following:

In S\$'000	Q1-10	Q1-09
Rental expenses	1,510	1,619
Depreciation expenses	218	325
Provision / (Reversal) of impairment on plant and equipment	62	(22)
Loss/(gain) on disposal of plant and equipment	64	(4)
Allowance for doubtful debts - non-trade	-	7
Provision for inventory obsolescence	320	73
Foreign exchange gain, net *	(222)	(2,012)
	<u>1,952</u>	<u>(14)</u>

* The foreign exchange gain mainly arose from revaluation of inter-company balances denominated in United States Dollar and Singapore Dollar against respective entity's functional currency.

Note 6 Finance cost

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

Note 7 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.

Note 8 Income statement disclosures for discontinued operations

In S\$'000	Q1-10	Q1-09
Revenue	-	891
Cost of sales	-	(189)
Gross profit	-	<u>702</u>
Other operating income	-	2
Administrative expenses	-	(548)
Other operating expenses	-	(247)
Loss before income tax	-	<u>(91)</u>
Income tax expense	-	-
Loss for the period	<u>-</u>	<u>(91)</u>

The Group commenced liquidation of its wholly-owned subsidiaries Accord Customer Care Solutions (Aust) Pty. Ltd., Accord Customer Care Solutions (NSW) Pty. Ltd. and Accord Customer Care Solutions (Network) Pty. Ltd. in December 2009 and deregistered mDR (HK) Limited in September 2009. The comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

1(b)(i) Statement of financial position (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		Company	
		31-Mar-10	31-Dec-09	31-Mar-10	31-Dec-09
ASSETS					
Current assets					
Cash and bank balances		8,734	9,180	485	492
Cash pledged		1,724	1,715	-	-
Trade receivables	1	23,705	27,348	3,583	6,072
Other receivables and prepayments	2	4,418	4,503	8,292	9,065
Inventories	3	11,931	10,964	325	330
Total current assets		<u>50,512</u>	<u>53,710</u>	<u>12,685</u>	<u>15,959</u>
Non-current assets					
Investment in subsidiaries		-	-	10,002	10,002
Plant and equipment		1,740	2,040	112	114
Other goodwill		2,350	2,350	-	-
Total non-current assets		<u>4,090</u>	<u>4,390</u>	<u>10,114</u>	<u>10,116</u>
Total assets		<u>54,602</u>	<u>58,100</u>	<u>22,799</u>	<u>26,075</u>
Current liabilities					
Bank overdrafts		8,423	8,850	2,199	2,203
Convertible notes / bonds	4	7,040	8,050	7,040	8,050
Fair Value adjustment of convertibles	4	756	813	756	813
Trade payables	5	12,350	15,628	647	558
Other payables	6	13,315	12,917	8,346	11,505
Income tax payable		1,383	1,490	-	-
Total current liabilities		<u>43,267</u>	<u>47,748</u>	<u>18,988</u>	<u>23,129</u>
Non-current liability					
Deferred tax		237	237	-	-
Total non-current liability		<u>237</u>	<u>237</u>	<u>-</u>	<u>-</u>
Equity					
Issued capital		105,466	104,466	105,466	104,466
Capital redemption reserve		22	22	22	22
Share options reserve		1,836	1,836	1,836	1,836
Foreign currency translation reserve		2,482	2,974	-	-
Revenue reserve		(101,419)	(101,719)	(103,513)	(103,378)
Equity attributable to owners of the parent company		<u>8,387</u>	<u>7,579</u>	<u>3,811</u>	<u>2,946</u>
Minority interests		2,711	2,536	-	-
Total equity and liabilities		<u>54,602</u>	<u>58,100</u>	<u>22,799</u>	<u>26,075</u>

Notes

1 Trade receivables

The Group's trade receivables turnover as at 31 March 2010 is 33 days (31 December 2009: 44 days).

2 Other receivables and prepayments

Group's other receivables and prepayments mainly consist of the following:

S\$'000	31-Mar-10	31-Dec-09
Deposits	1,782	1,845
Prepayments	704	802
Due from a minority shareholder of a subsidiary	214	208
Recoverables	<u>100</u>	<u>305</u>

3 Inventories

The Group's inventory turnover is 16 days for the quarter ended 31 March 2010 (31 December 2009: 18 days).

Group's inventory as at 31 March 2010 is \$11.9 million (31 December 2009: \$11.0 million)

4 Convertible notes

On 30 January 2008, the Company received approval from shareholders for the issue of an aggregate amount of 1.5% equity linked redeemable non-recallable structured convertible notes ("Notes") that are due in 2010 amounting to \$32,000,000. As at 31 March 2010, the Company has issued a total of \$8,000,000 (31 December 2009: \$7,500,000) and the holder of the convertible notes has converted \$7,950,000 (31 December 2009: \$6,950,000) into equity shares of the Company and the balance of \$50,000 (31 December 2009: \$550,000) has been disclosed as current liability which is convertible into equity shares or due for redemption on demand at the option of the holder.

Convertible bonds

On 25 February 2008, the Group entered into a three-year debt restructuring agreement with three lenders for a conversion debt of \$12,000,000. Under the agreement, a conversion debt of \$12,000,000 shall be repaid and discharged by way of conversion into 3.75% Class A convertible bonds due in 2010.

The Group has not complied with one of its debt covenants pursuant to the convertible bonds agreements and as a result the loan facilities are repayable on demand and have been disclosed as current liability in these financial statements. The Group is currently in an advanced stage of negotiation with its lenders on a debt restructuring arrangement, whereby the Group would repay the loans over a period of 5 years with effect from 31 January 2010. The lenders have indicated that they require more time to come to an agreement to the Group's proposed debt restructuring plan. Notwithstanding this, the Group commenced instalment payments to the lenders with effect from 31 January 2010, and these repayments are in accordance with the Group's proposed instalment plan whilst the lenders deliberate on the Group's debt restructuring proposal.

Fair value adjustment of convertibles

The above notes / bonds contain embedded conversion features and the Company has designated the combined contracts at fair value through profit or loss. Changes in the fair value of these convertible notes / bonds have been included in the statement of comprehensive income for the period.

5 Trade payables

Group's trade payables turnover is 20 days as at 31 March 2010 (31 December 2009: 26 days). A decrease in trade payables is mainly due to minimal utilisation of credit lines from a supplier upon payment of outstanding payables owing to the supplier.

6 Other payables

Other payables consist of the following:

S\$'000	31-Mar-10	31-Dec-09
Amount owing to related parties	169	158
Other payables to third parties	1,285	1,371
Accrued staff costs	939	900
Accrued operating expenses	10,264	9,830
Provision for restructuring costs	658	658
	<u>13,315</u>	<u>12,917</u>

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

Amount repayable in one year or less, or on demand

As at 31-Mar-10		As at 31-Dec-09	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	15,413	-	16,396

Note :

The unsecured borrowings of \$15.4 million comprises of:

- a) \$8.4 million bank overdraft facilities and
- b) \$7.0 million convertible bonds *[Refer to 1(d)(ii) on page 11]*

Amount repayable after one year

As at 31-Mar-10		As at 31-Dec-09	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
-	-	-	-

Details of collateral

Not applicable

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

In S\$'000	Q1-10	Q1-09
Operating activities		
Profit before income tax from continuing operations	624	887
Profit before income tax from discontinued operations	-	(91)
	<u>624</u>	<u>796</u>
Adjustments for:		
Depreciation expense	218	328
Interest expense	205	234
Interest income	(3)	(6)
Loss/(Gain) on disposal of plant and equipment	64	(4)
Provision for inventory obsolescence	320	73
Allowance/(Reversal) for impairment of plant and equipment	62	(21)
Gain on disposal of a subsidiary	(45)	-
Allowance for doubtful debts – non-trade	-	7
Changes in fair value of convertible notes/bonds designated as fair value through profit or loss	(57)	-
Liabilities written back	(57)	-
	<u>(57)</u>	<u>-</u>
Operating cash flows before movements in working capital	1,331	1,407
Trade receivables	3,643	5,831
Other receivables and prepayments	85	1,627
Inventories	(1,287)	(2,563)
Trade payables	(3,218)	(951)
Other payables	397	(2,858)
	<u>951</u>	<u>2,493</u>
Cash generated from operations	951	2,493
Interest received	3	6
Income tax paid	(256)	(7)
	<u>(256)</u>	<u>(7)</u>
Net cash generated from operating activities	<u>698</u>	<u>2,492</u>
Investing activities		
Purchase of plant and equipment	(40)	(226)
Proceeds from disposal of plant and equipment	56	41
	<u>16</u>	<u>(185)</u>
Net cash generated from/(used in) investing activities	<u>16</u>	<u>(185)</u>
Financing activities		
Interest paid	(205)	(234)
Repayment of finance lease	-	(4)
Proceeds from issuance of convertible notes	500	-
Cash pledged	(9)	-
Redemption of convertible bonds	(510)	(1,250)
	<u>(224)</u>	<u>(1,488)</u>
Net cash used in financing activities	<u>(224)</u>	<u>(1,488)</u>
Net increase in cash and cash equivalents	490	819
Cash and cash equivalents at beginning of period	330	821
Effect of foreign exchange rate changes	(509)	(1,805)
	<u>311</u>	<u>(165)</u>
Cash and cash equivalents at end of period	<u>311</u>	<u>(165)</u>

Notes

A. Disposal of a subsidiary

During 1Q 2010, the Group deregistered ACCS PRC Limited, a wholly-owned dormant subsidiary held through Accord Customer Care Solution (Asia) Limited. The carrying value of assets disposed and liabilities discharged were as follows:

In S\$'000	Q1-10	Q1-09
Assets	-	-
Liabilities	(2)	-
Foreign currency translation reserve	(43)	-
Net liabilities	<u>(45)</u>	<u>-</u>
Gain on disposal	<u>45</u>	<u>-</u>
Total consideration	<u>-</u>	<u>-</u>

B. Cash and cash equivalent at end of period comprise of:

In S\$'000	Q1-10	Q1-09
Cash	10,458	8,814
Bank overdrafts	(8,423)	(8,878)
Less: Cash pledged	<u>(1,724)</u>	<u>(101)</u>
Cash and cash equivalents	<u>311</u>	<u>(165)</u>

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	Minority interest	Total
Group								
Balance as at 1 January 2009	99,894	22	2,162	4,289	(99,654)	6,713	2,601	9,314
Total comprehensive income/(expense) for the period	-	-	-	(1,806)	833	(973)	(50)	(1,023)
Issue of shares upon conversion of convertible notes	150	-	-	-	-	150	-	150
Balance as at 31 March 2009	<u>100,044</u>	<u>22</u>	<u>2,162</u>	<u>2,483</u>	<u>(98,821)</u>	<u>5,890</u>	<u>2,551</u>	<u>8,441</u>
Balance as at 1 January 2010	104,466	22	1,836	2,974	(101,719)	7,579	2,536	10,115
Total comprehensive income/(expense) for the period	-	-	-	(492)	300	(192)	175	(17)
Issue of shares upon conversion of convertible notes	1,000	-	-	-	-	1,000	-	1,000
Balance as at 31 March 2010	<u>105,466</u>	<u>22</u>	<u>1,836</u>	<u>2,482</u>	<u>(101,419)</u>	<u>8,387</u>	<u>2,711</u>	<u>11,098</u>
		44						
Company								
Balance as at 1 January 2009	99,894	22	2,162	-	(96,463)	5,615	-	5,615
Total comprehensive income/(expense) for the period	-	-	-	-	708	708	-	708
Issue of shares upon conversion of convertible notes	150	-	-	-	-	150	-	150
Balance as at 31 March 2009	<u>100,044</u>	<u>22</u>	<u>2,162</u>	<u>-</u>	<u>(95,755)</u>	<u>6,473</u>	<u>-</u>	<u>6,473</u>
Balance as at 1 January 2010	104,466	22	1,836	-	(103,378)	2,946	-	2,946
Total comprehensive income/(expense) for the period	-	-	-	-	(135)	(135)	-	(135)
Issue of shares upon conversion of convertible notes	1,000	-	-	-	-	1,000	-	1,000
Balance as at 31 March 2010	<u>105,466</u>	<u>22</u>	<u>1,836</u>	<u>-</u>	<u>(103,513)</u>	<u>3,811</u>	<u>-</u>	<u>3,811</u>

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

The Company issued an additional 222,222,222 new ordinary shares in January 2010 (1Q09: 16,666,666) at \$0.0045 (1Q09: \$0.009) per share through conversion of convertible notes.

As a result, the Company's issued and paid-up capital increased to \$105,466,168 divided into 2,848,616,636 shares as at 31 March 2010.

Convertibles

(i) Share options

The Company has a share option scheme known as mDR Limited Share Option Scheme 2003 which was approved by members of the Company at the Extraordinary General Meeting held on 13 January 2003.

At 31 March 2010, there were 30,948,128 (31 March 2009: 45,762,408) outstanding share options which would entitle the holders to subscribe for a total of 30,948,128 (31 March 2009: 45,762,408) ordinary shares of S\$1 per share.

The 30,948,128 share options outstanding at 31 March 2010 are approximately 1.1% of the share capital consisting of 2,848,616,636 issued shares at 31 March 2010.

(ii) Convertibles Notes

At 31 March 2010, there were \$50,000 (31 March 2009: \$700,000) outstanding convertible notes which would entitle the holders to subscribe for a total of 11,111,111 (31 March 2009: 97,222,222) ordinary shares.

(iii) Convertible Bonds

On the convertible bonds amounting to \$7.0 million, the bondholders may choose to convert to ordinary shares or to receive repayment on the scheduled dates as follows:

- a) \$4.0 million due on or before 30 June 2010;
- b) \$1.0 million was paid to the bondholders and the balance of \$3.0 million due for payment on 31 December 2009 remains outstanding as at 31 March 2010.

The Group and the bondholders have entered into negotiations for a variation of the repayment of the convertible bonds. Please refer to Note 4 of 1(b)(i) on page 6 for further details.

If the bondholders had opted to convert the loans into equity shares on 31 March 2010, the number of shares issued for \$7.0 million (31 March 2009: \$10.75 million) convertible bonds would have been 1,519,565,217 (31 March 2009: \$1,327,160,494).

Save as disclosed above, the Company has no other outstanding convertibles and treasury shares at 31 March 2010 and 31 March 2009.

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.

	Number of ordinary shares	
	31-Mar-10	31-Dec-09
Issued and paid up	<u>2,848,616,636</u>	<u>2,626,394,414</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 have not been audited or reviewed by the auditors of the Company.

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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those used in the audited financial statements for the financial year ended 31 December 2009.

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") for accounting periods beginning 1 January 2010, where applicable.

The adoption of new / revised FRS and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior period.

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 <i>(based on consolidated net profit/(loss) attributable to equity holders of the Company)</i>	Q1-10 Cents	Q1-09 Cents
From continuing and discontinued operations:		
- Basic	0.01	0.04
- Fully diluted	<u>0.01</u>	<u>0.02</u>
From continuing operations:		
- Basic	0.01	0.05
- Fully diluted	<u>0.01</u>	<u>0.02</u>
From discontinuing operations:		
- Basic	<u>0.08</u>	<u>(0.005)</u>
- Fully diluted	<u>0.08</u>	<u>(0.003)</u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 2,822,741,446 (31 March 2009: 1,800,846,473).

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 4,366,811,990 (31 March 2009: 3,225,777,134).

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	
	31-Mar-10	31-Dec-09	31-Mar-10	31-Dec-09
	Cents	Cents	Cents	Cents
Net Asset Value ("NAV") per share	<u>0.39</u>	<u>0.39</u>	<u>0.13</u>	<u>0.11</u>

The NAV per share as at 31 March 2010 is calculated based on 2,848,616,636 (31 December 2009: 2,626,394,414) 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 and Profit after income tax

Revenue on quarter-to-quarter basis increased by 60% from \$44.0 million to \$70.2 million. This is mainly due to an increase in DMS revenue of \$27.1 million from the strong performance of its distribution and retail businesses.

In 1Q-10, the Group reported a net profit after tax and minority interests of \$0.3 million; if net non-cash charges (except for depreciation) were excluded, the Group's operating profit would be at \$0.7 million (Please refer to page 2 under Note 1).

In comparison, the Group has reported net profit after tax and minority interests of \$0.8 million in 1Q-09. Excluding the foreign currency translation gains amounting to \$2.0 million, the Group incurred operating loss of \$1.3 million for 1Q-09 (Please refer to page 2 under Note 1).

The improvement in operating performance of \$0.7 million in 1Q-10 as compared to an operating loss of \$1.3 million in 1Q-09 was mainly due to the higher contributions from the DMS business.

Cash Flows

On a quarter-to-quarter basis, there is an increase in cash position mainly due to better management of working capital.

As at 31 March 2010, the Group has a negative working capital due to the outstanding convertible bonds amounting to \$7.0 million which is still pending for an agreement with the lenders on a proposed debt restructuring plan as highlighted in item 10 below.

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 is currently in an advanced stage of negotiation with its lenders on a debt restructuring arrangement, whereby the Group would repay the loans over a period of 5 years with effect from 31 January 2010. The lenders have indicated that they require more time to come to an agreement to the Group's proposed debt restructuring plan. Agreement between the lenders and the Group is crucial to the Group's ability to continue as a going concern.

The Group is mindful of the competitive market conditions and fluid global and local economic environments it operates within, and as such, will constantly strive to ensure that its operations remain efficient and nimble, so that it can respond quickly to any changing external factors without adversely impacting its financial performance.

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 for the period.

13. Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
Pacific Organisation Pte Ltd - rental expenses	\$'000 175	\$'000 Nil

BY ORDER OF THE BOARD

Philip Eng Heng Nee
Chairman

Negative Assurance Confirmation Under Rule 705(5) of the Listing Manual

We, Mah Kah On and Ong Ghim Choon, 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 quarter 2010 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

Ong Ghim Choon
Chief Executive Officer

Singapore, 13 May 2010