



mDR Limited
Second Quarter Financial Statements for the Period Ended 30 June 2012

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	2Q-12	2Q-11	Inc/(Dec) %	1H-12	1H-11	Inc/(Dec) %
Continuing operations							
Revenue	1	70,589	90,242	-22%	143,648	178,898	-20%
Cost of sales	1	<u>(63,296)</u>	<u>(81,910)</u>	-23%	<u>(128,320)</u>	<u>(162,537)</u>	-21%
Gross profit	1	7,293	8,332	-12%	15,328	16,361	-6%
Other income	2	296	700	-58%	685	1,040	-34%
Administrative expenses	3	(4,430)	(4,620)	-4%	(8,869)	(9,379)	-5%
Other operating expenses	4	(2,260)	(2,361)	-4%	(4,433)	(4,703)	-6%
Changes in fair value of convertible loan notes designated as fair value through profit and loss		-	-	N.M.	-	589	N.M.
Finance costs	5	<u>(8)</u>	<u>(114)</u>	-93%	<u>(16)</u>	<u>(287)</u>	-94%
Total expenses		<u>(6,698)</u>	<u>(7,095)</u>	-6%	<u>(13,318)</u>	<u>(13,780)</u>	-3%
Profit before income tax		891	1,937	-54%	2,695	3,621	-26%
Income tax expense	6	<u>(69)</u>	<u>(320)</u>	-78%	<u>(316)</u>	<u>(606)</u>	-48%
Profit for the period from continuing operations		822	1,617	-49%	2,379	3,015	-21%
Discontinued operations							
(Loss) Profit for the period from discontinued operations	7	<u>-</u>	<u>(5)</u>	N.M.	<u>-</u>	<u>93</u>	N.M.
Profit for the period		822	1,612	-49%	2,379	3,108	-23%
Other comprehensive income							
Currency translation differences arising from consolidation		<u>1</u>	<u>17</u>	-94%	<u>18</u>	<u>54</u>	-67%
Other comprehensive profit for the period, net of tax		1	17	-94%	18	54	-67%
Total comprehensive income for the period		<u>823</u>	<u>1,629</u>	-49%	<u>2,397</u>	<u>3,162</u>	-24%
Profit attributable to:							
Owners of the Company		812	1,425	-43%	2,341	2,612	-10%
Non-controlling interests		<u>10</u>	<u>187</u>	-95%	<u>38</u>	<u>496</u>	-92%
Total comprehensive income		<u>822</u>	<u>1,612</u>	-49%	<u>2,379</u>	<u>3,108</u>	-23%
Total comprehensive income attributable to:							
Owners of the Company		813	1,442	-44%	2,359	2,666	-12%
Non-controlling interests		<u>10</u>	<u>187</u>	-95%	<u>38</u>	<u>496</u>	-92%
		<u>823</u>	<u>1,629</u>	-49%	<u>2,397</u>	<u>3,162</u>	-24%

N.M. : Not Meaningful

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

Note 1 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	2Q-12	2Q-11	1H-12	1H-11
Revenue				
AMS	5,857	4,779	11,957	8,715
DMS	64,732	85,463	131,691	170,183
	<u>70,589</u>	<u>90,242</u>	<u>143,648</u>	<u>178,898</u>
Cost of goods sold and spare parts				
AMS	(4,364)	(3,253)	(9,215)	(6,041)
DMS	(58,932)	(78,657)	(119,105)	(156,496)
	<u>(63,296)</u>	<u>(81,910)</u>	<u>(128,320)</u>	<u>(162,537)</u>
Gross profit				
AMS	1,493	1,526	2,742	2,674
DMS	5,800	6,806	12,586	13,687
	<u>7,293</u>	<u>8,332</u>	<u>15,328</u>	<u>16,361</u>
GP%				
AMS	25%	32%	23%	31%
DMS	9%	8%	10%	8%
	<u>10%</u>	<u>9%</u>	<u>11%</u>	<u>9%</u>

Total gross profits for 2Q-12 and 1H-12 lower than the previous year's comparative periods due to lower sales volume from DMS.

Note 2 Other income consist of the following:

In S\$'000	2Q-12	2Q-11	1H-12	1H-11
Interest income	3	-	6	2
Rental income	282	491	625	763
Bad debts recovered - non-trade	11	7	11	7
Liabilities written back	-	197	-	262
Others	-	5	43	6
	<u>296</u>	<u>700</u>	<u>685</u>	<u>1,040</u>

Note 3 Administrative expenses

The administrative expenses comprise mainly staff cost.

In S\$'000	2Q-12	2Q-11	1H-12	1H-11
Staff Cost				
AMS	1,318	1,211	2,607	2,539
DMS	2,315	2,377	4,821	4,667
	<u>3,633</u>	<u>3,588</u>	<u>7,428</u>	<u>7,206</u>

Included in staff cost is share option expense of \$9,000 and \$33,000 in 2Q-12 and 1H-12 respectively (2Q-11: \$29,000 and 1H-11: \$41,000).

Note 4 Other operating expenses consist of the following:

In S\$'000	2Q-12	2Q-11	1H-12	1H-11
Rental expenses	1,793	1,856	3,434	3,715
Depreciation expenses	276	232	558	464
Plant and equipment written off	11	27	108	29
(Gain) Loss on disposal of plant and equipment	(4)	2	(24)	6
Allowance for doubtful other receivables	-	49	-	49
Bad debts written off - trade	-	1	-	1
Bad debts written off - non-trade	-	8	-	8
Allowance for inventories	165	190	329	359
Inventories written off (reversal)	-	(10)	-	28
Foreign exchange loss	19	6	28	44
	<u>2,260</u>	<u>2,361</u>	<u>4,433</u>	<u>4,703</u>

Note 5 Finance costs

Finance costs comprise interest on finance leases in 1H-12, as well as interest expense arising from loans and overdrafts drawn down for operating and investing activities in 1H-11.

Note 6 Income tax expense

The tax expense provision is calculated for profitable subsidiaries before group relief is taken into consideration.

Note 7 Income statement disclosures for discontinued operations

In S\$'000	2Q-12	2Q-11	1H-12	1H-11
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Other operating income	-	-	-	-
Administrative expenses	-	(1)	-	(5)
Other operating expenses	-	12	-	114
Finance costs	-	-	-	-
Profit before income tax	-	11	-	109
Income tax expense	-	-	-	-
Profit for the period	-	11	-	109
Loss from disposal of discontinued operations	-	(16)	-	(16)
(Loss) Profit from discontinued operations	-	<u>(5)</u>	-	<u>93</u>

2012

The Group has amalgamated Distribution Management Solutions Pte. Ltd. and iDistribution Pte. Ltd with effect from 1 June 2012, with the former continuing as the surviving entity. The amalgamation has no impact on the consolidated financial statements.

2011

The Group deregistered / disposed Accord Customer Care Solutions International Limited, After Market Solutions (CE) Pte. Ltd., After Market Solutions (CE) Sdn. Bhd., Playwork Solutions Pte. Ltd. and Tri-Max Pte. Ltd. in 2Q-11.

The Group deregistered Pacific Cellular International Limited, a majority-owned dormant subsidiary held through Distribution Management Solutions Pte. Ltd. in 4Q-11.

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	
		30-Jun-12	31-Dec-11	30-Jun-12	31-Dec-11
ASSETS					
Current assets					
Cash and bank balances		12,804	12,778	4,194	1,923
Cash pledged		2,000	2,000	-	-
Trade receivables	1	21,432	23,913	2,595	2,619
Other receivables and prepayments	2	4,498	3,231	13,979	12,889
Inventories	3	20,611	15,553	706	696
Total current assets		<u>61,345</u>	<u>57,475</u>	<u>21,474</u>	<u>18,127</u>
Non-current assets					
Investment in subsidiaries		-	-	14,436	14,436
Plant and equipment		2,870	3,110	825	654
Other goodwill		2,350	2,350	-	-
Total non-current assets		<u>5,220</u>	<u>5,460</u>	<u>15,261</u>	<u>15,090</u>
Total assets		<u>66,565</u>	<u>62,935</u>	<u>36,735</u>	<u>33,217</u>
Current liabilities					
Trade payables	4	14,892	14,954	1,845	1,812
Other payables	5	9,426	11,720	1,849	2,656
Current portion of finance leases		84	81	66	64
Income tax payable		1,473	1,343	-	-
Total current liabilities		<u>25,875</u>	<u>28,098</u>	<u>3,760</u>	<u>4,532</u>
Non-current liabilities					
Finance leases		502	545	394	428
Deferred tax liabilities		154	154	-	-
Total non-current liabilities		<u>656</u>	<u>699</u>	<u>394</u>	<u>428</u>
Capital, reserves and non-controlling interests					
Share capital		127,774	122,117	127,774	122,117
Capital reserve		(859)	(859)	22	22
Share options reserve		1,525	1,590	1,525	1,590
Foreign currency translation reserve		201	200	-	-
Accumulated losses		(89,151)	(89,416)	(96,740)	(95,472)
Equity attributable to owners of the Company		<u>39,490</u>	<u>33,632</u>	<u>32,581</u>	<u>28,257</u>
Non-controlling interests		544	506	-	-
Total equity		<u>40,034</u>	<u>34,138</u>	<u>32,581</u>	<u>28,257</u>
Total liabilities and equity		<u>66,565</u>	<u>62,935</u>	<u>36,735</u>	<u>33,217</u>

Notes

1 Trade receivables

The Group's trade receivables turnover as at 30 June 2012 is 28 days (31 December 2011: 24 days).

The increase in the Group's trade receivable turnover was mainly due to the lower revenue base for 2Q-12 compared to 2Q-11. The lower revenue base was largely due to the decline in the Group's distribution business, which is mainly on cash terms.

2 Other receivables and prepayments

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

S\$'000	30-Jun-12	31-Dec-11
Rental deposits	1,894	1,843
Other receivables	2,260	1,017
Prepayments	238	256

Other receivables of \$2.3 million as at 30 June 2012 mainly comprised credit notes of \$1.4 million to be received from principals in relation to sell through, advertising and promotion support.

3 Inventories

The Group's inventory turnover for the period ended 30 June 2012 is 25 days (31 December 2011: 16 days).

Group inventories as at 30 June 2012 is \$20.6 million (31 December 2011: \$15.6 million).

The increase in inventories was mainly due to higher level of purchases of prepaid cards towards period end.

4 Trade payables

The Group's trade payables turnover as at 30 June 2012 is 21 days (31 December 2011: 16 days).

The increase in the Group's trade payables turnover was mainly due to the lower purchases made in 2Q-12 with the slower distribution business.

5 Other payables

The Group's other payables consist of the following:

S\$'000	30-Jun-12	31-Dec-11
Advertising, promotion and sell through funds from principals	2,906	3,157
Other payables to third parties	578	1,396
Accrued staff costs	1,410	1,662
Rebates owing to franchisees	2,229	2,347
Accrued purchases	68	232
Other accrued operating expenses	987	670

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-Jun-12		As at 31-Dec-11	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
84	-	81	-

Amount repayable after one year

As at 30-Jun-12		As at 31-Dec-11	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
502	-	545	-

Details of collateral

The borrowings are secured on certain motor vehicles held under finance leases.

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	2Q-12	2Q-11	1H-12	1H-11
Operating activities				
Profit before income tax from continuing operations	891	1,937	2,695	3,621
Profit before income tax from discontinued operations	-	(5)	-	93
	<u>891</u>	<u>1,932</u>	<u>2,695</u>	<u>3,714</u>
Adjustments for:				
Depreciation expense	276	232	558	464
Interest expense	8	114	16	287
Interest income	(3)	-	(6)	(2)
(Gain)Loss on disposal of plant and equipment	(4)	2	(24)	6
Plant and equipment written off	11	27	108	29
Allowance (Reversal) for impairment of plant and equipment	-	-	-	(34)
Allowance for inventories	165	190	329	359
Inventories written off (reversal)	-	(10)	-	28
Bad debts written off - trade	-	1	-	1
Bad debts written off - non-trade	-	8	-	8
Allowance (Reversal) for doubtful trade receivables	-	(1)	-	(71)
Allowance (Reversal) for doubtful other receivables	-	32	-	32
Employee share-based payments	9	29	33	41
Professional fees settled by shares	-	510	-	510
Loss arising from de-consolidation of disposed subsidiaries	-	16	-	16
Changes in fair value of convertible loan notes designated as fair value through profit or loss	-	-	-	(589)
Liabilities written back	-	(197)	-	(262)
Net foreign exchange losses	1	20	1	55
Operating cash flows before movements in working capital	<u>1,354</u>	<u>2,905</u>	<u>3,710</u>	<u>4,592</u>
Trade receivables	1,166	1,845	2,481	1,670
Other receivables and prepayments	(1,052)	540	(1,267)	37
Inventories	(2,769)	(839)	(5,387)	(2,425)
Trade payables	1,110	(921)	(62)	1,447
Other payables	647	(75)	(2,294)	1,603
Cash generated from (used in) operations	<u>456</u>	<u>3,455</u>	<u>(2,819)</u>	<u>6,924</u>
Interest received	3	-	6	2
Income tax paid	(386)	(522)	(186)	(575)
Net cash from (used in) operating activities	<u><u>73</u></u>	<u><u>2,933</u></u>	<u><u>(2,999)</u></u>	<u><u>6,351</u></u>
Investing activities				
Proceeds from disposal of plant and equipment	1	-	122	1
Purchase of plant and equipment	(290)	(229)	(524)	(370)
Net cash used in investing activities	<u><u>(289)</u></u>	<u><u>(229)</u></u>	<u><u>(402)</u></u>	<u><u>(369)</u></u>
Financing activities				
Interest paid	(8)	(114)	(16)	(287)
Proceeds from issuance of ordinary shares	4,345	20	5,559	20
Repayment of obligations under finance leases	(20)	-	(40)	-
Dividends paid	(2,076)	-	(2,076)	-
Repayment of convertible bonds	-	-	-	(5,300)
Cash pledged	-	224	-	224
Net cash from (used in) financing activities	<u><u>2,241</u></u>	<u><u>130</u></u>	<u><u>3,427</u></u>	<u><u>(5,343)</u></u>
Net increase in cash and cash equivalents	2,025	2,834	26	639
Cash and cash equivalents at beginning of period	10,779	1,152	12,778	3,347
Cash and cash equivalents at end of period	<u><u>12,804</u></u>	<u><u>3,986</u></u>	<u><u>12,804</u></u>	<u><u>3,986</u></u>

Notes

A. Disposal of subsidiaries

In 2Q-2011, the Group deregistered / disposed Accord Customer Care Solutions International Limited, After Market Solutions (CE) Pte. Ltd., After Market Solutions (CE) Sdn. Bhd., Playwork Solutions Pte. Ltd. and Tri-Max Pte. Ltd..

The carrying value of assets disposed and liabilities discharged were as follows:

In S\$'000	2Q-12	2Q-11	1H-12	1H-11
Assets	-	16	-	16
Liabilities	-	-	-	-
Foreign currency translation reserve	-	-	-	-
Net assets	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>
Proceeds received	-	-	-	-
Cash balance in subsidiaries disposed off	-	-	-	-
Cash outflows on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

In S\$'000	2Q-12	2Q-11
Cash	14,804	13,355
Bank overdrafts	-	(7,369)
Less: Cash pledged	<u>(2,000)</u>	<u>(2,000)</u>
Cash and cash equivalents	<u>12,804</u>	<u>3,986</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

<u>In S\$'000</u> Group	<u>Share capital</u>	<u>Capital reserve</u>	<u>Share options reserve</u>	<u>Currency translation reserve</u>	<u>Accumulated losses</u>	<u>Attributable to equity holders</u>	<u>Non-controlling interests</u>	<u>Total</u>
Balance as at 1 January 2012	122,117	(859)	1,590	200	(89,416)	33,632	506	34,138
Total comprehensive income for the period	-	-	-	-	1,529	1,529	28	1,557
Issue of shares upon share options exercised	99	-	(27)	-	-	72	-	72
Issue of shares upon conversion of warrants	1,142	-	-	-	-	1,142	-	1,142
Recognition of share-based payments	-	-	24	-	-	24	-	24
Balance as at 31 March 2012	<u>123,358</u>	<u>(859)</u>	<u>1,587</u>	<u>200</u>	<u>(87,887)</u>	<u>36,399</u>	<u>534</u>	<u>36,933</u>
Total comprehensive income for the period	-	-	-	1	812	813	10	823
Dividends	-	-	-	-	(2,076)	(2,076)	-	(2,076)
Issue of shares upon share options exercised	253	-	(71)	-	-	182	-	182
Issue of shares upon conversion of warrants	4,163	-	-	-	-	4,163	-	4,163
Recognition of share-based payments	-	-	9	-	-	9	-	9
Balance as at 30 June 2012	<u>127,774</u>	<u>(859)</u>	<u>1,525</u>	<u>201</u>	<u>(89,151)</u>	<u>39,490</u>	<u>544</u>	<u>40,034</u>
Balance as at 1 January 2011	109,456	22	1,528	137	(96,434)	14,709	3,676	18,385
Total comprehensive income for the period	-	-	-	37	1,187	1,224	309	1,533
Issue of shares upon conversion of convertible notes	50	-	-	-	-	50	-	50
Recognition of share-based payments	-	-	12	-	-	12	-	12
Balance as at 31 March 2011	<u>109,506</u>	<u>22</u>	<u>1,540</u>	<u>174</u>	<u>(95,247)</u>	<u>15,995</u>	<u>3,985</u>	<u>19,980</u>
Total comprehensive income for the period	-	-	-	17	1,425	1,442	187	1,629
Issue of shares upon share options exercised	29	-	(9)	-	-	20	-	20
Issue of shares for settlement of advisory fees	510	-	-	-	-	510	-	510
Effect of acquiring part of non-controlling interest in a subsidiary	4,150	(911)	-	-	-	3,239	(3,239)	-
Reversal of expenses related to equity-settled share-based payment	-	-	(24)	-	24	-	-	-
Recognition of share-based payments	-	-	29	-	-	29	-	29
Balance as at 30 June 2011	<u>114,195</u>	<u>(889)</u>	<u>1,536</u>	<u>191</u>	<u>(93,798)</u>	<u>21,235</u>	<u>933</u>	<u>22,168</u>

<u>In S\$'000</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Share options reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Company					
Balance as at 1 January 2012	122,117	22	1,590	(95,472)	28,257
Total comprehensive income for the period	-	-	-	364	364
Issue of shares upon share options exercised	99	-	(27)	-	72
Issue of shares upon conversion of warrants	1,142	-	-	-	1,142
Recognition of share-based payments	-	-	24	-	24
Balance as at 31 March 2012	<u>123,358</u>	<u>22</u>	<u>1,587</u>	<u>(95,108)</u>	<u>29,859</u>
Total comprehensive income for the period	-	-	-	444	444
Dividends	-	-	-	(2,076)	(2,076)
Issue of shares upon share options exercised	253	-	(71)	-	182
Issue of shares upon conversion of warrants	4,163	-	-	-	4,163
Recognition of share-based payments	-	-	9	-	9
Balance as at 30 June 2012	<u>127,774</u>	<u>22</u>	<u>1,525</u>	<u>(96,740)</u>	<u>32,581</u>
Balance as at 1 January 2011	109,456	22	1,528	(98,194)	12,812
Total comprehensive income for the period	-	-	-	51	51
Issue of shares upon conversion of convertible notes	50	-	-	-	50
Recognition of share-based payments	-	-	12	-	12
Balance as at 31 March 2011	<u>109,506</u>	<u>22</u>	<u>1,540</u>	<u>(98,143)</u>	<u>12,925</u>
Total comprehensive expense for the period	-	-	-	(51)	(51)
Issue of shares upon share options exercised	29	-	(9)	-	20
Issue of shares for settlement of advisory fees	510	-	-	-	510
Effect of acquiring part of non-controlling interest in a subsidiary	4,150	-	-	-	4,150
Reversal of expenses related to equity-settled share-based payment	-	-	(24)	24	-
Recognition of share-based payments	-	-	29	-	29
Balance as at 30 June 2011	<u>114,195</u>	<u>22</u>	<u>1,536</u>	<u>(98,170)</u>	<u>17,583</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

In 2Q-12, the Company issued an additional 869,296,400 new ordinary shares at \$0.005 per share through conversion of 832,796,400 warrants and 36,500,000 share options.

As a result, the Company's issued and paid-up capital increased to \$127,774,241 divided into 7,430,288,386 shares as at 30 June 2012.

In 2Q-11, the Company issued an additional 892,551,111 new ordinary shares as follows:

- a) 3,950,000 ordinary shares at \$0.005 per share through conversion of share options under the mDR Share Option Scheme 2003.
- b) 102,000,000 ordinary shares at \$0.005 per share for settlement of advisory fees.
- c) 461,111,111 ordinary shares at \$0.0054 per share for acquisition of additional 11.54% shareholding in Distribution Management Solutions Pte. Ltd..
- d) 325,490,000 ordinary shares at \$0.0051 per share for acquisition of additional 7.69% shareholding in Distribution Management Solutions Pte. Ltd..

Warrants

At 30 June 2012, there were 5,257,077,927 (30 June 2011: Nil) outstanding warrants. Each warrant carries the right to subscribe for one new share in the capital of the Company at an exercise price of \$0.005.

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 30 June 2012, there were 53,194,274 (30 June 2011: 77,366,274) outstanding share options which would entitle the holders to subscribe for a total of 53,194,274 (30 June 2011: 77,366,274) ordinary shares.

The 53,194,274 share options outstanding at 30 June 2012 are approximately 0.72% of the share capital consisting of 7,430,288,386 issued shares at 30 June 2012.

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	
	30-June-12	31-Dec-11
Issued and paid up	<u>7,430,288,386</u>	<u>6,318,223,657</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 2011.

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 2012, 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 attributable to equity holders of the Company)</i>	2Q-12 cents	2Q-11 cents	1H-12 cents	1H-11 cents
From continuing and discontinued operations:				
- Basic	0.011	0.034	0.033	0.061
- Fully diluted	<u>0.008</u>	<u>0.034</u>	<u>0.023</u>	<u>0.061</u>
From continuing operations:				
- Basic	0.011	0.034	0.033	0.059
- Fully diluted	<u>0.008</u>	<u>0.034</u>	<u>0.023</u>	<u>0.059</u>
From discontinuing operations:				
- Basic	-	-	-	0.002
- Fully diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.002</u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 7,111,226,376 (2Q-11: 4,251,430,425).

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 10,340,212,306 (2Q-11: 4,251,430,425).

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-12 Cents	31-Dec-11 Cents	30-Jun-12 Cents	31-Dec-11 Cents
Net Asset Value ("NAV") per share	<u>0.53</u>	<u>0.53</u>	<u>0.44</u>	<u>0.45</u>

The NAV per share as at 30 June 2012 is calculated based on 7,430,288,386 (31 December 2011: 6,318,223,657) 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

The Group's revenue for 2Q-12 has decreased by 22% from \$90.2 million to \$70.6 million, whereas for 1H-12, it has decreased by 20% from \$178.9 million to \$143.6 million. The decrease in turnover was principally due to business slowdown in the distribution business which continued into the second quarter.

With the decline of the Group's lower-margin distribution business, the overall gross profit margins of the Group improved by 1% from 9% to 10% quarter-on-quarter and 2% from 9% to 11% year-on-year.

Consequently, net profits for the Group declined by 49% from \$1.6 million to \$0.8 million quarter-on-quarter, and 23% from \$3.1 million to \$2.4 million year-on-year.

Cash flows

On a quarter-on-quarter and year-on-year basis, the increase in cash position is mainly due to conversion of warrants.

As at 30 June 2012, the Group's working capital position increased to \$35.5 million, up from \$29.4 million as at 31 December 2011.

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 global economic environment is turning negative, thereby affecting consumers' sentiments and impacting demand in our sector. Barring any unforeseen circumstances, the Group remains cautious of its outlook for the remainder of the financial year.

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)
	\$'000	\$'000
Pacific Organisation Pte Ltd - rental expenses	217	Nil

BY ORDER OF THE BOARD

Philip Eng Heng Nee
Chairman
14 August 2012

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 second quarter 2012 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, 14 August 2012