



mDR Limited

First Quarter Financial Statements for the Period Ended 31 March 2018

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	1Q-18	1Q-17	Inc/(Dec) %
Continuing operations				
Revenue	1	64,297	62,640	3%
Cost of sales	1	<u>(58,260)</u>	<u>(56,141)</u>	4%
Gross profit	1	6,037	6,499	-7%
Other income	2	574	163	N.M.
Administrative expenses	3	(4,234)	(4,480)	-5%
Other operating expenses	4	(1,454)	(1,731)	-16%
Finance costs	5	<u>(83)</u>	<u>(24)</u>	N.M.
Total expenses		<u>(5,771)</u>	<u>(6,235)</u>	-7%
Operating profit before share of profit of associate and income tax				
		840	427	97%
Share of profit of associate		<u>3</u>	<u>-</u>	N.M.
Profit before income tax				
		843	427	97%
Income tax expense	6	<u>(79)</u>	<u>(34)</u>	N.M.
Profit for the period from continuing operations		<u>764</u>	<u>393</u>	94%
Discontinued operations				
Profit (Loss) for the period from discontinued operations	7	<u>20</u>	<u>(406)</u>	N.M.
Profit (Loss) for the period		<u>784</u>	<u>(13)</u>	N.M.
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value changes in equity securities carried at fair value through other comprehensive income		<u>(1,543)</u>	<u>-</u>	N.M.
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising on consolidation		<u>121</u>	<u>(40)</u>	N.M.
Other comprehensive loss for the period, net of tax		<u>(1,422)</u>	<u>(40)</u>	N.M.
Total comprehensive loss for the period		<u>(638)</u>	<u>(53)</u>	N.M.
Profit (Loss) attributable to:				
Owners of the Company		756	188	N.M.
Non-controlling interests		<u>28</u>	<u>(201)</u>	N.M.
Total comprehensive income (loss)		<u>784</u>	<u>(13)</u>	N.M.
Total comprehensive income (loss) attributable to:				
Owners of the Company		(665)	115	N.M.
Non-controlling interests		<u>27</u>	<u>(168)</u>	N.M.
		<u>(638)</u>	<u>(53)</u>	N.M.

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 three business segments – After Market Services (AMS), Distribution Management Solutions (DMS) and Digital Inkjet Printing for Out-Of-Home Advertising Solutions (DPAS).

The breakdown of revenue and cost of goods sold and spare parts are as follows:

In S\$'000	1Q-18	1Q-17
Revenue		
AMS	6,386	7,932
DMS	56,382	53,239
DPAS	1,529	1,469
	<u>64,297</u>	<u>62,640</u>
Cost of Goods Sold and Spare Parts		
AMS	(4,774)	(6,257)
DMS	(52,397)	(48,842)
DPAS	(1,089)	(1,042)
	<u>(58,260)</u>	<u>(56,141)</u>
Gross Profit		
AMS	1,612	1,675
DMS	3,985	4,397
DPAS	440	427
	<u>6,037</u>	<u>6,499</u>
GP%		
AMS	25%	21%
DMS	7%	8%
DPAS	29%	29%
	<u>9%</u>	<u>10%</u>

Note 2 Other income consists of the following:

In S\$'000	1Q-18	1Q-17
Interest income		
- Fixed deposits	13	32
- Loan to a third party	324	-
Dividend income	89	-
Rental income	5	-
Wage credit	113	121
Others	30	10
	<u>574</u>	<u>163</u>

Note 3 Administrative expenses

The administrative expenses comprise mainly staff cost.

In S\$'000	1Q-18	1Q-17
Staff Cost		
AMS	1,079	1,207
DMS	1,747	1,834
DPAS	151	201
Management and HQ support staff costs (including Directors' fees)	613	539
	<u>3,590</u>	<u>3,781</u>

AMS recorded an 19% decline in repair volume in 1Q-18 compared to 1Q-17; as such AMS staff costs had decreased accordingly, due to lower headcount required to support the operations.

Note 4 Other operating expenses consist of the following:

In S\$'000	1Q-18	1Q-17
Rental expenses	1,123	1,250
Depreciation expenses	199	174
Plant and equipment written off	17	-
Loss (Gain) on disposal of plant and equipment	1	(25)
Allowance for (Reversal of) doubtful trade receivables	3	(1)
Allowance for inventories	155	122
Foreign currency exchange (gain) loss	(44)	211
	<u>1,454</u>	<u>1,731</u>

Higher allowance for inventories in 1Q-18 was due to a higher stock provision made against its handset inventory.

Note 5 Finance costs

Finance costs comprise interests on finance leases and bank borrowings.

Note 6 Income tax expenses

The tax expense provision is calculated for profitable subsidiaries.

Note 7 Income statement for discontinued operations

In S\$'000	1Q-18	1Q-17
Revenue	-	10,239
Cost of sales	-	(9,926)
Gross Profit	<u>-</u>	<u>313</u>
Administrative expenses	-	(374)
Other operating expenses	20	(345)
Profit (Loss) before income tax	<u>20</u>	<u>(406)</u>
Income tax expense	-	-
Profit (Loss) for the period from discontinued operations	<u><u>20</u></u>	<u><u>(406)</u></u>
Profit (Loss) attributable to:		
Owners of the Company	(2)	(192)
Non-controlling interests	22	(214)
	<u><u>20</u></u>	<u><u>(406)</u></u>

The comparative figures have been re-presented to report separately profit and loss items for continuing and discontinued operations.

Discontinued operations relate to operations in Myanmar inclusive of MDR Myanmar Co., Ltd, Golden Myanmar Sea Co., Ltd, Pixio Myanmar Co., Ltd and MDR Golden Myanmar Sea Co., Ltd, with the latter 2 entities having ceased their business operations in March 2017.

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-18	31-Dec-17 Restated	1-Jan-17 Restated	31-Mar-18	31-Dec-17
ASSETS						
Current assets						
Cash and bank balances		17,643	11,579	30,817	5,426	3,015
Trade receivables	1	21,171	22,230	20,867	2,290	2,450
Other receivables and prepayments	2	4,885	8,362	5,401	17,507	19,052
Inventories	3	24,036	18,925	20,232	1,187	1,535
Total current assets		<u>67,735</u>	<u>61,096</u>	<u>77,317</u>	<u>26,410</u>	<u>26,052</u>
Non-current assets						
Investment in subsidiaries		-	-	-	20,835	20,835
Investment in an associate		27	24	14	-	-
Property, plant and equipment	4	11,196	11,199	4,271	470	497
Goodwill		2,798	2,798	2,798	-	-
Investment securities	5	11,691	13,234	-	11,691	13,234
Cash pledged		1,441	1,440	-	1,400	1,400
Other receivables and prepayments		-	-	839	-	-
Total non-current assets		<u>27,153</u>	<u>28,695</u>	<u>7,922</u>	<u>34,396</u>	<u>35,966</u>
Total assets		<u>94,888</u>	<u>89,791</u>	<u>85,239</u>	<u>60,806</u>	<u>62,018</u>
Current liabilities						
Bank loans	6	5,489	5,485	-	-	-
Trade payables	7	18,024	11,868	13,572	1,996	1,968
Other payables	8	6,290	6,704	7,341	2,051	2,159
Current portion of finance leases		444	461	570	47	68
Income tax payable		125	69	7	-	-
Total current liabilities		<u>30,372</u>	<u>24,587</u>	<u>21,490</u>	<u>4,094</u>	<u>4,195</u>
Non-current liabilities						
Finance leases		586	645	991	70	74
Deferred tax liabilities		450	441	118	-	-
Total non-current liabilities		<u>1,036</u>	<u>1,086</u>	<u>1,109</u>	<u>70</u>	<u>74</u>
Capital, reserves and non-controlling interests						
Share capital		153,652	153,652	153,652	153,652	153,652
Capital reserve		(859)	(859)	(859)	22	22
Investment revaluation reserve		(3,393)	(1,850)	-	(3,393)	(1,850)
Property revaluation reserve		751	751	-	-	-
Share options reserve		145	145	311	145	145
Foreign currency translation reserve		209	87	-	-	-
Accumulated losses		(85,534)	(86,290)	(88,758)	(93,784)	(94,220)
Equity attributable to owners of the Company		<u>64,971</u>	<u>65,636</u>	<u>64,346</u>	<u>56,642</u>	<u>57,749</u>
Non-controlling interests		(1,491)	(1,518)	(1,706)	-	-
Total equity		<u>63,480</u>	<u>64,118</u>	<u>62,640</u>	<u>56,642</u>	<u>57,749</u>
Total liabilities and equity		<u>94,888</u>	<u>89,791</u>	<u>85,239</u>	<u>60,806</u>	<u>62,018</u>

Notes

1 Trade receivables

The Group's trade receivables turnover as at 31 March 2018 is 30 days (31 December 2017: 27 days).

2 Other receivables and prepayments

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

S\$'000	31-Mar-18	31-Dec-17
Rental deposits	1,271	1,362
Other receivables	2,317	5,752
Prepayments	368	425

Other receivables of \$2.3 million as at 31 March 2018 comprised mainly of \$1.0 million to be received from principals in relation to sell through, advertising and promotion support.

Prepayments of \$0.4 million as at 31 March 2018 comprised mainly of professional fee related to the Rights Cum Warrants exercise of \$0.1 million and prepayments of equipment spare parts, maintenance contract for equipment and for the last 2 months equipment hire purchase instalments, of \$0.1 million for DPAS operation.

3 Inventories

The Group's inventory turnover for the quarter ended 31 March 2018 is 33 days (31 December 2017: 27 days).

Group inventories as at 31 March 2018 stood at \$24.0 million (31 December 2017: \$18.9 million) with the increase in inventory holding mainly due to the purchase of new handset models to cater for demands of new products that were launched in mid March.

4 Property, plant and equipment

Property, plant and equipment as at 31 March 2018 mainly pertain to leasehold land and building of \$7.8 million in Malaysia for DPAS operation.

5 Investment securities

Investment securities pertain to the investment in marketable securities.

6 Bank loans

Bank loans comprised mainly of bank loans secured for the financing of new property in Malaysia for DPAS operations.

7 Trade payables

The Group's trade payables turnover as at 31 March 2018 is 23 days (31 December 2017: 18 days).

8 Other payables

The Group's other payables mainly consist of the following:

S\$'000	31-Mar-18	31-Dec-17
Advertising, promotion and sell through funds from principals	1,580	1,568
Accrued staff costs	865	1,078
Other accrued operating expenses	790	717

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-18		As at 31-Dec-17	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
5,933	-	5,946	-

Amount repayable after one year

As at 31-Mar-18		As at 31-Dec-17	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
586	-	645	-

Details of collateral

The secured borrowings comprise of outstanding finance lease of \$1.0 million on certain motor vehicles and machinery, and bank loans of \$5.5 million secured against fixed deposits and an open legal mortgage over a commercial property in Malaysia.

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	1Q-18	1Q-17
Operating activities		
Profit before income tax from continuing business	843	427
Profit (Loss) before income tax from discontinued business	20	(406)
	863	21
Adjustments for:		
Depreciation expense	399	383
Interest expense	83	24
Interest income from fixed deposits	(13)	(32)
Interest income from loan to a third party	(324)	-
Dividend income	(89)	-
Allowance for doubtful trade receivables	3	81
Loss (Gain) on disposal of plant and equipment	1	(67)
Plant and equipment written off	17	56
Provision for closure costs	-	198
Allowance for inventories	155	102
Share of profit of an associate	(3)	-
Net foreign exchange loss	61	84
	1,153	850
Operating cash flows before movements in working capital		
Trade receivables	1,056	5,995
Other receivables and prepayments	17	405
Inventories	(5,266)	1,699
Trade payables	6,156	(4,205)
Other payables	(414)	(23)
	2,702	4,721
Cash generated from operations		
Interest received	(57)	32
Income tax refund	13	375
	2,658	5,128
Net cash generated from operating activities		
Investing activities		
Proceeds from disposal of plant and equipment	2	394
Purchase of plant and equipment	(187)	(5,775)
Interest received from loan to a third party	227	-
Dividend income from investment securities	89	-
Repayment of loan from a third party	3,600	-
	3,731	(5,381)
Net cash generated from (used in) investing activities		
Financing activities		
Interest paid	(83)	(24)
Cash pledged	-	(1,400)
Repayment of obligations under finance leases	(101)	(140)
Proceeds from bank borrowings	-	5,684
Repayment of bank borrowings	(141)	(44)
	(325)	4,076
Net cash (used in) generated from financing activities		
Net increase in cash and cash equivalents	6,064	3,823
Cash and cash equivalents at beginning of period	11,579	30,778
Cash and cash equivalents at end of period (Note A)	17,643	34,601

Note

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

In S\$'000	1Q-18	1Q-17
Cash	19,084	36,039
Less: Cash pledged	(1,441)	(1,438)
Cash and cash equivalents	17,643	34,601

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>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Investment revaluation reserve</u>	<u>Property revaluation reserve</u>	<u>Share options reserve</u>	<u>Currency translation reserve</u>	<u>Accumulated losses</u>	<u>Attributable to equity holders of the Company</u>	<u>Non-controlling interests</u>	<u>Total</u>
Group										
Balance as at 31 December 2017	153,652	(859)	(1,850)	751	145	(738)	(85,465)	65,636	(1,518)	64,118
Adoption of the SFRS (I)	-	-	-	-	-	825	(825)	-	-	-
Balance as at 1 January 2018	153,652	(859)	(1,850)	751	145	87	(86,290)	65,636	(1,518)	64,118
Total comprehensive income (loss) for the period										
Profit for the period	-	-	-	-	-	-	756	756	28	784
Other comprehensive (loss) income for the period	-	-	(1,543)	-	-	122	-	(1,421)	(1)	(1,422)
Total	-	-	(1,543)	-	-	122	756	(665)	27	(638)
Balance as at 31 March 2018	153,652	(859)	(3,393)	751	145	209	(85,534)	64,971	(1,491)	63,480
Balance as at 31 December 2016	153,652	(859)	-	-	311	(825)	(87,933)	64,346	(1,706)	62,640
Adoption of the SFRS (I)	-	-	-	-	-	825	(825)	-	-	-
Balance as at 1 January 2017	153,652	(859)	-	-	311	-	(88,758)	64,346	(1,706)	62,640
Total comprehensive income (loss) for the period										
(Loss) Profit for the period	-	-	-	-	-	-	188	188	(201)	(13)
Other comprehensive income for the period	-	-	-	-	-	(73)	-	(73)	33	(40)
Total	-	-	-	-	-	(73)	188	115	(168)	(53)
Transactions with owners, recognised directly in equity										
Transfer between reserves upon expiry of share options	-	-	-	-	(21)	-	21	-	-	-
Total	-	-	-	-	(21)	-	21	-	-	-
Balance as at 31 March 2017	153,652	(859)	-	-	290	(73)	(88,549)	64,461	(1,874)	62,587

<u>In S\$'000</u> Company	<u>Share capital</u>	<u>Capital reserve</u>	<u>Investment revaluation reserve</u>	<u>Share options reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at 1 January 2018	153,652	22	(1,850)	145	(94,220)	57,749
Total comprehensive income (loss) for the period						
Profit for the period	-	-	-	-	436	436
Other comprehensive loss for the period	-	-	(1,543)	-	-	(1,543)
	<u>-</u>	<u>-</u>	<u>(1,543)</u>	<u>-</u>	<u>436</u>	<u>(1,107)</u>
Balance as at 31 March 2018	<u>153,652</u>	<u>22</u>	<u>(3,393)</u>	<u>145</u>	<u>(93,784)</u>	<u>56,642</u>
Balance as at 1 January 2017	153,652	22	-	311	(94,872)	59,113
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(485)	(485)
Transactions with owners, recognised directly in equity						
Transfer between reserves upon expiry of share options	-	-	-	(21)	21	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>21</u>	<u>-</u>
Balance as at 31 March 2017	<u>153,652</u>	<u>22</u>	<u>-</u>	<u>290</u>	<u>(95,336)</u>	<u>58,628</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

There were no movements in the Company's issued share capital for the quarter ended 31 March 2018 and 31 March 2017.

As at 31 March 2018, the Company's issued and paid-up capital was \$153,652,141 (Q1-17: \$153,652,141) divided into 12,528,241,084 (Q1-17: 12,528,241,084) shares.

Share options

The Company had 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. The Scheme expired on 12 January 2013. Upon expiration of the Scheme, no further share option can be granted but the provisions of the Scheme will remain in full force and effect in respect of any share options granted prior to the expiration but not exercised at the time of expiration.

At 31 March 2018, there were 7,300,000 (31 March 2017: 32,605,000) outstanding share options which would entitle the holders to subscribe for a total of 7,300,000 (31 March 2017: 32,605,000) ordinary shares. If exercised, these share options represent approximately 0.06% of the share capital consisting of 12,528,241,084 issued shares at 31 March 2018.

- 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-18	31-Dec-17
Issued and paid up	<u>12,528,241,084</u>	<u>12,528,241,084</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 2017 except as explained in Note 5 below.

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

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS (I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS (I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group has adopted the new financial reporting framework on 1 January 2018. The impact arising from the adoption of SFRS (I) on the Group's financial statements are set out as follow:

Application of SFRS (I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group is required to apply retrospectively all SFRS (I) effective at end of the first SFRS (I) reporting period (financial quarter ended 31 March 2018), subject to the mandatory exceptions and optional exemptions under SFRS (I) 1. The Group has elected the option to reset the foreign currency translation reserve to zero as at date of transition to SFRS (I) on 1 January 2017. As a result, foreign currency translation reserve as at 1 January 2017 of S\$825,000 has been reclassified to accumulated losses.

The line items on the Group's financial statements that have been adjusted from the adoption of SFRS (I) as described above are summarized below:

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Balance Sheet			
As at 1 January 2017			
Equity			
Foreign currency translation reserve	(825)	825	-
Accumulated losses	(87,933)	(825)	(88,758)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2017			
Equity			
Foreign currency translation reserve	(738)	825	87
Accumulated losses	(85,465)	(825)	(86,290)
	<u> </u>	<u> </u>	<u> </u>

In addition, the Group has adopted the following new SFRS (I), amendments and interpretations of SFRS (I) which took effect from financial period beginning 1 January 2018:

- SFRS (I) 15 *Revenue from Contracts with Customers*

Except for SFRS(I) 1 as disclosed above, the adoption of SFRS(I) 15, amendments and interpretations of SFRS(I) 15 did not have any significant impact on the financial statements 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 (Losses) per ordinary share <i>(based on consolidated net profit (loss) attributable to equity holders of the Company)</i>	1Q-18 cents	1Q-17 cents
From continuing and discontinued operations:		
- Basic	0.006	0.002
- Fully diluted	<u>0.006</u>	<u>0.002</u>
From continuing operations:		
- Basic	0.006	0.003
- Fully diluted	<u>0.006</u>	<u>0.003</u>
From discontinued operations:		
- Basic	N.M.	(0.001)
- Fully diluted	<u>N.M.</u>	<u>(0.001)</u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 12,528,241,084 (1Q-17: 12,528,241,084).

In 1Q-18, 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 12,528,241,084.

In 1Q-17 and 1Q-18, the share options were antidilutive and hence disregarded in the calculation of diluted earnings (losses) per share.

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-18 Cents	31-Dec-17 Cents	31-Mar-18 Cents	31-Dec-17 Cents
Net Asset Value ("NAV") per share	<u>0.52</u>	<u>0.52</u>	<u>0.45</u>	<u>0.46</u>

The NAV per share as at 31 March 2018 is calculated based on 12,528,241,084 (31 December 2017: 12,528,241,084) 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 increased by 3% from \$62.6 million in 1Q-17 to \$64.3 million in 1Q-18, mainly due to the increase in revenue from DMS business from \$53.2 million to \$56.4 million, with higher sales volume generated from its distribution operations. Revenue from DMS business increased by 6% compared to previous corresponding periods.

The increase in DMS revenue was offset by a 19% decline in AMS revenue from \$7.9 million in 1Q-17 to \$6.4 million in 1Q-18, mainly due to the reduction in repair volume.

Gross margins for AMS business however increased from 21% in 1Q-17 to 25% in 1Q-18, mainly due to higher supports from principals and revision of spare part cost in 1Q-18. However, gross margins for DMS business declined 1% from 8% in 1Q-17 to 7% in 1Q-18 while gross margins for DPAS business remained stable at 29%. Overall, the Group's gross margins decreased by 1% from 10% in 1Q-17 to 9% in 1Q-18.

Other income increased by \$0.4 million quarter-on-quarter, mainly pertained to interest income earned from loan extended to a third party of \$0.3 million and dividend income from investment securities of \$0.1 million.

Administrative expenses decreased by \$0.3 million from \$4.5 million in 1Q-17 to \$4.2 million in 1Q-18, mainly due to a decrease in staff cost.

Other operating expenses reduced by \$0.3 million quarter-on-quarter, mainly due to the decrease in rental expenses of \$0.1 million and foreign exchange movement of \$0.2 million.

The Group's registered a net profit of \$0.8 million in 1Q-18, reversing the net loss position of \$13,000 in 1Q-17. This was mainly attributable to the increase in other income and lower administrative and other operating expenses, despite lower gross margins generated in 1Q-18.

Cash Flows

On a quarter-on-quarter basis, the lower cash position in 2018 is mainly due to investment in marketable securities.

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 recorded higher revenue and profitability in 1Q-2018 (Cf. 1Q-2017). This was made possible by continuing to maintain cost awareness and thus achieving lower administrative and other operating expenses.

The Group's core operations, AMS, DMS and DPAS expect to deliver positive results in the year, though we expect increasing competition in the telecommunication market with new entrants in the market.

The Group expects contributions from the investment division barring any major headwinds in economy and equity markets.

Company's shareholders approved the proposed rights cum warrants issue and the diversification of the Group's core businesses to include investments and property business in the EGM held on 27 April 2018. The proposed

rights cum warrants issue is expected to be completed in late 2Q-18. The Group looks forward to embark on the journey of its future growth and transformation, powered by the funds from the proposed rights cum warrants issue.

The Group will continue to explore potential investment opportunities to strengthen its performance and to generate improved profits.

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/recommended, 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	\$'000 101	\$'000 -

Mr Ong Ghim Choon (Director and Chief Executive Officer of the Company) and his associate own a majority of the shares of Pacific Organisation Pte Ltd.

14. Confirmation of Undertakings under Rule 720(1) of the Listing Manual

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Mainboard Rules.

BY ORDER OF THE BOARD

Ong Ghim Choon
Chief Executive Officer

11 May 2018

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

We, Mark Leong Kei Wei 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 2018 financial results to be false or misleading in any material respect.

On behalf of the Board of Directors

Mark Leong Kei Wei
Chairman of Audit Committee

Ong Ghim Choon
Chief Executive Officer

Singapore, 11 May 2018