Seeding Opportunities, Cultivating Connections

mDR Limited
Annual Report 2014

Contents

Adapting to the challenging business landscape, we have identified new opportunities and diversified our business to ensure long term sustainability.

Like the dandelion that disperses its seeds in the wind to seek places suitable for growth, we have widened and consolidated our overseas network to expand our revenue streams.

Taking root in Malaysia, Myanmar and China, we aim to situate ourselves in the most optimal position as we anticipate future growth.

Expanding Network, Dispersing Risks

Taking Root, Establishing Ties

Corporate Profile

mDR Limited ("**mDR**") is an established after-market service provider for mobile phones and various consumer electronics products.
mDR was incorporated in Singapore on 21 October 2000, and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 14 March 2003.

In Singapore, the mDR Group of companies operates one of the largest network of telecommunications retail stores (including franchised stores), offering M1 and Singtel products and services, such as mobile, fixed and wireless broadband.

The Group's wholly-owned subsidiary Pixio Sdn. Bhd., is a key player in the digital inkjet printing for Point-Of-Sale and Out-Of-Home advertisement solutions market in Malaysia.

Through its joint-venture company MDR Myanmar Co., Ltd., the Group currently has business operations in Yangon and Mandalay, the two largest cities in Myanmar.

In addition, the mDR Group distributes leather accessories for mobile phones, tablets and laptops to customers in the People's Republic of China ("**PRC**"), USA, Europe and Australia. These products are exclusively manufactured for the Group by Shenzhen Quanli Leather Co., Ltd., a company based in the PRC.

mDR Group's businesses include:

- authorised distributor of mobile devices and accessories for leading global brands like Huawei, LG, Microsoft, Samsung and Sony;
- key partner of telecommunications service providers M1 and Singtel, through retail distribution networks branded HandphoneShop and 3 Mobile stores respectively;
- distribution of Singtel prepaid cards and services in Singapore;
- owner of GadgetWorld, a chain of lifestyle retail concept stores that offer the latest technology gadgets, mobile and lifestyle accessories;
- partner of Huawei, Microsoft, Oppo, and Samsung branded retail concept stores in Singapore;
- owner of *HandPhoneShop.com*, an e-commerce portal that offers the latest mobile devices, gadgets, and accessories;
- provider of after-market services to end consumers for key partners HP, Huawei, Samsung, and Sony, for equipment repairs and technical services in Singapore;
- provision of digital inkjet printing for Point-Of-Sale and Out-Of-Home advertisement solutions in Malaysia;
- distributor and retailer of Microsoft mobile phones and accessories in Myanmar;
- distribution of Ooredoo prepaid cards and services in Myanmar; and
- distribution and sale of leather accessories for mobile phones, tablets and laptops to customers in the PRC, USA, Europe and Australia.

For more information, please visit us at www.m-dr.com

Our Brands

For more information, visit us at:

www.facebook.com/3MobileTelecom
www.facebook.com/HandphoneShop
www.facebook.com/GadgetWorld.Sg
www.handphoneshop.com
www.m-dr.com
www.pixio.my


SALE


Singtel Exclusive Retailer
MOBILE
SAMSUNG


HUAWEI


PiXiO


ooredoo


SAMSUNG


m1
SMILE
FAMILY FUN, FASTER.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of mDR Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present to you our annual report for the financial year ended 31 December 2014.

Singapore's economy grew by a muted 2.9% in 2014; as Singapore businesses are adjusting to adapt to the domestic challenges in the sluggish economic climate, they faced key pressures like manpower shortage and high rental costs. Against this backdrop, FY2014 has been a challenging and difficult year for the Group. The Group's core handsets and accessories businesses were particularly affected by an extremely tough and competitive retail environment because of a tight labor supply, low gross margins and high operating costs.

Financial Review

After posting four consecutive financial years of profitable results since FY2010, the Group made a loss of $10.9 million (compared to profits of $3.1 million for FY2013) in FY2014. The Group's FY2014 revenue of $322.2 million was 7% lower than FY2013 revenue of $348.2 million. The losses in FY2014 mainly arose from a slowdown in the businesses of the Group's Distribution Management Solutions Division ("**DMS**") in both the retail and distribution segments, and After Market Services Division ("**AMS**"), as well as a one-time impairment of goodwill, intangible asset, an investment, and plant and equipment, and doubtful debts, stocks and restructuring costs provisions, totaling $12.6 million. Having reviewed the performance and prospects of the Group's businesses, the Board was of the view that it was prudent to carry out the necessary provisioning and investment impairment to reflect the fair value of its assets.

" The Group's financial position has strengthened with total assets of $92.0 million as at 31 December 2014, compared to total assets of $89.7 million as at 31 December 2013. Its working capital also increased by $11.6 million to $52.7 million as at 31 December 2014."

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The renounceable non-underwritten Rights cum Warrants Issue undertaken by the Company in 2011 expired in September 2014. About 96% of the warrants issued were exercised and the Group raised total proceeds of $30.47 million. The Group has a healthy cash balance of $31.7 million as at 31 December 2014.

Business Operations

Singapore Operations

The Group's DMS Division owns and manages the largest retail network of telecommunication products and services in Singapore, for M1 and Singtel, and several global manufacturers like Huawei, Microsoft, Oppo, Samsung, and Sony.

In early FY2014, DMS added the largest Samsung Experience Store ("**SES**") in Singapore, to its portfolio of manufacturers' concept stores. The Westgate SES, with an area of 6,027 square feet, provides consumers with a full immersive experience of Samsung's product offerings, including in-store dining options. In the later part of FY2014, the Group also partnered with Huawei and Oppo to manage and operate their sole flagship concept store and service center in Singapore at Plaza Singapura and Suntec City respectively.

Despite the above positive developments, the Group's DMS businesses did not fare well in FY2014, primarily because of the overall global sluggish demand for new handsets, absence of any ground-breaking smartphone launch, and a saturated and matured handsets market in Singapore. As such, the Group had taken steps to put in place cost cutting initiatives and will continue to

rationalize its retail network, to return the DMS Division to sustainable profitability. Key strategies to achieve sustainable profitability for the DMS business include negotiating for improved margins from the telecommunication operators, increasing the number of concept stores and shop-in-shops, and to seek increased subsidies from the phone manufacturers. We are also monitoring our inventory tightly to keep our stocks at optimal level in order to easily adapt to changing market demand.

With respect to the AMS Division, despite a decline in its revenue by 38% from $36.0 million to $22.3 million in FY2014, its gross profit margin improved from 21% to 28%, with gross profits of $6.2 million registered for the year. The AMS business remains an important revenue stream for the Group. We are currently a key AMS provider for Samsung, and the sole AMS provider for Huawei, and Sony in Singapore.

Overseas Operations

Myanmar

I am pleased to share with you that we have built a significant presence in Myanmar, especially in Mandalay. Myanmar is currently undergoing a transformation from being one of the world's least connected nation, to a country with one of the world's fastest growing telecommunication market. As per an August 2014 report published by Ovum, a London-based leading technology research and advisory firm, out of a total population of 60 million, about 32.3 million people will have mobile connectivity in Myanmar by the end of 2019, at a compounded annual growth rate of 30%. In a span of less than 18 months, Myanmar's mobile penetration rate increased from 8% in early 2013 to about 16% in June 2014.

The award of the Ooredoo prepaid cards distribution contract was an important milestone last year for our Myanmar operations. Our business partner, MDR Golden Myanmar Sea Co. Ltd. ("**MDR Golden**") has been assigned distribution rights for 22 out of 25 townships in Mandalay, the second largest city in Myanmar, after Yangon. Ooredoo successfully rolled out its telecommunication services in Myanmar in August 2014. MDR Golden, being one of the only two authorised distributors for Ooredoo prepaid cards in Mandalay, is today a key partner of Ooredoo's vision to bring modern telecommunication services to the people of Myanmar and to become an integral part of the nation's daily life.

The initial set up costs in Myanmar have been high. However, as Ooredoo expands its telecommunication infrastructure in Myanmar, we expect our Myanmar operations to register steady

" **Whilst the Group will continue to look for other acquisition opportunities, the key focus for the Group in 2015 will be to grow its existing promising businesses in the local and overseas markets, and if opportunities allow, engage in new businesses to strengthen its revenue streams in the long term.**"

growth and returns. Revenue from our Myanmar operations grew from a modest $0.15 million in FY2013 to $11.4 million in FY2014 (3.5% of total revenue).

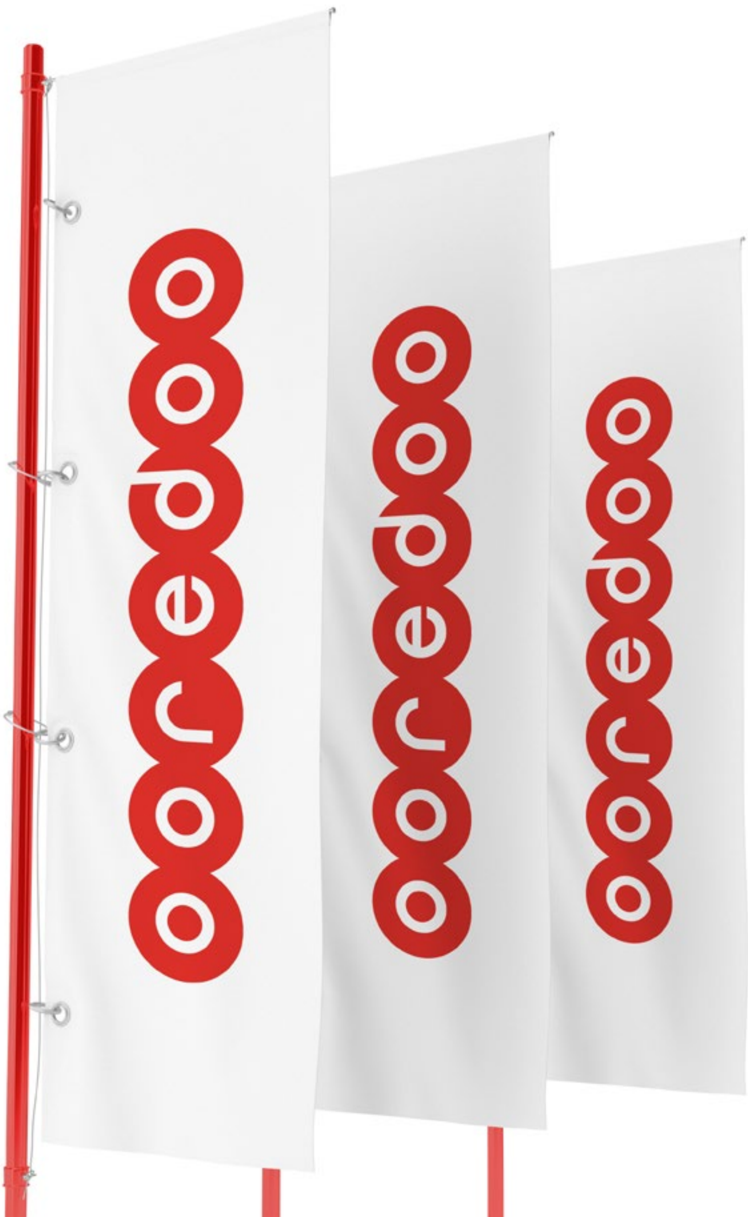
The mobile device business has not been profitable in Myanmar because of intense competition from cross border trade. As such, our focus in FY2015 will be the Ooredoo prepaid cards distribution business. We look forward to strengthening and expanding our presence in Myanmar's promising market.

Malaysia

The Digital Inkjet Printing for Out-Of-Home Advertising Solutions ("**DPAS**") Division under our fully-owned subsidiary Pixio Sdn. Bhd. ("**Pixio**"), with its competitive strength to deliver fast, reliable and quality products and services, is today a promising business segment of the Group. Despite a slowdown in the billboards business in the latter part of FY2014 in view of the sluggish economic conditions in Malaysia, Pixio remained profitable, and we look forward to a better performance from the DPAS Division for the coming year, as it diversifies into new product offerings and markets.

Early this year, Pixio has entered the East Malaysian market, in a joint venture with the United Borneo Press Group. The joint venture company United Pixio Sdn. Bhd. was set up in January 2015, and is expected to commence operations in the late second half of FY2015.

The Group is keen to grow the DPAS business beyond Malaysia, and is actively exploring opportunities for growth in countries like Myanmar,

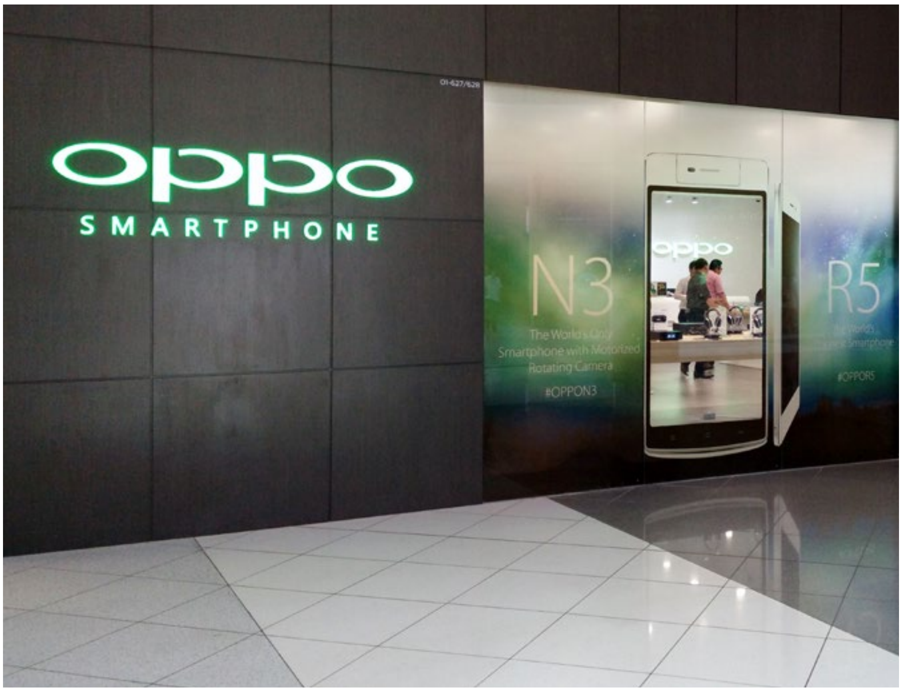


where Pixio will be able to fill a gap in the market for fast, reliable and quality digital inkjet printing services for Out-Of-Home advertising solutions.

Future Outlook

The Company will celebrate the 15th anniversary of its establishment this year. In a span of about a decade and a half, the Company has developed strong ties with its principals and customers, and established itself as a leading service provider in the telecommunication sector in Singapore.

Year 2015 has been projected as a year of moderate growth for Singapore's economy. Save for Myanmar, both China's and Malaysia's economies are also projecting moderate growth for the current year. However, with the expertise and experience that we have gained over the last 15 years, the Group believes that it is better positioned to tap both the opportunities and face the challenges in the markets it operates in.



The smartphone industry is highly competitive; however, we represent most major smartphone manufacturers. With the restructured business model, improved margins and support from the principals, in FY2015, we expect the DMS business to return to profitability.

In FY2014, the Group considered several acquisition possibilities, but these acquisitions did not materialize for one reason or another. Whilst the Group will continue to look for other acquisition opportunities, the key focus for the Group in 2015 will be to grow its existing promising businesses in the local and overseas markets, and if opportunities allow, engage in new businesses to strengthen its revenue streams in the long term.

One key factor for the Group's success has been the tremendous efforts and dedication of its management team and employees, who have shared a common vision and goal. I would like to thank them for their support and commitment. I extend my gratitude to my fellow Directors who have proactively contributed to the Group's progress. I would also like to extend my heartfelt thanks to our shareholders, principals, business partners, suppliers, and customers for their continued support. We look forward to steer the Group to perform better in the current year.

Philip Eng
Chairman
31 March 2015

Financial Highlights

Year	2014	2013	2012	2011	2010
Revenue ($'000)	322,186	348,203	319,684	357,007	314,949
Profits (Loss) before tax ($'000)	(10,551)	3,345	6,401	7,708	4,816
Profits (Loss) attributable to owners ($'000)	(9,675)	3,375	5,516	6,994	4,963
Earnings (Loss) per share (cents)	(0.09)	0.04	0.08	0.15	0.16
Cash balance* ($'000)	31,744	18,501	17,620	14,778	14,249
Bank loans ($'000)	2,550	4,000	-	-	13,978
Net tangible assets ($'000)	56,194	43,803	45,387	31,282	12,359
Net asset value ($'000)	59,188	52,063	47,737	33,632	14,709
Net asset value per share (cents)	0.47	0.58	0.57	0.53	0.39

* including pledged cash for 2010 to 2011 and 2013 to 2014

Board of Directors

PHILIP ENG HENG NEE

Chairman, Non-Independent & Non-Executive Director

Date of first appointment:
1 June 2005

Mr. Philip Eng is a Non-Executive Chairman of Frasers Centrepoint Asset Management Ltd. and also a Director of several public-listed and private companies. Mr. Eng is currently Singapore's Non-Resident High Commissioner to Canada. He is a graduate of the University of New South Wales with a Bachelor's degree in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

ONG GHIM CHOON

Executive Director & Chief Executive Officer

Date of first appointment:
19 August 2009

Mr. Ong is the Chief Executive Officer ("**CEO**") of the Group since August 2009. He is also the CEO of the Group's principal subsidiary, Distribution Management Solutions Pte Ltd, since May 2004. Mr. Ong is responsible for the overall supervision and management of the business of the Group. He has extensive experience in the telecommunications industry, having been a pioneer in the establishment and management of several telecommunications companies since 1993, which engaged in the import, export, distribution and retail of telecommunications and related products and accessories. He is the founder of the retail chain "HandphoneShop".

MAH KAH ON

Independent & Non-Executive Director

Date of first appointment:
9 September 2005

Mr. Mah built a 25-year career in the financial services sector, holding various positions through the years at UMF (S), Limited (now known as Mercedes-Benz Financial Services Singapore Ltd) ("**UMF**"). He was the Chief Executive Officer of UMF from 1999 until 2005, when he retired. Mr. Mah is a qualified chartered accountant with the Institute of Chartered Accountants in England and Wales.

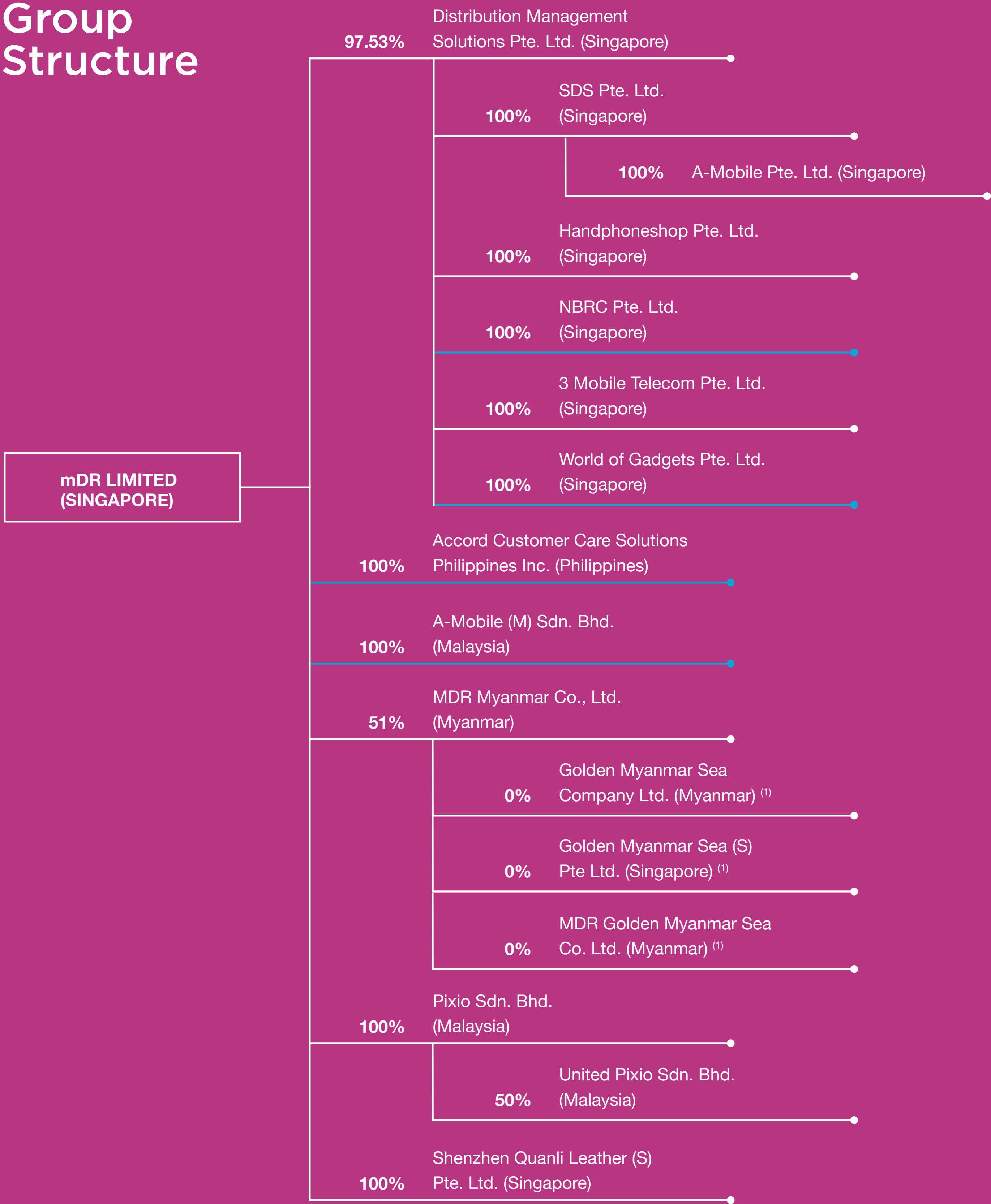
QUAH BAN HUAT

Lead Independent & Non-Executive Director

Date of first appointment:
1 May 2014

Mr. Quah is a consultant for KPMG Services Pte Ltd and sits on the board of several public and private companies. Mr. Quah has held various key finance positions in the past including amongst others, as Regional Business Area Controller at Deutsche Bank, Group Finance Director of the IMC Group, Chief Financial Officer of City Gas Pte Ltd, and Rickmers Trust Management Pte Ltd. Mr. Quah is a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

Group Structure



(1) The Group acquired control over these companies via MDR Myanmar Co., Ltd.

• Dormant Companies

Singapore Retail Network

SINGTEL EXCLUSIVE RETAILER

AMK HUB
3 Ang Mo Kio Ave 3,
#01-29, S(569933)

Bishan Junction 8
Bishan Central,
#02-32, S(579837)

Compass Point
1 Seng Kang Square,
#02-32, S(545078)

Great World City
1 Kim Seng Promenade,
#02-39, S(237994)

Hougang Mall
90 Hougang Ave 10,
#04-17, S(538766)

IMM
2 Jurong East Street 21,
#02-02, S(609601)

ION Orchard
2 Orchard Turn,
#B4-22, S(238801)

JEM
50 Jurong Gateway Road,
#04-57, S(608549)

Jurong West
Blk 501, Jurong West St 51,
#01-271, S(640501)

NTUC Resort
1 Pasir Ris Close,
#01-09A/B, S(519599)

Parkway Parade
80 Marine Parade Road,
#B1-45/46, S(449269)

Suntec City Mall
3 Temasek Boulevard,
#02-318, S(038983)

Thomson Plaza
301 Upper Thomson Road,
#01-77, S(574408)

Vivo City
1 Harbourfront Walk,
#02-216C, S(098585)

Zhongshan Mall
20 Ah Hood Road,
#01-05, S(329984)

M1 EXCLUSIVE RETAILER

Bishan Junction 8
Bishan Central,
#02-30, S(579837)

Great World City
1, Kim Seng Promenade,
#02-36, S(237994)

Funan DigitaLife Mall
109 North Bridge Road,
Level 1 Kiosk 8, S(179097)

ION Orchard
2 Orchard Turn,
#B4-21, S(238801)

JEM
50 Jurong Gateway Road,
#04-38, S(608549)

Jurong Point
1 Jurong West Central 2,
#03-40/41, S(648886)

Lot 1 Shoppers' Mall
Choa Chu Kang Ave 4,
#B1-18, S(689812)

Nex
23 Serangoon Central,
#04-43/44, S(556083)

Toa Payoh Central
Blk 190, Lorong 6 Toa Payoh,
#01-548, S(310190)

Vivo City
1 Harbourfront Walk,
#02-216B, S(098585)

Chong Pang City
Blk 101 Yishun Ave 5
#01-89, S(760101)

GADGET WORLD

Bugis Junction
80 Middle Road,
#M01-K1, S(188966)

Causeway Point
1 Woodlands Square,
#03-14, S(738099)

ION Orchard
2 Orchard Turn,
#B-4/22, S(238801)

JEM
50 Jurong Gateway Road,
#04-38, S(608549)

Jurong Point
1 Jurong West Central 2,
#B1-87/88, S(648886)

SAMSUNG STORES

Plaza Singapura
68 Orchard Road,
#B2-23, S(238839)

Vivo City
1 Harbourfront Walk,
#02-28/29, S(098585)

Westgate
3 Gateway Drive,
#01-01, #02-01, S(608532)

MICROSOFT MOBILE DEVICE STORE

Funan DigitaLife Mall
109 North Bridge Road,
Level 1 Kiosk 8, S(179097)

HUAWEI STORE

Plaza Singapura
68 Orchard Road,
#03-78, S(238839)

OPPO STORE

Suntec City Mall
8 Temasek Boulevard,
#01-627-630, Suntec Tower 3,
S(038988)

Overseas Offices

MDR MYANMAR CO., LTD

No. 152(A), West Shwe Gone Daing Road, Yae Tar Shay Quarter, Bahan Township, Yangon, Myanmar

MDR GOLDEN MYANMAR SEA CO. LTD.

No. 205, 80th Street, Between 30th and 31st Street, Chanayethazan Township, Mandalay, Myanmar

PIXIO SDN. BHD.

No. 518 , Jalan TUDM, Kampung Baru Subang, 40150 Shah Alam, Selangor, Malaysia

UNITED PIXIO SDN. BHD.

Lot 2597, Block 3, MCLD Wisma United Borneo Press Jalan Piasau, 98000 Miri Sarawak, Malaysia

Corporate Information

BOARD OF DIRECTORS

Philip Eng Heng Nee
Chairman/ Non-Independent
Non-Executive Director

Ong Ghim Choon
Executive Director/
Chief Executive Officer

Mah Kah On
Independent
Non-Executive Director

Quah Ban Huat
Lead Independent
Non-Executive Director

AUDIT COMMITTEE

Mah Kah On
Chairman

Philip Eng Heng Nee

Quah Ban Huat

NOMINATING COMMITTEE

Quah Ban Huat
Chairman

Philip Eng Heng Nee

Mah Kah On

REMUNERATION COMMITTEE

Quah Ban Huat
Chairman

Philip Eng Heng Nee

Mah Kah On

REGISTERED OFFICE

53 Ubi Crescent
Singapore 408594
T : (65) 6347 8911
F : (65) 6347 8903
W: www.m-dr.com

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
6 Shenton Way, OUE Downtown 2,
#33-00, Singapore 068809

Partner-in-charge:
Ang Poh Choo
(Audit engagement partner
since 5 August 2013)

COMPANY SECRETARY

Madan Mohan

INVESTOR RELATIONS

corporateaffairs@m-dr.com

Financial Contents

Corporate Governance

mDR Limited (the "**Company**") is committed to maintain and observe high standards of corporate governance in accordance with the principles and guidelines set out in the Singapore Code of Corporate Governance 2012 (the "**Code**"). The Company's corporate governance practices set out in this Report are with reference to the principles of the Code.

BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Board of Directors (the "**Board**") is accountable to the shareholders while the management is accountable to the Board.

The Board establishes a control framework that enables risks to be assessed and managed as it oversees the Company's affairs, and provides shareholders with a balanced and understandable assessment of the Company's performance, financial position and business prospects on a quarterly basis. This responsibility extends to making interim and other price sensitive public reports, and reports to regulators as and when required.

The Company has in place internal guidelines setting forth matters that require Board approval, such as those involving annual budgets, investment and divestment proposals, and significant corporate actions of the Company.

To assist the Board in the execution of its responsibilities, the Board has established three committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**"), all of which operate within their respective terms of reference and functional procedures. The Board may also constitute other *ad hoc* committees as and when necessary to oversee special matters.

Quarterly meetings are scheduled in advance for the Board to meet. In addition to scheduled meetings, the Board may also hold *ad hoc* meetings as and when required. The Company's Articles of Association (the "**Articles**") allow a Board meeting to be conducted by way of teleconference. Board approvals may also be obtained through written resolutions by circulation. The attendances of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings are disclosed in this Report.

New Directors are briefed and given materials to help them familiarise themselves with the Company's business. To meet the Directors' training needs, the Company funds Directors' attendances at courses appropriate for their discharge of duties as Directors.

Directors are given unrestricted access to all Company staff and are provided with notices, agendas and meeting materials in advance of Board meetings. Key management staff and the Company's auditors and solicitors, where appropriate, are invited to assist the Board in its deliberations.

Directors' attendance at Board and Board Committee Meetings

For financial year ended 31 December 2014, the Directors' attendances at Board and Board committees meetings are as follows:

	Board	AC	NC	RC
Number of meetings held	7	4	1	1
Name of Director	**Number of meetings attended**			
Mr Philip Eng Heng Nee	7	4	1	1
Mr Mah Kah On	7	4	1	1
Mr Tham Khai Wor [(1)]	2	1	1	1
Mr Quah Ban Huat [(2)]	5	3	–	–
Mr Ong Ghim Choon [(3)]	7	–	–	–

[(1)] Mr Tham Khai Wor retired from the Board on 30 April 2014.

[(2)] Mr Quah Ban Huat was appointed to the Board on 1 May 2014.

[(3)] Mr Ong Ghim Choon is not a member of the AC, NC and RC.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

As at the date of this Report, the Board comprises four Directors, namely Mr Philip Eng Heng Nee, Mr Ong Ghim Choon, Mr Mah Kah On, and Mr Quah Ban Huat. Of the four Board members, two are independent Directors.

The Board has examined its size and is of the view that the current arrangement is adequate, given that the independent Directors form half of the Board's composition. Please refer to the section on "Board of Directors" in this Report for key information on each Director.

The NC reviews the independence of each independent Director on an annual basis. For this, the NC adopts the Code's definition of what constitutes an independent Director in its review. An "independent" director as per the Code is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company.

The NC is of the view that the current independent Directors are independent within the meaning of the Code, that there is a strong and independent element on the Board, and it is able to exercise objective judgement on all corporate affairs independently, in particular from management, and that no individual or small group of individuals dominate the Board's decision-making process.

The NC is also of the view that the current Board consists of persons who, collectively provide core competencies in various fields such as, accounting and finance, business and management, industry knowledge, strategic planning, and customer-based knowledge and experience necessary to meet the Company's objectives.

Mr Mah Kah On has served the Board as an independent Director for more than nine years from the date of his first appointment. The Board has determined, taking into account the views of the NC, that Mr Mah Kah On continues to remain independent in character and judgement and he has no relationship with management or substantial shareholders or circumstances, which are likely to affect the discharge of his duties objectively in the best interests of the Company and its stakeholders. Mr Mah has gained valuable insights in the business and operations of the Group, and the Board believes that he can continue to contribute positively to the Board. However, Mr Mah Kah On has personally expressed his wish to step down from the Board. The Board has requested Mr Mah Kah On to continue until a suitable replacement candidate is found.

Corporate Governance

The current members of the Board and their membership on the Board committees of the Company are as follows:

Board and Board Committees

Director	Board	AC	NC	RC
Philip Eng Heng Nee#	Chairman Non-Independent & Non-Executive	Member	Member	Member
Mah Kah On	Independent & Non-Executive	Chairman	Member	Member
Quah Ban Huat	Lead Independent & Non-Executive	Member	Chairman	Chairman
Ong Ghim Choon	Executive Director	–	–	–

Mr Philip Eng Heng Nee was redesignated from Independent to Non-Independent Director of the Company with effect from 1 May 2014.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a separate Chairman and Chief Executive Officer ("**CEO**"). The Chairman bears responsibility for the management of the Board, while the CEO is the most senior Executive in the Company and bears executive responsibility for the Company's business.

The Board applies the principle of clear division of responsibilities between the Board and the management. The workings of the Board and the management's responsibility of the Company's business are divided to ensure a balance of power and authority.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises three Directors. Majority of the members of the NC, including the NC Chairman, are independent. All the NC members are non-executive Directors.

The NC is responsible for, *inter alia*, making recommendations to the Board on all Board appointments, and in determining the independence of Directors.

The NC has put in place a set of guidelines to evaluate Board and individual Director's performance. Each member of the NC abstains from voting on any resolution, making any recommendations and participating in any deliberation of the NC in respect of the assessment of his performance and re-nomination as a Director.

The Board upon consideration as a whole appoints new Directors, and members of the various Board committees, after the NC has reviewed and nominated them for appointment.

Article 90 of the Articles requires every Director to retire from office once every three years and for this purpose, at each Annual General Meeting ("**AGM**"), one-third of the Directors for the time being retire from office. This means that no Director can stay in office for more than three years, unless re-elected by the shareholders. A retiring Director is eligible for re-election by the shareholders at the AGM.

The NC evaluates the performance of a Director in considering his re-appointment. The Board Chairman constantly monitors, assesses each Director's preparedness, contribution to the Board meetings, and the quality of interventions, and reports his findings to the Chairman of the NC. The Directors' attendance records at Board and Board committee meetings form the other criteria for their re-appointment.

PRINCIPLE 5: BOARD PERFORMANCE

At the end of each financial year, the NC assesses the Board's performance as a whole, and the Board committees' performance, by evaluating a questionnaire dealing with various aspects, such as, composition, Board processes and procedures, and information flow and accessibility.

The NC, evaluates each individual Director's performance through a separate questionnaire dealing with various aspects, such as, attendance at Board and Board committee meetings, contribution to meetings, and communication.

The NC also determines whether to re-nominate Directors who are due for retirement at the next AGM, and whether Directors with multiple board representations have been able to and have adequately discharged their duties as Directors of the Company.

PRINCIPLE 6: ACCESS TO INFORMATION

Board memoranda accompany each Directors' written resolution to provide explanatory information on the resolution. Financial budgets and forecasts are presented to the Board before adoption. The Directors are provided with the telephone numbers and e-mail addresses of the Company's senior management and Company Secretary to facilitate separate and independent access.

Should the Directors, whether as a group or individually, need independent professional advice, the Board may appoint a professional advisor selected by the group or individual, as the case may be, to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends and prepares minutes of Board and Board committee meetings. He helps to ensure that board procedures are followed and relevant rules and regulations are complied with.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three Directors. Majority of the RC members, including the RC Chairman, are independent. All the RC members are non-executive Directors.

The RC makes recommendations to the Board on remuneration packages of individual Directors and key executives. The RC meets at least once a year. It is regulated by a definite terms of reference.

The RC is mandated with the responsibility to oversee the general compensation of key employees of the Group with a goal to motivate, recruit and retain such employees, through competitive compensation and progressive policies. The RC makes its recommendations in consultation with the Chairman of the Board and submits them for approval by the entire Board. Each member of the RC abstains from voting on any resolution, making any recommendation and participating in any deliberation in respect of his own remuneration.

The RC's principal responsibilities are to:

1) recommend to the Board base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives, including identifying equity-based incentives such as share options;

2) approve the structure of the compensation program (including, but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management, to ensure that the program is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;

3) review and recommend Directors' and key executives' compensation annually taking into account the Group's relative performance, performance of individual Director or key executive, and pay and employment conditions within the industry and in comparable companies; and

4) administer the mDR Share Option Scheme 2003.

The RC has access to the Company's Human Resources Department, and external consultants if necessary, for expert advice on remuneration of all Directors and key executives.

mDR Share Option Scheme 2003

The mDR Share Option Scheme 2003 (the "**Scheme**") expired on 12 January 2013. No further share options have been granted upon the expiry of the Scheme, but the provisions of the Scheme remain in full force and effect in respect of any share options granted prior to the expiry of the Scheme. Details of the Scheme, which includes size of grants, exercise price of options that were granted under the Scheme, and the exercisable period are disclosed in the Directors' Report.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Remuneration policy in respect of Executive Directors and other key executives

The RC decides on the specific remuneration packages for the Directors, CEO and all key employees who report directly to the CEO.

The remuneration policy for Executive Directors and key executives of the Company comprise fixed and variable components. The fixed component includes salary, central provident fund ("**CPF**") contributions, annual wage supplement ("**AWS**"), and other benefits. The variable component comprises performance bonuses, which are payable on the achievement of Group and individual performance targets.

The Non-Executive Directors are paid a basic Director's fee, additional fees for serving on any of the Board committees, and attendance fees for participation in meetings of the Board and Board committees. The RC recommends to the Board, Non-Executive Directors' fees that are appropriate to their level of contribution, taking into account factors such as frequency of meetings, effort and time spent, and their responsibilities. The aggregate fees payable to the Non-Executive Directors are subject to the approval of the shareholders at the AGM of the Company.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

The remuneration of the Directors and key management personnel are as follows:

Directors' Remuneration Table for the Financial Year Ended 31 December 2014

Name of Director	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executive Director					
S$250,000 to S$500,000					
Ong Ghim Choon	–	83.8	–	16.2[1]	100
Non-Executive Directors					
Below S$250,000					
Philip Eng Heng Nee	100	–	–	–	100
Mah Kah On	100	–	–	–	100
Tham Khai Wor	19.04	–	–	80.96[2]	100
Quah Ban Huat [3]	100	–	–	–	100

[1] Include employer's CPF, allowance, and car benefits.

[2] Include Director's fees payable by a subsidiary. Mr Tham Khai Wor retired from the Board on 30 April 2014.

[3] Mr Quah Ban Huat has been appointed to the Board on 1 May 2014.

Key Executives' Remuneration Table for the Financial Year Ended 31 December 2014

Remuneration Bands & Name of Key Executives	Salary (%)	Bonus [1] (%)	Other Benefits[2] (%)	Total (%)
S$250,000 to S$500,000				
Wee Swee Neo, Doris	96.49	–	3.51	100
Below S$250,000				
Ng Eng Ming, Peter	57.69	21.10	21.21	100
Ong Ghim Chwee [3]	61.61	13.7	24.69	100
Siua Cheng Foo, Richard	83.85	9.87	6.28	100
Yip Li San	85.51	7.13	7.36	100

[1] Include AWS and variable bonus.

[2] Include employer's CPF, allowance, and car benefits.

[3] Mr Ong Ghim Chwee is the brother of Mr Ong Ghim Choon (Executive Director of the Company), and his remuneration exceeds S$150,000 during FY2014.

The Code has recommended a full disclosure of the remuneration of all Directors and the CEO on a named basis. The Company believes that the disclosure of the remuneration of each individual Director and the CEO, and also of the key management personnel, on a named basis and total in aggregate, would not be in the interest of the Group's business, given the highly competitive nature of the core business of the Group and the confidentiality of remuneration matters. Furthermore, in addition to this Report the disclosure on remuneration has been made in the Directors' Report and the notes to the financial statements. The Board also responds to questions, if any, from the shareholders on remuneration policy and package in the AGM.

There is no existing or proposed service contract entered into, or to be entered into, by any Director with the Company or any of the Company's subsidiaries, which provides for benefits upon termination of employment.

With the exception of Mr Ong Ghim Chwee, there is no other employee of the Company who is an immediate family member of a Director or the CEO, and/or whose remuneration exceeded S$500,000 during FY2014. Immediate family member in this Report refers to a spouse, child, adopted child, step-child, brother, sister and parent. The disclosure of remuneration of Mr Ong Ghim Chwee has been made in the band of S$250,000 and is reasonably sufficient for reasons of transparency, given the confidentiality of remuneration matters.

PRINCIPLE 10: ACCOUNTABILITY AND AUDIT

The Board has the responsibility to present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board reviews the Company's quarterly, half-yearly and full year financial results and performs a full review and discussion of the results before its final approval and release.

Quarterly financial results and other price-sensitive information are communicated to the shareholders through announcements released via SGXNet and the Company's website.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management policies and processes

Management reviews the Group's business and operational activities regularly to identify areas of significant business risks as well as measures to control these risks. Management also reviews internal control policies and highlights all significant matters to the Board and the AC.

The identification and management of risks are delegated to management, which assumes ownership, and day-to-day management of these risks.

Internal Controls

The Company maintains internal control and risk management systems that are intended to safeguard, verify and maintain the assets and proper accounting with a clear operating structure based upon its delegation of authority and reporting structures, codes of conduct and other documented procedures in place. These internal controls include financial reporting, operational and compliance controls, management accounting, information technology systems security and project appraisal policies and systems established by management.

The system of internal controls are intended to provide reasonable but not absolute assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

Based on the internal controls systems established, reports from the external and internal auditors, actions taken and the assurance given by the management, on-going review and continuing efforts at enhancing internal controls, including financial reporting, operational and compliance controls, management accounting, information technology controls, and risk management systems, the Board with the concurrence of the AC is of the opinion that there are adequate and effective internal control and risk management systems in place to address the financial, operational and compliance risks of the Group in its current business environment.

The Board has received assurance from the CEO and the Chief Financial Officer ("**CFO**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. The CEO and the CFO of the Company have also given assurance to the Board regarding the effectiveness of the Company's risk management and internal control systems.

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three Directors. Majority of the AC members, including the AC Chairman, are independent Directors. All the AC members are non-executive Directors.

Under its terms of reference, the AC reviews the quarterly and full-year financial statements prior to submission to the Board. The AC also ensures the independence and objectivity of external auditors, and reviews all interested person transactions.

The AC is explicitly authorised by the Board to investigate any matters within its terms of reference. For such purpose, the AC has full access to and co-operation of the management, full discretion to invite any Director and Executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. Each member of the AC abstains from voting on any resolution, making any recommendation and participating in any deliberation in respect of matters in which he is interested.

Minutes of AC meetings are available to all Directors for information and review.

The AC meets with the external auditors at least four times a year without the presence of the management. The AC has reviewed the independence and objectivity of the Company's external auditor Deloitte & Touche LLP ("**Deloitte**"), and has satisfied itself of Deloitte's position as an independent external auditor.

PRINCIPLE 13: INTERNAL AUDIT

The Company has established an internal audit function that is independent of the activities it audits. In FY2014, the internal audit functions of the Group have been carried out by its in-house Internal Auditor ("**IA**"). The IA reports directly to the Chairman of the AC. Reports prepared by the IA are reviewed by the AC.

The AC reviews and approves the annual internal audit plans to ensure that the IA has the capability to adequately perform its functions. The AC also provides a communication channel between the Board, the management and the external auditors on audit related matters. The audit work by the IA is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

PRINCIPLE 14: SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Company has adopted quarterly results reporting since its listing. The quarterly results are published through SGXNet for the public and shareholders' information.

The Company does not practise selective disclosure of material information. Material information is publicly released promptly, either before the Company meets with investors/analysts or thereafter whenever appropriate. Results and annual reports are announced or issued within the mandatory period (unless extension of time is granted by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and/or the Accounting and Corporate Regulatory Authority), and are also made available on the Company's website.

Shareholders are informed of shareholders' meetings through circulars sent to all shareholders. The Company's Annual Report and notice of AGM are dispatched to all shareholders of the Company within the mandatory period. The notice of shareholders' meeting is also posted on the Company's website. At AGMs, shareholders are given equal opportunity and time to air their views and ask Directors and management questions regarding the activities and performance of the Company.

The Articles allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings. The Company is not implementing absentia voting as this method is elaborate and costly, and the need for it presently does not arise.

The members of the Board, Board committees, senior management, external auditors, legal advisor, and management are in attendance at the AGM to assist the Directors in addressing any relevant queries by shareholders.

Resolutions are passed separately at general meetings. For greater transparency and fairness in the voting process, all resolutions will be passed at the FY2015 AGM by poll. The voting results of all votes cast for and against each resolution will be screened at the meeting and will also be announced after the meeting via SGXNet.

The Company records minutes of all shareholders' meetings. These are available to shareholders upon request.

OTHER CORPORATE GOVERNANCE PRINCIPLES

Best practices guide and dealings in securities

The Company has adopted a Best Practices Guide pursuant to SGX-ST Listing Manual guidelines and made it applicable to all its officers in relation to their dealings in the Company's securities.

The Company, its Directors and employees who have access to unpublished price sensitive information are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's first quarter, half-year and third quarter financial results, and one month before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results. Similarly, the Directors and employees of the Company are not allowed to deal in the Company's securities on short-term considerations.

Non-audit fees

The Company had engaged its auditors Deloitte to provide tax advisory, and agreed upon procedures services for a total fee of S$36,600 in FY2014.

Save for as disclosed herein, there were no other non-audit services rendered by Deloitte to the Company in FY2014.

Interested person transactions policy

The Company has adopted an internal policy where all interested person transactions are documented and submitted quarterly (during each quarterly AC meeting) to the AC for its review to ensure that such transactions are carried out at arm's length basis, on normal commercial terms and are not prejudicial to the Company and its minority shareholders.

In the event that a member of the AC is deemed to have an interest in an interested person transaction, he is required to abstain from reviewing that particular transaction.

Material contracts

No material contract has been entered into by the Group involving the interests of the CEO, any director or controlling shareholder, during the financial year ended 31 December 2014 save for the following:-

Pacific Organisation Pte. Ltd	Leasing of premises	S$35,636 per month (January 2014 - June 2014) S$37,491 per month (July 2014 - December 2014)
	Leasing of vehicles	S$600 per month
Mr Tham Khai Wor [1]	Advisory and service fees	S$8,000 per month (mDR) RM3,000 per month (Pixio)

[1] Mr Tham Khai Wor retired from the Board on 30 April 2014.

Whistle-blowing policy

The Company has implemented a whistle-blowing policy pursuant to which any staff of the Company may in confidence, raise concerns about possible improprieties in operational, financial or other matters. Procedures are in place for independent investigation of such matters and for appropriate follow-up action to be carried out.

CONCLUSION

The mDR Group recognises the importance of good corporate governance practices. The Group will continue to review and improve its corporate governance practices on an ongoing basis.

Use Of Proceeds

The following sets out the status on the use of proceeds from the conversion of warrants pursuant to the renounceable non-underwritten Rights Cum Warrants Issue undertaken by the Company in 2011 (the "**Conversion of Warrants**").

Conversion of Warrants

	S$'000
Balance of proceeds as at 1 January 2014	726
Total proceeds received from Conversion of Warrants for FY2014	17,686
Utilisation towards general working capital (for third party payments, including suppliers invoices)	2,000
Balance of proceeds as at 31 December 2014	16,412

The use of proceeds is in accordance with the intended use of the net proceeds as described in the Offer Information Statement dated 1 September 2011.

Interested Person Transactions

Year ended December 31, 2014

Name of Interested Person	Aggregate value of all interested person transactions (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Pacific Organisation Pte Ltd	S$445,000	Nil
Mr Tham Khai Wor	S$37,000	Nil

Report Of The Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Philip Eng Heng Nee	(Chairman of the Board of Directors)
Mah Kah On	
Quah Ban Huat	(Appointed on May 1, 2014)
Ong Ghim Choon	

During the financial year and up to the date of this report, the following director resigned as director of the Company:

Tham Khai Wor	(Retired on April 30, 2014)

2 AUDIT COMMITTEE

The members of the Audit Committee, comprising all non-executive directors, at the date of this report are:

Mah Kah On	(Chairman of the Audit Committee)
Philip Eng Heng Nee	
Quah Ban Huat	

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and the financial position of the Company and the Group;

e) the co-operation and assistance given by the management to the Group's external auditors; and

f) the re-appointment of the external auditors of the Group.

2 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming AGM of the Company.

3 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraphs 4 and 6 of the Report of the Directors.

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in names of directors		
Name of directors and companies in which interests are held	**At January 1, 2014**	**At December 31, 2014**	**At January 21, 2015**
mDR Limited			
- Ordinary shares			
Philip Eng Heng Nee	131,185,330	131,185,330	131,185,330
Ong Ghim Choon	443,986,666	877,973,330	877,973,330
Mah Kah On	10,000,000	10,000,000	10,000,000

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and companies in which interests are held	Shareholdings registered in names of directors At January 1, 2014	At December 31, 2014	At January 21, 2015
mDR Limited			
- Warrants to subscribe for ordinary shares at exercise price of $0.005 each			
Ong Ghim Choon	433,986,664	–	–
Mah Kah On	10,000,000	–	–
mDR Limited			
- Options granted			
Philip Eng Heng Nee	37,355,000	37,355,000	37,355,000
Ong Ghim Choon	5,000,000	5,000,000	5,000,000

5 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

6 SHARE OPTIONS

a) At the Extraordinary General Meeting held on January 13, 2003, the shareholders approved the adoption of the ACCS Share Option Scheme 2003. On June 7, 2006, the share option scheme was renamed as the mDR Share Option Scheme 2003 (the "2003 Scheme"). The share option scheme is administered by the Remuneration Committee, comprising the following:

Quah Ban Huat	(Chairman of the Remuneration Committee, appointed on May 1, 2014)
Philip Eng Heng Nee	
Mah Kah On	

6 SHARE OPTIONS (cont'd)

b) Each share option entitles the employees of the Group and of its associated companies to subscribe for one new ordinary share in the Company. The options are granted at a consideration of $1.00 paid by each option holder.

The 2003 Scheme will operate for a maximum period of 10 years commencing on January 13, 2003. Under the 2003 Scheme, share options may be granted to the employees of the Group and its associated companies, if any, provided that the Company has control over the associated companies. Control is defined as the capacity to dominate decision making in relation to the financial and operating policies of the Company. Approval of the independent shareholders in separate resolutions is required for the participation by and the number and terms of options to be granted to participants who are controlling shareholders of the Company or their associates.

Options that are granted may be at the market price ("Market Price Options") or may have exercise prices that are, at the Remuneration Committee's discretion, set at a discount to the market price of a share. The maximum discount cannot exceed 20%.

If an option holder ceases to be in full time employment with the Company or any of the companies within the Group or its associated companies for any reason whatsoever, the option holder may exercise any unexercised options within 1 month from the last date of employment with the relevant entity.

Market Price Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after twelve (12) months of the date of grant of that option.

Options granted with an exercise price set at discount to market price shall only be exercisable by a participant, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after twenty four (24) months from the date of grant of that option.

Provided always that options shall be exercised before the end of one hundred and twenty (120) months (or sixty (60) months where the participant is a non-executive director) of the date of grant of that option and subject to such other condition as may be introduced by the Remuneration Committee from time to time.

c) At the Extraordinary Meeting held on April 14, 2004, the shareholders approved the amendment of certain provisions of the 2003 Scheme to:

   i) allow non-executive directors of the Company to participate in the 2003 Scheme; and

   ii) extend the size of the 2003 Scheme from 10% to 15% of the issued share capital of the Company.

6 SHARE OPTIONS (cont'd)

d) The share options granted and exercised during the financial year and share options outstanding as at December 31, 2014 under the 2003 Scheme were as follows:

Date of grant	Balance at January 1, 2014	Number of share options Granted	Exercised	Cancelled/ lapsed	Balance at December 31, 2014	Exercise price per share	Exercisable period
April 14, 2004	8,177,133	–	–	(8,177,133)	–	0.5063	April 14, 2005 to April 13, 2014
May 13, 2008	8,300,000	–	–	(500,000)	7,800,000	0.0300	May 13, 2009 to May 12, 2018
March 9, 2011	1,670,000	–	–	–	1,670,000	0.0050	March 9, 2014 to March 8, 2016
January 19, 2012	5,440,000	–	–	–	5,440,000	0.0050	January 19, 2014 to January 18, 2017
January 19, 2012	5,440,000	–	–	–	5,440,000	0.0050	January 19, 2015 to January 18, 2017
May 14, 2012	2,317,000	–	–	–	2,317,000	0.011	May 14, 2014 to May 13, 2017
May 14, 2012	2,317,000	–	–	–	2,317,000	0.011	May 14, 2015 to May 13, 2017
November 9, 2012	985,000	–	–	–	985,000	0.0090	November 9, 2013 to November 8, 2017
November 9, 2012	680,000	–	–	–	680,000	0.0090	November 9, 2014 to November 8, 2017
November 9, 2012	680,000	–	–	–	680,000	0.0090	November 9, 2015 to November 8, 2017
January 11, 2013	7,486,000	–	–	–	7,486,000	0.0180	January 11, 2014 to January 10, 2018
January 11, 2013	5,170,000	–	–	–	5,170,000	0.0180	January 11, 2015 to January 10, 2018
January 11, 2013	5,170,000	–	–	–	5,170,000	0.0180	January 11, 2016 to January 10, 2018
Total	53,832,133	–	–	(8,677,133)	45,155,000		

Particulars of the options granted in 2008, 2011, 2012 and 2013 were set out in the Report of the Directors for the financial years ended December 31, 2008, December 31, 2011, December 31, 2012, and December 31, 2013 respectively.

6 SHARE OPTIONS (cont'd)

e) Options granted to directors of the Company under the 2003 Scheme were as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to December 31, 2014	Aggregate options exercised since commencement of the Scheme to December 31, 2014	Aggregate options lapsed since commencement of the scheme to December 31, 2014	Aggregate options outstanding at December 31, 2014
Philip Eng Heng Nee	–	74,283,000	(24,602,000)	(12,326,000)	37,355,000
Ong Ghim Choon	–	15,000,000	(10,000,000)	–	5,000,000
	–	89,283,000	(34,602,000)	(12,326,000)	42,355,000

f) During the financial year, no options were granted to any Directors or employees of the Group or its associated companies except for the options mentioned above. No employee held more than 5% of the total number of options available under the 2003 Scheme. No shares were issued at a discount to the market price.

g) At the end of the financial year, there were no unissued shares of the subsidiaries under option.

h) The 2003 Scheme expired on January 12, 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.

7 WARRANTS

Pursuant to the Offer Information Statement dated September 1, 2011, the Company issued rights shares with 4 free detachable warrants for every 1 rights share on the basis of 1 rights share for every 3 existing ordinary shares in the Company held by shareholders.

A total of 1,579,555,914 rights shares and 6,318,223,656 warrants were issued, and were listed and quoted on the Singapore Exchange Securities Trading Limited on September 27, 2011 and September 28, 2011 respectively.

The Company's warrants expired on September 25, 2014. Upon expiration of the warrants, the 224,525,693 outstanding warrants which were not exercised had lapsed.

As at December 31, 2013, a total of 3,761,784,195 warrants were outstanding.

Report Of The Directors

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Philip Eng Heng Nee

....
Ong Ghim Choon

March 31, 2015

Statement Of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 44 to 103 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....

Philip Eng Heng Nee

....

Ong Ghim Choon

March 31, 2015

Independent Auditors' Report

To the members of mDR Limited

Report on the Financial Statements

We have audited the accompanying financial statements of mDR Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 103.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of a true and fair profit and loss account and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the members of mDR Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2015

Statements Of Financial Position

December 31, 2014

	Note	Group		Company	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
ASSETS					
Current assets					
Cash and bank balances	6	31,744	18,501	17,968	5,292
Trade receivables	7	24,812	28,101	2,083	3,154
Other receivables and prepayments	8	10,991	5,708	19,108	17,587
Inventories	9	17,490	24,528	1,351	1,222
Total current assets		85,037	76,838	40,510	27,255
Non-current assets					
Investment in subsidiaries	10	–	–	20,836	21,142
Plant and equipment	11	4,014	4,601	496	731
Available-for-sale investments	12	–	–	–	–
Goodwill	13	2,994	5,344	–	–
Intangible asset	14	–	2,916	–	–
Total non-current assets		7,008	12,861	21,332	21,873
Total assets		92,045	89,699	61,842	49,128
LIABILITIES AND EQUITY					
Current liabilities					
Short-term bank borrowings	15	2,550	4,000	–	–
Trade payables	16	17,081	18,811	1,371	2,678
Other payables	17	10,222	11,595	2,458	3,851
Provision for restructuring costs	17	1,429	–	–	–
Current portion of finance leases	18	495	432	76	71
Income tax payable		544	882	–	–
Total current liabilities		32,321	35,720	3,905	6,600

See accompanying notes to financial statements.

Statements Of Financial Position

December 31, 2014

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current liabilities					
Finance leases	18	1,138	1,225	213	289
Deferred tax liabilities	19	169	206	–	–
Total non-current liabilities		1,307	1,431	213	289
Capital, reserves and non-controlling interests					
Share capital	21	153,652	135,873	153,652	135,873
Capital reserve	22	(859)	(859)	22	22
Share option reserve	23	277	1,538	277	1,538
Foreign currency translation reserve		56	100	–	–
Accumulated losses		(93,938)	(84,589)	(96,227)	(95,194)
Equity attributable to owners of the Company		59,188	52,063	57,724	42,239
Non-controlling interests		(771)	485	–	–
Total equity		58,417	52,548	57,724	42,239
Total liabilities and equity		92,045	89,699	61,842	49,128

See accompanying notes to financial statements.

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

Year ended December 31, 2014

	Note	2014 $'000	2013 $'000
Revenue	24	322,186	348,203
Cost of sales	25	(289,779)	(313,096)
Gross profit		32,407	35,107
Other operating income	26	900	1,151
Administrative expenses		(21,459)	(21,939)
Other operating expenses	27	(22,147)	(10,842)
Finance costs	28	(252)	(132)
(Loss) Profit before income tax		(10,551)	3,345
Income tax expense	29	(352)	(274)
(Loss) Profit for the year	31	(10,903)	3,071
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(72)	(73)
Other comprehensive loss for the year, net of tax		(72)	(73)
Total comprehensive (loss) income for the year		(10,975)	2,998

See accompanying notes to financial statements.

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

Year ended December 31, 2014

	Note	2014 $'000	2013 $'000
(Loss) Profit attributable to:			
Owners of the Company		(9,675)	3,375
Non-controlling interests		(1,228)	(304)
		(10,903)	3,071
Total comprehensive (loss) income attributable to:			
Owners of the Company		(9,719)	3,307
Non-controlling interests		(1,256)	(309)
		(10,975)	2,998
(Losses) Earnings per share (cents):			
- Basic	33	(0.09)	0.04
- Diluted	33	(0.09)	0.03

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended December 31, 2014

	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total $'000
Group								
Balance at January 1, 2013	132,856	(859)	1,548	168	(85,976)	47,737	564	48,301
Total comprehensive income for the year								
Profit for the year	–	–	–	–	3,375	3,375	(304)	3,071
Other comprehensive income for the year	–	–	–	(68)	–	(68)	(5)	(73)
Total	–	–	–	(68)	3,375	3,307	(309)	2,998
Transactions with owners, recognised directly in equity								
Issue of shares upon share options exercised (Note 21)	153	–	(42)	–	–	111	–	111
Reversal of expenses related to equity settled share-based payment (Note 23)	–	–	(29)	–	29	–	–	–
Issue of shares upon conversion of warrants (Note 21)	2,394	–	–	–	–	2,394	–	2,394
Issue of shares for settlement of professional fees (Note 21)	470	–	–	–	–	470	–	470
Dividends (Note 32)	–	–	–	–	(2,017)	(2,017)	–	(2,017)
Dividends to non-controlling interest	–	–	–	–	–	–	(19)	(19)
Non-controlling interests arising from incorporation of subsidiary	–	–	–	–	–	–	249	249
Recognition of share-based payments (Note 23)	–	–	61	–	–	61	–	61
Total	3,017	–	(10)	–	(1,988)	1,019	230	1,249
Balance at December 31, 2013	135,873	(859)	1,538	100	(84,589)	52,063	485	52,548

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended December 31, 2014

	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total $'000
Group								
Balance at January 1, 2014	135,873	(859)	1,538	100	(84,589)	52,063	485	52,548
Total comprehensive income for the year								
Loss for the year	–	–	–	–	(9,675)	(9,675)	(1,228)	(10,903)
Other comprehensive loss for the year	–	–	–	(44)	–	(44)	(28)	(72)
Total	–	–	–	(44)	(9,675)	(9,719)	(1,256)	(10,975)
Transactions with owners, recognised directly in equity								
Reversal of expenses related to equity settled share-based payment (Note 23)	–	–	(1,308)	–	1,308	–	–	–
Issue of shares upon conversion of warrants (Note 21)	17,679	–	–	–	–	17,679	–	17,679
Issue of shares for settlement of professional fees (Note 21)	100	–	–	–	–	100	–	100
Dividends (Note 32)	–	–	–	–	(982)	(982)	–	(982)
Recognition of share-based payments (Note 23)	–	–	47	–	–	47	–	47
Total	17,779	–	(1,261)	–	326	16,844	–	16,844
Balance at December 31, 2014	153,652	(859)	277	56	(93,938)	59,188	(771)	58,417

See accompanying notes to financial statements.

Statements Of Changes In Equity

Year ended December 31, 2014

	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Accumulated losses $'000	Total $'000
Company					
Balance at January 1, 2013	132,856	22	1,548	(94,280)	40,146
Profit for the year, representing total comprehensive income for the year	–	–	–	1,074	1,074
Transactions with owners, recognised directly in equity					
Issue of shares upon share options exercised (Note 21)	153	–	(42)	–	111
Reversal of expenses related to equity settled share-based payment (Note 23)	–	–	(29)	29	–
Issue of shares upon conversion of warrants (Note 21)	2,394	–	–	–	2,394
Issue of shares for settlement of professional fees (Note 21)	470	–	–	–	470
Dividends (Note 32)	–	–	–	(2,017)	(2,017)
Recognition of share-based payments (Note 23)	–	–	61	–	61
Total	3,017	–	(10)	(1,988)	1,019
Balance at December 31, 2013	135,873	22	1,538	(95,194)	42,239
Balance at January 1, 2014	135,873	22	1,538	(95,194)	42,239
Loss for the year, representing total comprehensive income for the year	–	–	–	(1,359)	(1,359)
Transactions with owners, recognised directly in equity					
Reversal of expenses related to equity settled share-based payment (Note 23)	–	–	(1,308)	1,308	–
Issue of shares upon conversion of warrants (Note 21)	17,679	–	–	–	17,679
Issue of shares for settlement of professional fees (Note 21)	100	–	–	–	100
Dividends (Note 32)	–	–	–	(982)	(982)
Recognition of share-based payments (Note 23)	–	–	47	–	47
Total	17,779	–	(1,261)	326	16,844
Balance at December 31, 2014	153,652	22	277	(96,227)	57,724

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended December 31, 2014

	2014 $'000	2013 $'000
Operating activities		
(Loss) Profit before income tax	(10,551)	3,345
Adjustments for:		
Amortisation expense	995	162
Depreciation expense	1,863	1,535
Interest expense	252	132
Interest income	(44)	(16)
Loss on disposal of plant and equipment	15	12
Plant and equipment written off	75	85
Allowance for inventories	4,054	2,203
Inventories written off	–	22
Bad debts written off – trade	14	–
Allowance for doubtful trade receivables	1,451	75
Allowance for doubtful other receivables	450	25
Professional fees paid by shares	100	470
Share-based payments	47	61
Impairment on plant and equipment	319	–
Impairment on available-for-sale investment	493	–
Impairment of goodwill	2,350	–
Impairment of intangible asset	2,061	–
Provision for restructuring costs	1,429	–
Liabilities written back	(64)	(186)
Net foreign exchange losses	(204)	(63)
Operating cash flows before movements in working capital	5,105	7,862
Trade receivables	1,824	273
Other receivables and prepayments	(5,489)	(1,393)
Inventories	2,984	(4,329)
Trade payables	(1,730)	3,381
Other payables	(1,290)	(932)
Cash generated from operations	1,404	4,862
Income tax paid	(971)	(972)
Interest received	44	16
Net cash from operating activities	477	3,906

See accompanying notes to financial statements.

Consolidated Statement Of Cash Flows

Year ended December 31, 2014

	2014 $'000	2013 $'000
Investing activities		
Proceeds from disposal of plant and equipment	73	98
Purchase of customers list	–	(3,078)
Cash contribution from non-controlling interests of MDR Myanmar Co., Ltd.	–	249
Purchase of plant and equipment (Note A)	(1,300)	(1,848)
Purchase of available-for-sale investment	(493)	–
Net cash outflow on acquisition of subsidiary (Note 30)	–	(2,571)
Net cash used in investing activities	(1,720)	(7,150)
Financing activities		
Interest paid	(252)	(132)
Proceeds from issuance of ordinary shares, net	17,679	2,505
(Repayment of) Proceeds from bank borrowings	(1,450)	4,000
Repayment of obligations under finance leases	(489)	(277)
Dividends paid to non-controlling interest	(19)	–
Dividends paid to shareholders	(982)	(2,017)
Net cash from financing activities	14,487	4,079
Net increase in cash and cash equivalents	13,244	835
Cash and cash equivalents at beginning of year	18,455	17,620
Cash and cash equivalents at end of financial year (Note B)	31,699	18,455

Notes to the consolidated statement of cash flows

A. Purchase of plant and equipment:

During the financial year, the Group acquired plant and equipment with an aggregate cost of $1,791,000 (2013 : $2,345,000) of which $491,000 (2013 : $497,000) was acquired under finance lease arrangements.

B. Cash and cash equivalents at end of financial year:

	2014 $'000	2013 $'000
Cash and bank balances (Note 6)	31,744	18,501
Less: Cash pledged (Note 6)	(45)	(46)
Cash and cash equivalents	31,699	18,455

See accompanying notes to financial statements.

1 GENERAL

a) The Company (Registration No. 200009059G) is incorporated in the Republic of Singapore with its registered office and principal place of business at 53 Ubi Crescent, Singapore 408594. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollar.

b) The principal activities of the Company are that of investment holding and provision of after-market services for mobile communication devices and consumer electronic products.

c) The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

d) The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on March 31, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*
- Improvements to Financial Reporting Standards (January 2014, February 2014 and November 2014)

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial year beginning on or after 1 January 2017, with retrospective application required. Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and the Company in the period of initial adoption.

Other than FRS 115, management has considered and is of the view that the adoption of the above new/revised FRSs and amendments/improvements to FRSs that are issued at the date of authorisation of these financial statements but effective only in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at acquisition date based on the aggregate of the fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition–related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries (cont'd)

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Unquoted equity shares held by the Group are measured at cost less accumulated impairment losses as the fair value cannot be measured reliably. Impairment losses are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when its obligations are discharged, cancelled or expired.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES – Inventories consist principally of spare parts, handsets, accessories, prepaid cards and raw materials that are stated at the lower of cost and net realisable value. Cost comprises direct materials. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT – Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Computers and computer system	-	20% to $33^1/_3$%
Other plant and equipment	-	10% to 20%
Motor vehicles	-	20%
Furniture, fittings and renovation	-	10% to $33^1/_3$%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL ON CONSOLIDATION ("GOODWILL") - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

IMPAIRMENT OF TANGIBLE AND NON-TANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

SHARE-BASED PAYMENTS - The Group issues equity-settled payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve (share options reserve).

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of after-market services, including retrofit services and repair management services is recognised when the services are completed.

Revenue from rendering of distribution management services is recognised when the services are completed.

Other management fees are recognised when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

<u>Control over Golden Myanmar Sea Company Ltd ("GMS Myanmar"), Golden Myanmar Sea (S) Pte Ltd ("GMS Singapore") and MDR Golden Myanmar Sea Company Limited ("MDR Golden")</u>

Note 10 states that GMS Myanmar, GMS Singapore and MDR Golden are the subsidiaries of the Group even though the Group has no equity ownership interest and voting rights in these subsidiaries.

In determining control, the management assessed whether the Group has the ability to direct the relevant activities of these companies. The management has determined that the Group has acquired control over these three companies via its subsidiary, MDR Myanmar Co., Ltd. ("MDR Myanmar"), has the ability to direct the relevant activities of these entities, and the rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over the entities.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Impairment of goodwill</u>

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $2.99 million (2013 : $5.34 million) after an impairment loss of $2.35 million (2013 : $Nil) was recognised during the financial year. Details of the impairment loss calculation are provided in Note 13 to the financial statements.

<u>Allowance for inventories</u>

In determining the net realisable value of the inventories, an estimation of the net realisable value of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates took into consideration the historical trend in the usability of these inventories. However, if the actual use differs from these estimates, there may be a material impact on the financial statements of the Group. The carrying amount of inventories as at December 31, 2014 is disclosed in Note 9 to the financial statements.

<u>Impairment of investments in subsidiaries</u>

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of these investments. The value in use calculation requires the Company to estimate the future cash flows expected from these investments and a suitable discount rate in order to calculate present value. Management has evaluated the recoverability of these investments based on such estimates. The carrying amount of investments in subsidiaries is disclosed in Note 10 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the customer list. The value in use calculation requires the entity to estimate the future cash flows expected to arise from such a customer list and a suitable discount rate in order to calculate the present value. The carrying amount of the intangible asset at the end of the reporting period was $Nil (2013 : $2.92 million) (Note 14).

Provision for restructuring costs

During the year, management developed a detailed formal plan to close certain non-performing retail outlets in financial year 2015. A provision of $1.43 million (2013 : $Nil), which represents the present value of the management's best estimate was recorded as at December 31, 2014 (Note 17).

Allowance for doubtful debt

The Group makes allowance for doubtful debts based on an assessment of the recoverability of its trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates, including creditworthiness and the past collection history of each debtor. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has changed. The carrying amounts of trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Financial assets				
Loans and receivables (including cash and bank balances)	67,125	51,952	39,106	25,946
Financial liabilities				
Amortised cost	32,915	36,063	4,118	6,889

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(b) *Financial risk management policies and objectives*

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

(i) Foreign exchange risk management

The Group operates in Asia with dominant operations in Singapore, Malaysia and Myanmar. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions. This risk is managed through natural hedges as revenue denominated in foreign currency is partly matched with corresponding costs in the same foreign currency.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations.

At the end of the reporting period, the significant carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	(2,765)	(1,148)	1,443	3,914	–	(53)	121	1,876
Malaysia Ringgit	(1,895)	(3,145)	–	–	(1,895)	(3,145)	–	–
Chinese Reminbi	(1,832)	–	1,993	–	–	–	–	–

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

If the relevant foreign currency strengthens by 5% against the functional currency of each entity in the Group, profit will (decrease) increase by:

	US Dollar impact		Malaysia Ringgit impact		Chinese Reminbi impact	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Group						
Profit or loss	(66)	138	(95)	(157)	8	–
Company						
Profit or loss	6	91	(95)	(157)	–	–

If the relevant foreign currencies weaken by 5% against the functional currency of each entity in the Group, there will be an equal and opposite impact on profit before tax as above.

(ii) Interest rate risk management

Summary quantitative data of the Group's and Company's interest-bearing financial instruments can be found in Section (iv) of this Note. The Group's policy is to maintain cash equivalents and borrowings in fixed rate instruments.

The Group's and the Company's profit and loss and equity are not affected by the changes in interest rates as majority of the interest-bearing instruments carry fixed interest and are measured as amortised cost.

(iii) Credit risk management

Credit risk refers to the risk that the Group's counterparties may default on its contractual obligations, resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank balances, and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers with a sound credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation taking into account the counterparty's payment profile and credit exposure.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. Further details of credit risks on receivables are disclosed in Notes 7 and 8 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management

Liquidity risk refers to the risk that the Group may have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient funds to meet its potential liabilities as they fall due. This strategy has not changed from prior periods.

Liquidity and interest risk analyses

Non-derivative financial assets

The Group and Company's non-derivative financial assets are receivable within one year from the end of the reporting period and are non-interest bearing except as disclosed in Notes 6 and 8.

Non-derivative financial liabilities

The table below summaries the maturity profile of the Group's and Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	Average effective interest rate %	On demand or within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Adjustment* $'000	Total $'000
Group						
2014						
Short term bank borrowings	2.37 to 2.94	2,561	–	–	(11)	2,550
Trade and other payables	–	28,474	–	–	–	28,474
Interest-bearing (fixed rate)	6.26	262	–	–	(4)	258
Finance lease (fixed rate)	2.73 to 3.71	580	1,236	–	(183)	1,633
		31,877	1,236	–	(198)	32,915
2013						
Short term bank borrowings	2.29 to 2.94	4,020	–	–	(20)	4,000
Trade and other payables	–	30,159	–	–	–	30,159
Interest-bearing (fixed rate)	6.25	251	–	–	(4)	247
Finance lease (fixed rate)	2.73 to 3.71	521	1,347	–	(211)	1,657
		34,951	1,347	–	(235)	36,063

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

Non-derivative financial liabilities (cont'd)

	Average effective interest rate %	On demand or within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Adjustment* $'000	Total $'000
Company						
2014						
Trade and other payables	–	3,829	–	–	–	3,829
Finance lease (fixed rate)	2.73	88	227	–	(26)	289
		3,917	227	–	(26)	4,118
2013						
Trade and other payables	–	6,529	–	–	–	6,529
Finance lease (fixed rate)	2.73	88	315	–	(43)	360
		6,617	315	–	(43)	6,889

* The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability in the statement of financial position.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(c) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and accumulated losses.

The Group's management reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues or the redemption of existing debt. The Group's overall strategy remains unchanged from 2013.

5 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions were entered into by the Group with related parties at terms agreed between the parties during the financial year. The balances with related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following related party transactions:

	Group	
	2014 $'000	**2013 $'000**
Nature of transactions		
Director:		
Introducer fee	–	97
Advisory fee	96	48
Director fee and bonus (acting as director of a subsidiary)	12	16
Transactions with companies owned by common directors:		
Expenses paid on behalf of the Group	22	10
Rental expenses	445	435
Transactions with related party (Shareholder of a non-wholly owned subsidiary):		
Sales of goods	990	240
Interest expense (Note 28)	16	7

Sales of goods to related party were made at the Group's usual list prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2014 $'000	**2013 $'000**
Short-term benefits	1,336	1,289
Post-employment benefits	62	45
Share-based payment	47	61
	1,445	1,395

The remuneration of directors and key management personnel is determined by the Remuneration Committee, having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and bank balances	31,744	18,501	17,968	5,292
Shown as:				
Cash and bank balances	18,698	18,455	4,967	5,292
Fixed deposits	13,001	–	13,001	–
Cash pledged	45	46	–	–
	31,744	18,501	17,968	5,292

The fixed deposits carried interests at 0.4% to 0.64% per annum, and matured in January 2015.

7 TRADE RECEIVABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Outside parties	17,788	19,438	1,581	2,940
Accrued income	8,821	9,002	327	39
Subsidiaries	–	–	175	175
	26,609	28,440	2,083	3,154
Less: Allowances for doubtful trade receivables (outside parties)	(1,797)	(339)	–	–
	(1,797)	(339)	–	–
	24,812	28,101	2,083	3,154

The average credit period on sales is 30 days (2013 : 30 days). Allowance for doubtful debts are recognised against receivables over 90 days based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

The Company's trade receivables due from subsidiaries are interest-free and repayable on demand.

The Group's customers mainly comprise of reputable and well established telecom operators and equipment principals. Before accepting any new customer, the Group will assess the potential customer's credit quality. Limits are monitored periodically by management. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. At the end of the reporting period, approximately 30% (2013 : 55%) of the Group's trade receivables were due from 3 customers.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The credit risk is limited.

7 TRADE RECEIVABLES (cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of $8,200,000 (2013 : $10,825,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in allowances:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At beginning of year	339	408	–	–
Charge to profit or loss (Note 27)	1,451	75	–	–
Written off during the year	(3)	(144)	–	–
Exchange translation difference	10	–	–	–
At end of year	1,797	339	–	–

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not past due and not impaired	16,612	17,276	1,738	2,850
Past due but not impaired (i)	8,200	10,825	345	304
	24,812	28,101	2,083	3,154
Impaired receivables - individually assessed (ii)	1,797	339	–	–
Less: Allowance for doubtful debts	(1,797)	(339)	–	–
Total trade receivables, net	24,812	28,101	2,083	3,154
(i) Aging of receivables that are past due but not impaired				
1 to 30 days	4,574	5,563	135	57
31 to 60 days	2,189	1,204	29	51
>61 days	1,437	4,058	181	196
Total	8,200	10,825	345	304

(ii) These amounts are stated before any deduction for impairment losses and are not secured by any collateral or credit enhancements.

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deposits	1,975	2,280	156	169
Prepayments	422	358	53	87
Staff advances	7	5	–	–
Outside parties	9,036	3,124	441	141
	11,440	5,767	650	397
Subsidiaries	–	–	19,700	22,260
	11,440	5,767	20,350	22,657
Less: Allowances for doubtful other receivables				
- subsidiaries	–	–	(1,242)	(5,025)
- others	(449)	(59)	–	(45)
	(449)	(59)	(1,242)	(5,070)
	10,991	5,708	19,108	17,587

Other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. At the end of the reporting period, approximately 52% (2013: 38%) of the Group's other receivables is due from 1 customer.

Included in the amount due from subsidiaries are:

(i) advances of $8,720,000 (2013 : $6,871,000) that are unsecured, bear interest at 3% (2013 : 3%) per annum and repayable on demand; and

(ii) a loan of $1,460,000 (2013 : $1,399,000) that is secured by way of fixed and floating charges over the entire assets of a subsidiary under a contractual arrangement (Note 10). The loan bears interest at 6.26% (2013 : 6.25%) per annum and is repayable on March 31, 2015.

The remaining amount due from subsidiaries is unsecured, interest-free and repayable on demand.

The carrying amount due from subsidiaries and third parties are neither past due nor impaired at the reporting date.

8 OTHER RECEIVABLES AND PREPAYMENTS (cont'd)

Movement in allowance:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At beginning of year	59	34	5,070	4,983
Charge to profit or loss (Note 27)	450	25	1,122	87
Written off during the year	(60)	–	(4,950)	–
At end of year	449	59	1,242	5,070

The allowance for doubtful debts has been determined by taking into consideration recovery prospects and past default experience.

9 INVENTORIES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Spare parts, handsets, accessories, prepaid cards and raw materials, carried at net realisable value after the following allowances	17,490	24,528	1,351	1,222
Movement in allowances:				
At beginning of year	2,323	865	229	117
Charge to profit or loss (Note 27)	4,054	2,203	38	119
Written off during the year	(6,119)	(745)	(124)	(7)
At end of year	258	2,323	143	229

10 INVESTMENT IN SUBSIDIARIES

	Company	
	2014 $'000	2013 $'000
Unquoted equity shares, at cost	31,079	31,127
Impairment loss	(10,243)	(9,985)
	20,836	21,142

10 INVESTMENT IN SUBSIDIARIES (cont'd)

Movement in impairment loss:

	Company	
	2014 $'000	2013 $'000
At beginning of year	9,985	9,985
Additions during the year	258	–
At end of year	10,243	9,985

The Company had previously carried out a review of the recoverable amounts of its investment in subsidiaries where there is indication that the investments have suffered an impairment loss. The review led to the recognition of an impairment loss mainly determined from value in use calculations.

The management is of the view that no provision for impairment loss is required for current year and the recoverable amounts of the investment in subsidiaries are not lower than their respective carrying amounts except for an entity that will cease operations in the coming financial year. Accordingly, an impairment loss of $258,000 is recognised.

The principal activities of the subsidiaries are the provision of after-market services for mobile equipment and consumer electronic products; distributor and retailer of mobile telecommunication equipment and mobile related services, including prepaid cards; the provision of digital inkjet printing for point-of-sale and out-of-home advertising solutions, and investment holding.

10 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Subsidiaries	Cost of investment		Proportion of ownership interest and voting power held		Country of incorporation and operations
	2014 $'000	2013 $'000	2014 %	2013 %	
Accord Customer Care Solutions Philippines, Inc. (3)	125	125	100	100	Philippines
Distribution Management Solutions Pte. Ltd. (1)(5)	17,074	17,074	97.53	97.53	Singapore
Shenzhen Quanli Leather (S) Pte Ltd (formerly known as mDR (S) Pte Ltd) (a)(1)	6,394	6,394	100	100	Singapore
A Mobile (M) Sdn. Bhd.(2)	828	828	100	100	Malaysia
Pixio Sdn. Bhd. (b)(4)	6,400	6,448	100	100	Malaysia
MDR Myanmar Co., Ltd. (3)(5)	258	258	51	51	Myanmar
Golden Myanmar Sea Company Ltd. (3)(5)(6)	–	–	–	–	Myanmar
Golden Myanmar Sea (S) Pte Ltd. (3)(5)(6)	–	–	–	–	Singapore
MDR Golden Myanmar Sea Company Ltd. (3)(5)(6)	–	–	–	–	Myanmar
	31,079	31,127			

(a) mDR (S) Pte Ltd, a wholly owned subsidiary of the Company, has changed its name to Shenzhen Quanli Leather (S) Pte Ltd ("Quanli Singapore") consequent to the purchase of the customer list of Quanli (Hong Kong) Leather Company and exclusive distribution of products manufactured by Shenzhen Quanli Leather Co. Ltd. Quanli Singapore started operations in December 2013.

(b) On July 1, 2013, the Company acquired 2,000,000 ordinary shares in Pixio Sdn. Bhd. ("Pixio"), representing 100% of the total issued share capital of Pixio. The aggregate consideration of the acquisition, which was arrived on an arm's length basis and on a willing buyer and willing seller basis, was RM16,200,000 (equivalent to S$6,448,000). The consideration was revised to RM16,073,000 (equivalent to S$6,400,000) in 2014 (Note 30). The consideration will be fully satisfied by cash.

10 INVESTMENT IN SUBSIDIARIES (cont'd)

	Proportion of ownership interest and voting power held		Country of incorporation and operations
	2014 %	2013 %	
Subsidiaries of Distribution Management Solutions Pte. Ltd.			
SDS Pte. Ltd. (1)	97.53	97.53	Singapore
A-Mobile Pte. Ltd. (1)	97.53	97.53	Singapore
3 Mobile Telecom Pte. Ltd. (1)	97.53	97.53	Singapore
Handphone Shop Pte. Ltd. (1)	97.53	97.53	Singapore
NBRC Pte. Ltd. (1)	97.53	97.53	Singapore
World of Gadgets Pte. Ltd. (3)	97.53	97.53	Singapore

Auditors of subsidiaries for 2014:

(1) Deloitte & Touche LLP, Singapore.

(2) Adrian Yeo & Co, Malaysia.

(3) Management accounts have been used for consolidation purposes, as management is of the view that these entities are not significant to the Group.

(4) Overseas practices of Deloitte Touche Tohmatsu Limited.

(5) The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of these non-wholly owned subsidairy are individually insignificant to the Group.

(6) In 2013, the Company set up a joint-venture company MDR Myanmar Co., Ltd. ("MDR Myanmar") with three other partners to provide after-market services and consultancy services to a related company, Golden Myanmar Sea Company Ltd ("GMS Myanmar"), in Myanmar. GMS Myanmar and Golden Myanmar Sea (S) Pte Ltd. ("GMS Singapore") are owned by two Myanmese shareholders, one of whom is a director of MDR Myanmar. GMS Myanmar is involved in the retail and distribution of mobile communication equipment in Myanmar, while GMS Singapore functions as a buying house for GMS Myanmar. The three above companies commenced active operations towards fourth quarter of 2013.

In April 2014, MDR Golden Myanmar Sea Company Ltd ("MDR Golden") was set up to distribute prepaid cards in Mandalay, Myanmar. MDR Golden commenced operations in August 2014.

10 INVESTMENT IN SUBSIDIARIES (cont'd)

Auditors of subsidiaries for 2014: (cont'd)

(6) Although the Company does not own any of the equity shares of GMS Myanmar, GMS Singapore and MDR Golden, and consequently does not control any of the voting power of those shares, the directors concluded that it has acquired control over these three entities via MDR Myanmar on the basis that the Group has the power to direct the relevant activities of these entities by appointment of key management personnel of each of the entities, has rights to variable returns from its involvement with these entities through the loan extended to GMS Singapore (Note 8) and the right to receipt of management fees from each of these entities, and has the ability to affect those returns through its power over the entities. Accordingly, the financial position and results of GMS Myanmar, GMS Singapore and MDR Golden are included in the consolidated financial statements.

The net tangible assets and pre-tax profits (losses) of the subsidiaries referred to in Notes (2) and (3) above are less than 20% of the net tangible assets and pre-tax profits of the Group at the financial year end.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries held by the Company	
		December 31, 2014	December 31, 2013
Provision of after-market services	Philippines	1	1
Sale of mobile telecommunication equipment and mobile related services, and prepaid cards	Singapore	1	1
	Malaysia	1	1
Provision of digital inkjet printing for point-of-sale and out of home advertising solutions	Malaysia	1	1
		4	4

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries held by the Group	
		December 31, 2014	December 31, 2013
Provision of after-market services	Myanmar	1	1
Sale of mobile telecommunication equipment and mobile related services, and prepaid cards	Singapore	8	8
	Myanmar	2	1
		11	10

Financial support

As at December 31, 2014, the Company and a related party (Note 5) have provided short term secured loans to Golden Myanmar Sea (S) Pte Ltd. ("GMS Singapore") to meet its short-term obligations (Note 8).

11 PLANT AND EQUIPMENT

	Computers and computer system $'000	Other plant and equipment $'000	Motor vehicles $'000	Furniture, fittings and renovation $'000	Total $'000
Group					
Cost:					
At January 1, 2013	3,591	616	1,020	3,474	8,701
Additions	180	800	290	1,075	2,345
Acquisition of a subsidiary (Note 30)	42	1,027	106	9	1,184
Exchange differences	(2)	(66)	(4)	(2)	(74)
Disposals/Write-off	(208)	(39)	(165)	(322)	(734)
At December 31, 2013	3,603	2,338	1,247	4,234	11,422
Additions	237	851	256	447	1,791
Exchange differences	(1)	(65)	–	(1)	(67)
Disposals/Write-off	(329)	(217)	–	(480)	(1,026)
At December 31, 2014	3,510	2,907	1,503	4,200	12,120
Accumulated depreciation:					
At January 1, 2013	3,142	244	295	2,177	5,858
Depreciation	210	292	234	799	1,535
Exchange differences	(2)	(28)	(2)	(1)	(33)
Disposals/Write-off	(208)	(29)	(61)	(241)	(539)
At December 31, 2013	3,142	479	466	2,734	6,821
Depreciation	228	616	276	743	1,863
Exchange differences	(1)	(31)	(1)	(1)	(34)
Disposals/Write-off	(319)	(89)	–	(455)	(863)
At December 31, 2014	3,050	975	741	3,021	7,787
Impairment:					
Impairment loss recognised in the year ended December 31, 2014 and balance at December 31, 2014	10	47	–	262	319
Carrying amount:					
At December 31, 2014	450	1,885	762	917	4,014
At December 31, 2013	461	1,859	781	1,500	4,601

The carrying amount of the Group's plant and equipment includes an amount of $1,609,000 (2013 : $1,654,000) secured in respect of assets held under finance leases.

11 PLANT AND EQUIPMENT (cont'd)

	Computers and computer system $'000	Other plant and equipment $'000	Motor vehicles $'000	Furniture, fittings and renovation $'000	Total $'000
Company					
Cost:					
At January 1, 2013	2,244	50	590	103	2,987
Additions	108	49	–	14	171
Disposals	(198)	(38)	–	(18)	(254)
At December 31, 2013	2,154	61	590	99	2,904
Additions	66	4	–	6	76
Disposals	(45)	(18)	–	–	(63)
At December 31, 2014	2,175	47	590	105	2,917
Accumulated depreciation:					
At January 1, 2013	1,928	22	144	47	2,141
Depreciation	116	8	127	24	275
Disposals	(197)	(28)	–	(18)	(243)
At December 31, 2013	1,847	2	271	53	2,173
Depreciation	136	5	128	17	286
Disposals	(35)	(3)	–	–	(38)
At December 31, 2014	1,948	4	399	70	2,421
Carrying amount:					
At December 31, 2014	227	43	191	35	496
At December 31, 2013	307	59	319	46	731

The carrying amount of the Company's plant and equipment includes an amount of $191,000 (2013 : $319,000) secured in respect of assets held under finance leases.

12 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 $'000	2013 $'000
Unquoted equity shares		
At cost:		
At beginning of year	750	750
Additions	493	–
At end of year	1,243	750
Impairment:		
At beginning of year	750	750
Additions	493	–
At end of year	1,243	750
Carrying amount:		
At beginning of year	–	–
At end of year	–	–

During the year, the Company acquired an unquoted equity investment that is engaged in smart devices activities for a cash consideration of $493,000.

The above investments held by the Group are stated at cost less impairment loss as a reasonable estimate of its fair value could not be made.

13 GOODWILL

	Group	
	2014 $'000	2013 $'000
Cost:		
At beginning of year	11,666	8,672
Arising on acquisition of a subsidiary (Note 30)	–	2,994
At end of year	11,666	11,666
Impairment:		
At beginning of year	6,322	6,322
Additions	2,350	–
At end of year	8,672	6,322
Carrying amount:		
At beginning of year	5,344	2,350
At end of year	2,994	5,344

13 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2014 $'000	**2013 $'000**
Mobile communication devices (comprised several CGUs):		
distribution management solutions businesses and related assets	8,672	8,672
Digital Inkjet Printing for Out-Of-Home Advertising Solutions:		
Pixio Sdn. Bhd. (single CGU)	2,994	2,994
	11,666	11,666

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 4 years and beyond based on an estimated growth rate of 0% and 2% (2013 : 2%). This growth rate does not exceed the average long-term growth rate for the relevant markets. The rates used to discount the cash flow forecasts are 8.78% and 9.34% (2013 : 6.85%) per annum.

As at December 31, 2014, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of goodwill.

At December 31, 2014, before impairment testing, goodwill of $2.35 million was allocated to the mobile communication devices CGU. Due to the slowdown in the distribution business, the Group has revised its cash flow forecasts for this CGU, and reduced to its recoverable amount through recognition of an impairment loss against goodwill of $2.35 million.

14 INTANGIBLE ASSET

	Group
	Customer list $'000
Cost:	
Additions during the year and balance at December 31, 2013	3,078
Exchange differences	184
At December 31, 2014	3,262
Amortisation:	
Amortisation for the year and balance at December 31, 2013 (Note 27)	162
Amortisation for the year (Note 27)	995
Exchange differences	44
At December 31, 2014	1,201
Impairment:	
Impairment loss recognised in the year ended December 31, 2014 and balance at December 31, 2014	2,061
Carrying amount:	
At December 31, 2014	–
At December 31, 2013	2,916

In 2013, the Group has recognised $3.1 million of intangible asset arising from the purchase of a customer list from Quanli (Hong Kong) Leather Company, to be amortised over a period of 38 months.

In view of the significant decline in expected future cash flows from these customers, the carrying amount as at December 31, 2014 of $2.06 million was impaired.

15 SHORT-TERM BANK BORROWINGS

	Group	
	2014 $'000	2013 $'000
Unsecured – at amortised cost		
Trust receipts	2,550	4,000

The trust receipts are repayable within 90 days. Fixed interest rates ranging between 2.37% and 2.94% (2013 : 2.29% and 2.94%) per annum are charged on the trust receipts and the trust receipts are guaranteed by the Company.

16 TRADE PAYABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Outside parties	17,081	18,811	1,371	2,678

Trade payables principally comprise amounts outstanding for trade purchases.

The average credit period on purchase of goods is 30 days (2013 : 30 days). The Group and the Company have put in place financial risk management policies to ensure that all payables are within the credit timeframe.

17 OTHER PAYABLES AND PROVISION FOR RESTRUCTURING COSTS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accrued expenses	6,840	8,197	2,458	3,851
Deferred payment for acquisition of Pixio (Note 30)	1,895	3,145	–	–
Related parties (Note 5)	1,487	253	–	–
	10,222	11,595	2,458	3,851
Provision for restructuring costs	1,429	–	–	–

Included in amount due to related parties (Note 5) is a loan of $258,000 (2013 : $247,000) that is secured by way of fixed and floating charges over the entire assets of a subsidiary under a contractual arrangement (Note 10). The loan bears interest at 6.26% (2013 : 6.25%) per annum and is repayable on March 31, 2015 (2013 : March 31, 2014).

The provision for restructuring costs represents the present value of the management's best estimate in relation to the closure of certain non-performing retail outlets in financial year 2015. The restructuring is expected to be completed by March 31, 2015.

18 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Amounts payable under finance leases:				
Within one year	580	521	495	432
In the second to fifth years inclusive	1,236	1,347	1,138	1,225
After fifth year	–	–	–	–
	1,816	1,868	1,633	1,657
Less: Future finance charges	(183)	(211)	N/A	N/A
Present value of lease obligations	1,633	1,657	1,633	1,657
Less: Amount due for settlement within 12 months (shown under current liabilities)			(495)	(432)
Amount due for settlement after 12 months			1,138	1,225

	Company			
	Minimum lease payments		Present value of minimum lease payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Amounts payable under finance leases:				
Within one year	88	88	76	71
In the second to fifth years inclusive	227	315	213	289
After fifth year	–	–	–	–
	315	403	289	360
Less: Future finance charges	(26)	(43)	N/A	N/A
Present value of lease obligations	289	360	289	360
Less: Amount due for settlement within 12 months (shown under current liabilities)			(76)	(71)
Amount due for settlement after 12 months			213	289

The average lease term is between 5 and 7 years. For the year ended December 31, 2014, the average effective borrowing rate was between 2.73% and 3.71% (2013 : 2.73% and 3.71%) per annum. Interest rates are fixed at the contract date, and thus expose the Group and the Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 FINANCE LEASES (cont'd)

All lease obligations are denominated in the functional currencies of the respective entities.

The fair value of the Group's and Company's lease obligations approximates their carrying amounts.

The Group's and Company's obligations under finance leases are secured by the lessors' title to the leased assets.

19 DEFERRED TAX LIABILITIES

	Group	
	2014 $'000	2013 $'000
At beginning of year	206	225
(Credit) Charge to profit or loss (Note 29):		
Current year	(137)	4
Under (Over) provision in respect of prior years	100	(23)
At end of year	169	206

The balance comprises mainly the tax effect of the excess of tax depreciation over book depreciation of plant and equipment.

At the reporting date, temporary differences associated with the undistributed earnings of one subsidiary for which deferred tax liabilities have not been recognised is $989,000 (2013 : $484,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

20 DEFINED CONTRIBUTION PLANS

The employees of the Company and its subsidiaries that are located in Singapore and Malaysia are members of the state-managed retirement benefit plan as operated by the respective Governments of those countries. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plan is to make the specific contributions.

The total expense recognised in profit or loss of $1,242,000 (2013 : $1,380,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2014, the outstanding contributions was $427,000 (2013 : $509,000).

21 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of year	8,981,891,673	8,446,831,386	135,873	132,856
Issue of shares upon share options exercised (Note 23)	–	18,233,000	–	153
Issue of shares for settlement of professional fees	9,090,909	38,076,555	100	470
Issue of shares upon conversion of warrants	3,537,258,502	478,750,732	17,679	2,394
At end of year	12,528,241,084	8,981,891,673	153,652	135,873

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

Pursuant to the Offer Information Statement dated September 1, 2011, the Company issued rights shares with 4 free detachable warrants for every 1 rights share on the basis of 1 rights share for every 3 existing ordinary shares in the Company held by shareholders.

Each warrant carries the right to subscribe for one new share in the capital of the Company at an exercise price of $0.005 for each new share on the basis of one rights share with four warrants for every three existing shares in the capital of the Company.

A total of 1,579,555,914 rights shares and 6,318,223,656 warrants were issued and were listed and quoted on the Singapore Exchange Securities Trading Limited on September 27, 2011 and September 28, 2011 respectively.

As at December 31, 2013, a total of 3,761,784,195 warrants were outstanding.

The Company's warrants expired on September 25, 2014. Upon expiration of the warrants, the 224,525,693 outstanding warrants which were not exercised had lapsed.

At the end of the financial year, pursuant to the Company's mDR Share Option Scheme 2003 as disclosed in paragraph 6 of the Report of the Directors, there were 45,155,000 (2013 : 53,832,133) unissued ordinary shares of the Company under option.

22 CAPITAL RESERVE

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Redemption of convertible redeemable preference shares	22	22	22	22
Effect of acquiring part of non-controlling interest in a subsidiary	(881)	(881)	–	–
	(859)	(859)	22	22

23 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Company. The scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the market price ("Market Price Options") determined at grant date. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20%. The vesting period is 1 year for market price options and 2 years for options issued at a discount. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options holders may exercise any unexercised options within 1 month from the last date of employment after which, options are forfeited.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2014		2013	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	53,832,133	0.090	55,539,274	0.086
Granted during the year	–	–	17,826,000	0.018
Exercised during the year	–	–	(18,233,000)	0.006
Expired/Forfeited during the year	(8,677,133)	0.479	(1,300,141)	0.097
Outstanding at the end of the year	45,155,000	0.015	53,832,133	0.090
Exercisable at the end of the year	26,378,000	0.017	17,462,133	0.252

23 SHARE-BASED PAYMENTS (cont'd)

The weighted average share price at the date of exercise for share options exercised in 2013 was $0.015. The options outstanding at the end of the year have a weighted average remaining contractual life of 2 years (2013 : 3 years).

In 2013, options were granted on January 11. The estimated fair values of the options granted on that date were $0.0046 to $0.0076.

The fair values of the share options granted were calculated using the Black-Scholes pricing model.

The inputs into the model were as follows:

	2013
Weighted average share price	$0.018
Weighted average exercise price	$0.018
Expected volatility	66%
Expected life	1 to 3
Risk free rate	2.25% to 3.63%
Expected dividend yield	1.56%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group and the Company recognised total expenses of $47,000 (2013 : $61,000) related to equity-settled share-based payment transactions and reversed $1,308,000 (2013 : $29,000) from share options reserve for share options expired during the year.

The share option scheme expired on January 12, 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.

24 REVENUE

	Group	
	2014 $'000	2013 $'000
After-market services income	22,346	35,961
Distribution management solutions income:		
Sale of goods	242,832	254,215
Incentive income	49,798	53,636
	292,630	307,851
Digital inkjet printing income	7,210	4,391
	322,186	348,203

After-market services income refers to revenue from provision of after-market services for mobile equipment and consumer electronic products, and sales of parts and accessories.

Distribution management solutions income refers to revenue from the sale of mobile telecommunication equipment and mobile related services, and prepaid cards, and incentive income from promotion of goods for suppliers and line connections for telecommunication companies.

Digital inkjet printing income refers to revenue from provision of digital inkjet printing for point-of-sale and out-of-home advertising solutions.

25 COST OF SALES

Cost of sales represents cost of inventory recognised as an expense.

26 OTHER OPERATING INCOME

	Group	
	2014 $'000	2013 $'000
Rental income	414	763
Interest income on bank deposits	44	16
Liabilities written back	64	186
Bad debt recovered – trade	–	3
Others	378	183
	900	1,151

27 OTHER OPERATING EXPENSES

	Group	
	2014 $'000	2013 $'000
Minimum lease payments under operating leases	6,758	6,759
Loss on disposal of plant and equipment	15	12
Plant and equipment written off	75	85
Impairment on plant and equipment (Note 11)	319	–
Impairment on available-for-sale investments (Note 12)	493	–
Impairment of goodwill (Note 13)	2,350	–
Impairment of intangible asset (Note 14)	2,061	–
Allowance for inventories (Note 9)	4,054	2,203
Inventories written off	–	22
Allowance for doubtful trade receivables (Note 7)	1,451	75
Allowance for doubtful other receivables (Note 8)	450	25
Bad debts written off – trade	14	–
Amortisation expense (Note 14)	995	162
Depreciation expense (Note 11)	1,863	1,535
Provision for restructuring costs (Note 17)	1,429	–
Foreign currency exchange gain	(180)	(36)
	22,147	10,842

28 FINANCE COSTS

	Group	
	2014 $'000	2013 $'000
Interest on bank loans and overdrafts	126	70
Interest on obligations under finance leases	110	55
Interest on loan from a related party (Note 5)	16	7
	252	132

29 INCOME TAX EXPENSE

	Group	
	2014 $'000	2013 $'000
Current tax	542	636
Deferred tax (Note 19)	(137)	4
	405	640
(Over) Under provision in respect of prior years:		
- current tax	(153)	(343)
- deferred tax	100	(23)
Tax expense	352	274

29 INCOME TAX EXPENSE (cont'd)

Domestic income tax is calculated at 17% (2013 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2014 $'000	**2013 $'000**
(Loss) Profit before tax	(10,551)	3,345
Numerical reconciliation of income tax expense		
Income tax expense calculated at 17% (2013 : 17%)	(1,794)	569
Non-deductible items	1,090	20
Non-taxable items	(84)	(47)
Effect of utilisation of tax losses not recognised as deferred tax assets	(25)	(59)
Deferred tax assets not recognised	1,274	38
Effect of different tax rate of subsidiaries operating in other jurisdictions	23	78
Tax exempt income	(82)	(124)
Others	3	165
	405	640
Overprovision in prior years - current tax	(153)	(343)
Under (Over) provision in prior years – deferred tax	100	(23)
Net	352	274

Subject to agreement with the relevant tax authorities, the Group has unabsorbed tax losses of $22,303,000 (2013 : $14,162,000) available for offset against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with. The related tax benefits of $3,841,000 (2013 : $2,408,000) have not been recognised in the financial statements due to unpredictability of future profit stream.

30 ACQUISITION OF SUBSIDIARY

On July 1, 2013, the Group acquired 100% of the issued share capital of Pixio Sdn. Bhd. ("Pixio") for cash consideration of RM16,200,000 (equivalent to $6,448,000). This transaction has been accounted for by the acquisition method of accounting.

Pixio is an entity incorporated in Malaysia with its principal activity being the provision of digital inkjet printing for point-of-sale and out-of-home advertising solutions. The Group acquired Pixio for immediate access to a new market and revenue stream.

(a) Total consideration (at acquisition date fair values)

	2013 $'000
Cash paid	3,231
Deferred payment	3,217
Total	6,448

During the year, the Group reduced the total consideration by RM127,000 (equivalent to $48,000) to RM16,073,000 (equivalent to $6,400,000) for pre-acquisition trade debts being written off.

The outstanding payment is $1,895,000 (2013 : $3,145,000) at the end of the reporting period (Note 17).

In 2013, acquisition-related costs amounting to $186,000 and $145,000 had been excluded from the consideration transferred, and had been recognised as an expense within the "administrative expenses" and "other operating expenses" line items respectively in the statement of profit or loss and other comprehensive income.

30 ACQUISITION OF SUBSIDIARY (cont'd)

(b) Assets acquired and liabilities assumed at the date of acquisition

	2013 $'000
Current assets	
Cash and cash equivalents	660
Cash pledged	46
Trade and other receivables	3,039
Inventories	423
Total current assets	4,168
Non-current asset	
Plant and equipment	1,184
Current liabilities	
Trade and other payables	898
Finance leases	268
Income tax payable	78
Total current liabilities	1,244
Non-current liabilities	
Finance leases	654
Net assets acquired and liabilities assumed	3,454

(c) Goodwill arising on acquisition

	2013 $'000
Total consideration	6,448
Less: Fair value of identifiable net assets acquired	(3,454)
Goodwill arising on acquisition (Note 13)	2,994

30 ACQUISITION OF SUBSIDIARY (cont'd)

(c) Goodwill arising on acquisition (cont'd)

Goodwill arose in the acquisition of Pixio because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group also acquired the customer list and customer relationships of Pixio as part of the acquisition. These assets could not be identified separately because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. Consequently, they are subsumed into goodwill.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(d) Net cash outflow on acquisition of subsidiary

	2013 **$'000**
Consideration paid in cash	6,448
Less: Deferred payment	(3,217)
Less: Cash and cash equivalents acquired	(660)
	2,571

(e) Impact of acquisition of the results of the subsidiary

Included in the profit for 2013 was $1,141,000 attributable to the additional business generated by Pixio. Revenue for the period in 2013 from Pixio amounted to $4,391,000.

Had the business acquisition been effected at January 1, 2013, the revenue of the Group for 2013 would have been $352,795,000, and the profit for 2013 would have been $3,918,000.

31 (LOSS) PROFIT FOR THE YEAR

Other than as disclosed elsewhere in the financial statements, profit for the year has been arrived at after charging (crediting):

	Group	
	2014 $'000	**2013 $'000**
Directors' remuneration:		
- of the Company	429	538
- of the subsidiaries	368	260
Total directors' remuneration	797	798
Directors' fees:		
- of the Company	249	214
- of the subsidiaries	14	7
Total directors' fees	263	221
Employee benefits expense (including directors' remuneration):		
Share-based payments equity settled	47	61
Defined contribution plans	1,242	1,380
Others	15,816	16,416
Total employee benefits expense *	17,105	17,857
Audit fees paid to the auditors of the Company *	203	197
Non-audit fees paid to the auditors of the Company *	37	31
Audit fees paid to other auditors *	19	15
Non-audit fees paid to other auditors*	4	–
<u>Impairment loss on financial assets:</u>		
Allowance for doubtful trade receivables	1,451	75
Allowance for doubtful other receivables	450	25
Impairment on available-for-sale investments	493	–
Total impairment loss on financial assets	2,394	100
Provision for restructuring costs (Note 17)	1,429	–

* These expenses are included in the line item "Administrative expenses" in the consolidated statement of profit of loss and other comprehensive income.

32 DIVIDENDS

On May 22, 2014, a dividend of 0.01 cents per share (total dividend of $982,000) was paid to shareholders. On May 22, 2013, the dividend paid was 0.023 cents per share (total dividend $2,017,000).

33 (LOSSES) EARNINGS PER SHARE

The calculation of the basic and diluted (losses) earnings per share attributable to the ordinary owners of the Company is based on the following data:

(Losses) Earnings

	Group	
	2014 $'000	**2013 $'000**
(Losses) Earnings for the purposes of basic earnings per share and diluted earnings per share		
[(Loss) Profit for the year attributable to owners of the Company]	(9,675)	3,375

Number of shares

	Group	
	2014	**2013**
Weighted average number of ordinary shares for the purposes of basic earnings per share	10,412,484,222	8,782,494,735
Effect of dilutive potential ordinary shares:		
Share options	–	16,242,194
Warrants	–	2,767,211,877
Weighted average number of ordinary shares for the purposes of diluted earnings per share	10,412,484,222	11,565,948,806

In 2014, the share options are antidilutive and hence disregarded in the calculation of diluted earnings (losses) per share.

34 GUARANTEES (UNSECURED)

a) The Group has an outstanding banker's guarantee amounting to $500,000 (2013 : $2,000,000) issued in favour of an equipment principal, entered in the normal course of business and under supply agreements.

b) A subsidiary has issued a corporate guarantee amounting to $2,000,000 (2013 : $2,000,000) in favour of an equipment principal for a supply agreement entered into by a related company.

c) The Group has an outstanding banker's guarantee amounting to $1,660,700 (2013 : $1,000,000) issued in favour of an operator, entered in the normal course of business and under service agreements.

35 OPERATING LEASE ARRANGEMENTS

	Group	
	2014 $'000	**2013 $'000**
Minimum lease payments under operating leases recognised as an expense during the year	6,758	6,759

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014 $'000	**2013 $'000**
Within one year	5,796	5,849
In the second to fifth year inclusive	4,776	4,835
	10,572	10,684

Operating lease payments represent rentals payable by the Group for its office premises and service centres. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

36 SEGMENT INFORMATION

For management purposes, the Group is organised into three business segments, After-Market Services ("AMS"), Distribution Management Solutions ("DMS") and Digital Inkjet Printing for Out-Of-Home Advertising Solutions ("DPAS").

36 SEGMENT INFORMATION (cont'd)

AMS provides after-market service for mobile equipment and consumer electronic products, DMS is a distributor and retailer of mobile telecommunication equipment and mobile related services, including prepaid cards. DPAS provides digital inkjet printing for point-of-sale and out-of-home advertising solutions.

The Group reports information based on these three business segments to the Group's key operating decision makers for the purposes of resource allocation and assessment of the segment information.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Group				
	AMS $'000	**DMS $'000**	**DPAS $'000**	**Unallocated $'000**	**Total $'000**
2014					
Segment revenue					
External	22,346	292,630	7,210	–	322,186
Inter-segment	–	–	–	–	–
	22,346	292,630	7,210	–	322,186
Segment result	(2,457)	(9,963)	1,542	–	(10,878)
Rental income	–	414	–	–	414
Net foreign exchange gain					180
Loss on disposal of plant and equipment					(15)
Finance costs					(252)
Net loss for the year					(10,551)
Income tax expense					(352)
Net loss for the year					(10,903)
Segment assets	22,856	58,878	10,311	–	92,045
Segment liabilities	(4,153)	(26,660)	(2,102)	(713)	(33,628)
Other segment information					
Capital expenditure	76	815	900	–	1,791
Amortisation and depreciation	286	1,970	602	–	2,858
Impairment of goodwill	–	2,350	–	–	2,350
Impairment of intangible asset	–	2,061	–	–	2,061
Impairment of plant and equipment	–	319	–	–	319

36 SEGMENT INFORMATION (cont'd)

	Group				
	AMS $'000	DMS $'000	DPAS $'000	Unallocated $'000	Total $'000
2013					
Segment revenue					
External	35,961	307,851	4,391	–	348,203
Inter-segment	–	–	–	–	–
	35,961	307,851	4,391	–	348,203
Segment result	(1,766)	3,192	1,264	–	2,690
Rental income	–	763	–	–	763
Net foreign exchange gain					36
Loss on disposal of plant and equipment					(12)
Finance costs					(132)
Net profit for the year					3,345
Income tax expense					(274)
Net profit for the year					3,071
Segment assets	10,792	69,350	9,557	–	89,699
Segment liabilities	(6,934)	(26,887)	(2,242)	(1,088)	(37,151)
Other segment information					
Capital expenditure	173	1,460	712	–	2,345
Amortisation and depreciation	275	1,173	249	–	1,697

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year 2014 and 2013.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the key operating decision makers for the purposes of resource allocation and assessment of segment performance.

36 SEGMENT INFORMATION (cont'd)

For the purposes of monitoring segment performance and allocating resources between segments, the key operating decision makers monitor the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments.

Geographical information

	Revenue from external customers	
	2014 $'000	2013 $'000
Singapore	303,610	343,664
Malaysia	7,210	4,391
Myanmar	11,366	148
	322,186	348,203

	Non-current assets	
	2014 $'000	2013 $'000
Singapore	1,793	8,232
Malaysia	4,786	4,526
Myanmar	429	103
	7,008	12,861

Information about major customers

Included in revenues arising from After-Market Services are revenues of $20,204,000 (2013 : $34,935,000) and $1,771,000 (2013 : $451,000) which arose from sales to the segment's two major customers.

Included in revenues arising from Distribution Management Solutions are revenues of $31,516,000 (2013 : $33,460,000) and $16,446,000 (2013 : $30,092,000) which arose from sales to the segment's two major customers.

Included in revenues arising from DPAS are revenues of $1,054,000 (2013 : $702,000) and $906,000 (2013 : $495,000) which arose from sales to the segment's two major customers.

37 SUBSEQUENT EVENTS

Subsequent to year end, the Company's wholly owned subsidiary, Pixio Sdn. Bhd. ("Pixio"), together with UBP Printing Sdn. Bhd. ("UBP"), have incorporated a joint venture company known as United Pixio Sdn. Bhd. ("United Pixio") in Malaysia. The principal business activity of United Pixio will be the sale, purchase and lease of media rights and media spaces, and the design, large format digital inkjet printing, and placement of point-of-sale and out-of-home advertisements.

Statistics of Shareholdings

As at 25 March 2015

Number of Issued and Paid Up Capital	:	S$153,652,142
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	65	0.57	1,400	0.00
100 - 1,000	274	2.42	186,653	0.00
1,001 - 10,000	1,639	14.46	11,140,037	0.09
10,001 - 1,000,000	8,249	72.78	1,780,962,272	14.22
1,000,001 and above	1,107	9.77	10,735,950,722	85.69
TOTAL	11,334	100	12,528,241,084	100

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Maybank Nominees (Singapore) Private Limited	1,358,508,820	10.84
2	Bank of Singapore Nominees Pte. Ltd.	893,713,330	7.13
3	Chong Shin Leong	560,000,000	4.47
4	Yeo Hwee Ching Alice	425,000,000	3.39
5	Raffles Nominees (Pte) Limited	307,220,000	2.45
6	Lim Chin Tong	292,685,369	2.34
7	Citibank Nominees Singapore Pte Ltd	237,222,400	1.89
8	DBS Nominees (Private) Limited	227,321,007	1.81
9	United Overseas Bank Nominees (Private) Limited	196,218,663	1.57
10	Koh Kow Tee Michael	175,000,000	1.40
11	Tan Hor Thye	161,092,337	1.29
12	CIMB Securities (Singapore) Pte. Ltd.	153,944,915	1.23
13	Phillip Securities Pte Ltd	131,123,497	1.05
14	HSBC (Singapore) Nominees Pte Ltd	127,665,000	1.02
15	Tan Kah Boh Robert @ Tan Kah Boo	127,000,000	1.01
16	Wong Kingcheung Kevin	126,230,000	1.01
17	Hong Leong Finance Nominees Pte Ltd	125,010,000	1.00
18	OCBC Securities Private Limited	123,123,109	0.98
19	OCBC Nominees Singapore Private Limited	111,033,648	0.89
20	UOB Kay Hian Private Limited	106,720,333	0.85
	TOTAL	5,965,832,428	47.62

Statistics of Shareholdings

As at 25 March 2015

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the directors and substantial shareholders in the issued share capital of the Company as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholdings respectively are as follows:

	Direct interest		Deemed interest		Total interest	
	No. of shares	%[1]	No. of shares	%[1]	No. of shares	%
Directors						
Philip Eng Heng Nee	131,185,330	1.05	0	-	131,185,330	1.05
Ong Ghim Choon [2]	877,973,330	7.01	0	-	877,973,330	7.01
Mah Kah On	10,000,000	0.08	0	-	10,000,000	0.08
Substantial shareholders						
Wong Kingcheung Kevin [3]	126,230,000	1.01	1,354,576,820	10.81	1,480,806,820	11.82
Ong Ghim Choon [2]	877,973,330	7.01	0	-	877,973,330	7.01

[1] Calculated as a percentage of the total number of 12,528,241,084 issued shares of the Company as at 25 March 2015.

[2] All shares are held under the name of Bank of Singapore Nominees Pte Ltd.

[3] 1,354,576,820 shares are held under the name of Maybank Nominees (Singapore) Private Limited.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Approximately 80.05% of the Company's shares are held by the public and Rule 723 of the Mainboard Rules Listing Manual of the SGX-ST has been complied with.

Notice of Annual General Meeting

mDR LIMITED
(Company Registration No. 200009059G)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Fourteenth (14th) Annual General Meeting of mDR Limited (the "**Company**") will be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 on Thursday, 30 April 2015 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. (a) To re-elect Mr Philip Eng Heng Nee, a Director of the Company retiring pursuant to Article 90 of the Articles of Association of the Company: **(Resolution 2)**

   (Mr Philip Eng Heng Nee will, upon re-election as a Director of the Company, remain as Chairman of the Board of Directors, a member of the Audit Committee, Nominating Committee, and Remuneration Committee, and will be considered non-independent.)

   (b) To re-elect Mr Quah Ban Huat, a Director of the Company retiring pursuant to Article 96 of the Articles of Association of the Company: **(Resolution 3)**

   (Mr Quah Ban Huat will, upon re-election as a Director of the Company, remain as Chairman of both the Nominating Committee and Remuneration Committee, and a member of the Audit Committee, and will be considered independent.)

3. To approve the payment of up to S$309,000 as Directors' fees for the year ending 31 December 2015, to be paid quarterly in arrears (2014: S$269,000). **(Resolution 4)**

4. To re-appoint Deloitte and Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications the following resolutions as Ordinary Resolutions:

5. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and the Mainboard Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Mainboard Listing Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 6)**

6. To transact any other business that may be properly transacted at an Annual General Meeting.

By Order of the Board

Madan Mohan
Company Secretary
Singapore, 10 April 2015

Notice of Annual General Meeting

Explanatory Notes on Ordinary and Special Businesses to be transacted:

(i) The Ordinary Resolution 6 in item 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

2. The duly executed instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at **53 Ubi Crescent, Singapore 408594** not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxy(ies) and/or representative(s) appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the aforesaid warranty.

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MDR Limited

Company Registration No. 200009059G
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING

IMPORTANT:
For investors who have used their CPF monies to buy mDR Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM.)

I/We*,____________________ (Name) NRIC/Passport No.____

of ____(Address)

being a member(s) of mDR Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%

and/or*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our behalf* at the Fourteenth (14th) Annual General Meeting (the "**Meeting**") of the Company to be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 on Thursday, 30 April 2015 at 3.00 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick (√) within the box provided.)

No.	Resolutions relating to:	For	Against
Ordinary Business			
1.	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2.	Re-election of Mr Philip Eng Heng Nee as a Director		
3.	Re-election of Mr Quah Ban Huat as a Director		
4.	Approval of Directors' fees of up to S$309,000 for the year ending 31 December 2015, to be paid quarterly in arrears		
5.	To re-appoint Deloitte and Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business			
6.	Authority to issue new Shares		

Dated this ______day of_______ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)/
Common Seal of Corporate Shareholder*

***Delete accordingly**

IMPORTANT: Please read notes overleaf.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **53 Ubi Crescent, Singapore 408594** (Attn.: **Company Secretary**, Tel.: 6347 8934) not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy or proxies and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

MDR Limited

Affix
Stamp

Company Secretary
mDR Limited
53 Ubi Crescent
Singapore 408594

mDR Limited
Annual Report 2014

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