



mDR Limited

Third Quarter Financial Statements for the Period Ended 30 September 2014

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

| In S\$'000 | Notes | 3Q-14 | 3Q-13 | Inc/(Dec) % | YTD-14 | YTD-13 | Inc/(Dec) % |
|--------------------------------------------------------------------------|-------|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
| Revenue | 1 | 73,640 | 82,905 | -11% | 225,519 | 243,733 | -7% |
| Cost of sales | 1 | <u>(66,045)</u> | <u>(73,660)</u> | -10% | <u>(201,913)</u> | <u>(218,320)</u> | -8% |
| Gross profit | 1 | 7,595 | 9,245 | -18% | 23,606 | 25,413 | -7% |
| Other income | 2 | 192 | 298 | -36% | 625 | 840 | -26% |
| Administrative expenses | 3 | (5,327) | (5,779) | -8% | (16,454) | (16,602) | -1% |
| Other operating expenses | 4 | (5,432) | (2,441) | 123% | (10,425) | (6,678) | 56% |
| Finance costs | 5 | <u>(67)</u> | <u>(39)</u> | 72% | <u>(172)</u> | <u>(66)</u> | 161% |
| Total expenses | | <u>(10,826)</u> | <u>(8,259)</u> | 31% | <u>(27,051)</u> | <u>(23,346)</u> | 16% |
| Operating profit before amortisation expense and income tax | | <u>(3,039)</u> | <u>1,284</u> | -337% | <u>(2,820)</u> | <u>2,907</u> | -197% |
| Amortisation expense | 6 | <u>(246)</u> | <u>-</u> | N.M. | <u>(741)</u> | <u>-</u> | N.M. |
| (Loss) Profit before income tax | | <u>(3,285)</u> | <u>1,284</u> | -356% | <u>(3,561)</u> | <u>2,907</u> | -222% |
| Income tax expense | 7 | <u>(109)</u> | <u>(263)</u> | -59% | <u>(280)</u> | <u>(522)</u> | -46% |
| (Loss) Profit for the period | | <u>(3,394)</u> | <u>1,021</u> | -432% | <u>(3,841)</u> | <u>2,385</u> | -261% |
| Other comprehensive (loss) income | | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | | | |
| Currency translation differences arising on consolidation | | <u>(27)</u> | <u>(65)</u> | -58% | <u>82</u> | <u>(62)</u> | -232% |
| Other comprehensive (loss) profit for the period, net of tax | | <u>(27)</u> | <u>(65)</u> | -58% | <u>82</u> | <u>(62)</u> | -232% |
| Total comprehensive (loss) income for the period | | <u><u>(3,421)</u></u> | <u><u>956</u></u> | -458% | <u><u>(3,759)</u></u> | <u><u>2,323</u></u> | -262% |
| (Loss) Profit attributable to: | | | | | | | |
| Owners of the Company | | (3,109) | 1,019 | -405% | (3,138) | 2,349 | -234% |
| Non-controlling interests | | <u>(285)</u> | <u>2</u> | -14350% | <u>(703)</u> | <u>36</u> | -2053% |
| Total comprehensive (loss) income | | <u><u>(3,394)</u></u> | <u><u>1,021</u></u> | -432% | <u><u>(3,841)</u></u> | <u><u>2,385</u></u> | -261% |
| Total comprehensive (loss) income attributable to: | | | | | | | |
| Owners of the Company | | (3,126) | 957 | -427% | (3,054) | 2,290 | -233% |
| Non-controlling interests | | <u>(295)</u> | <u>(1)</u> | 29400% | <u>(705)</u> | <u>33</u> | -2236% |
| | | <u><u>(3,421)</u></u> | <u><u>956</u></u> | -458% | <u><u>(3,759)</u></u> | <u><u>2,323</u></u> | -262% |

N.M. : Not Meaningful

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

Note 1 Revenue, cost of sales and gross profit

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

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

Although the Company does not own any of the equity shares of MDR Golden, and consequently does not control any of the voting power of those shares, the Company is of the view that it has acquired de facto control over this company via its joint venture company MDR Myanmar on the basis that the Group has the power to direct the relevant activity of MDR Golden, has rights to variable returns from its involvement with this entity, and has the ability to affect those returns through its power over the entity. Accordingly, the financial position and results of MDR Golden are included in the consolidated financial statements with effect from August 2014.

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

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|-------------------------------------------|-----------------|-----------------|------------------|------------------|
| Revenue | | | | |
| AMS | 5,131 | 8,370 | 17,122 | 27,502 |
| DMS | 66,496 | 72,624 | 202,805 | 214,320 |
| DPAS | 2,013 | 1,911 | 5,592 | 1,911 |
| | <u>73,640</u> | <u>82,905</u> | <u>225,519</u> | <u>243,733</u> |
| Cost of goods sold and spare parts | | | | |
| AMS | (3,598) | (6,486) | (12,439) | (21,729) |
| DMS | (61,283) | (66,259) | (186,419) | (195,676) |
| DPAS | (1,164) | (915) | (3,055) | (915) |
| | <u>(66,045)</u> | <u>(73,660)</u> | <u>(201,913)</u> | <u>(218,320)</u> |
| Gross profit | | | | |
| AMS | 1,533 | 1,884 | 4,683 | 5,773 |
| DMS | 5,213 | 6,365 | 16,386 | 18,644 |
| DPAS | 849 | 996 | 2,537 | 996 |
| | <u>7,595</u> | <u>9,245</u> | <u>23,606</u> | <u>25,413</u> |
| GP% | | | | |
| AMS | 30% | 23% | 27% | 21% |
| DMS | 8% | 9% | 8% | 9% |
| DPAS | 42% | 52% | 45% | 52% |
| | <u>10%</u> | <u>11%</u> | <u>10%</u> | <u>10%</u> |

* DMS business segment includes transactions from the Group's wholly-owned subsidiary Shenzhen Quanli Leather (S) Pte Ltd (“Quanli Singapore”), consolidation of Golden Myanmar Sea Company Ltd and Golden Myanmar Sea (S) Pte Ltd (“GMS group”) and consolidation of MDR Golden.

Note 2 Other income consists of the following:

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|--------------------------|------------|------------|------------|------------|
| Interest income | 8 | 25 | 22 | 36 |
| Rental income | 83 | 189 | 327 | 578 |
| Liabilities written back | 1 | 26 | 62 | 114 |
| Others | 100 | 58 | 214 | 112 |
| | <u>192</u> | <u>298</u> | <u>625</u> | <u>840</u> |

Note 3 Administrative expenses

The administrative expenses comprise mainly staff cost.

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|----------------------------------------------------------------------|--------------|--------------|---------------|---------------|
| Staff Cost | | | | |
| AMS | 995 | 1,220 | 3,409 | 4,146 |
| DMS | 2,523 | 2,604 | 7,447 | 7,506 |
| DPAS | 245 | 226 | 678 | 226 |
| Management and HQ support staff costs (including Directors' fees) | 525 | 617 | 1,673 | 1,814 |
| | <u>4,288</u> | <u>4,667</u> | <u>13,207</u> | <u>13,692</u> |

Included in staff cost is share option expense of \$11,000 and \$36,000 in 3Q-14 and YTD-14 respectively (3Q-13: \$12,000 and YTD-13: \$40,000).

With a 39% and 38% decrease in AMS revenue in 3Q-14 and YTD-14 respectively compared to the corresponding periods in 2013, AMS staff cost had also decreased, due to lower headcount required to support the operations.

Note 4 Other operating expenses

Other operating expenses consist of the following:

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|------------------------------------------|--------------|--------------|---------------|--------------|
| Rental expenses | 1,676 | 1,584 | 5,121 | 4,957 |
| Depreciation expenses | 480 | 462 | 1,404 | 1,063 |
| Plant and equipment written off | 12 | 58 | 18 | 59 |
| Loss on disposal of plant and equipment | - | 15 | 6 | 16 |
| Allowance for doubtful trade receivables | 19 | 63 | 19 | 63 |
| Allowance for doubtful other receivables | 7 | - | 7 | - |
| Bad debts written off - trade | 2 | - | 2 | - |
| Allowance for inventories | 3,311 | 192 | 3,801 | 451 |
| Inventories written off | - | (5) | - | 5 |
| Foreign exchange (gain) loss | (75) | 72 | 47 | 64 |
| | <u>5,432</u> | <u>2,441</u> | <u>10,425</u> | <u>6,678</u> |

Higher allowance for inventories in 3Q-14 and YTD-14 compared to the corresponding periods in 2013 were due to a specific provision of \$3.07 million for slow moving handsets and accessories.

Note 5 Finance costs

Finance costs comprise interest on finance leases and short-term bank borrowings.

The finance costs in 3Q-14 and YTD-14 have increased as a result of new bank borrowings during the periods and finance leases held under DPAS being consolidated into the group.

Note 6 Amortisation expense

The amortisation expense relates to the Group's purchased customer list of Quanli (Hong Kong) Leather Company, which is amortised over a period of 38 months.

Note 7 Income tax expenses

The tax expense provision is calculated for profitable subsidiaries.

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

| In S\$'000 | Notes | Group | | Company | |
|--------------------------------------------------------|-------|---------------|---------------|---------------|---------------|
| | | 30-Sep-14 | 31-Dec-13 | 30-Sep-14 | 31-Dec-13 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and bank balances | | 34,111 | 18,501 | 19,695 | 5,292 |
| Trade receivables | 1 | 18,486 | 28,101 | 1,987 | 3,154 |
| Other receivables and prepayments | 2 | 9,072 | 5,708 | 18,041 | 17,587 |
| Inventories | 3 | 24,264 | 24,528 | 1,417 | 1,222 |
| Total current assets | | <u>85,933</u> | <u>76,838</u> | <u>41,140</u> | <u>27,255</u> |
| Non-current assets | | | | | |
| Investment in subsidiaries | | - | - | 21,142 | 21,142 |
| Available-for-sale investment | 4 | 493 | - | 493 | - |
| Plant and equipment | | 4,487 | 4,601 | 558 | 731 |
| Goodwill | | 5,344 | 5,344 | - | - |
| Intangible asset | | 2,251 | 2,916 | - | - |
| Total non-current assets | | <u>12,575</u> | <u>12,861</u> | <u>22,193</u> | <u>21,873</u> |
| Total assets | | <u>98,508</u> | <u>89,699</u> | <u>63,333</u> | <u>49,128</u> |
| Current liabilities | | | | | |
| Short-term bank borrowings | | 6,900 | 4,000 | - | - |
| Trade payables | 5 | 14,169 | 18,811 | 1,556 | 2,678 |
| Other payables | 6 | 9,458 | 11,595 | 2,746 | 3,851 |
| Current portion of finance leases | | 519 | 432 | 75 | 71 |
| Income tax payable | | 346 | 882 | - | - |
| Total current liabilities | | <u>31,392</u> | <u>35,720</u> | <u>4,377</u> | <u>6,600</u> |
| Non-current liabilities | | | | | |
| Finance leases | | 1,284 | 1,225 | 233 | 289 |
| Deferred tax liabilities | | 206 | 206 | - | - |
| Total non-current liabilities | | <u>1,490</u> | <u>1,431</u> | <u>233</u> | <u>289</u> |
| Capital, reserves and non-controlling interests | | | | | |
| Share capital | | 153,656 | 135,873 | 153,656 | 135,873 |
| Capital reserve | | (859) | (859) | 22 | 22 |
| Share options reserve | | 266 | 1,538 | 266 | 1,538 |
| Foreign currency translation reserve | | 184 | 100 | - | - |
| Accumulated losses | | (87,401) | (84,589) | (95,221) | (95,194) |
| Equity attributable to owners of the Company | | <u>65,846</u> | <u>52,063</u> | <u>58,723</u> | <u>42,239</u> |
| Non-controlling interests | | (220) | 485 | - | - |
| Total equity | | <u>65,626</u> | <u>52,548</u> | <u>58,723</u> | <u>42,239</u> |
| Total liabilities and equity | | <u>98,508</u> | <u>89,699</u> | <u>63,333</u> | <u>49,128</u> |

Notes

1 Trade receivables

The Group's trade receivables turnover as at 30 September 2014 is 28 days (31 December 2013: 28 days).

2 Other receivables and prepayments

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

| S\$'000 | 30-Sep-14 | 31-Dec-13 |
|-------------------|------------------|------------------|
| Rental deposits | 1,774 | 2,119 |
| Other receivables | 6,863 | 2,944 |
| Prepayments | 435 | 358 |

Other receivables of \$6.9 million as at 30 September 2014 comprised mainly of credit notes of \$5.0 million to be received from principals in relation to sell through, advertising and promotion support.

3 Inventories

The Group's inventory turnover for the period ended 30 September 2014 is 33 days (31 December 2013: 27 days).

4 Available-for-sale investment

In July 2014, the Company acquired a 10% shareholding in an unquoted equity investment that is engaged in smart devices activities for a cash consideration of \$493,000.

5 Trade payables

The Group's trade payables turnover as at 30 September 2014 is 22 days (31 December 2013: 19 days).

6 Other payables

The Group's other payables consist of the following:

| S\$'000 | 30-Sep-14 | 31-Dec-13 |
|-----------------------------------------------------|------------------|------------------|
| Advertising and promotion funds from principals | 1,474 | 2,399 |
| Scheduled deferred payment for acquisition of Pixio | 1,997 | 3,145 |
| Other payables to third parties | 539 | 769 |
| Accrued staff costs | 1,175 | 1,065 |
| Rebates owing to franchisees | 353 | 1,529 |
| Accrued purchases | 785 | 73 |
| Other accrued operating expenses | 872 | 1,008 |

1(b)(ii) Aggregate amount of Group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

| As at 30-Sep-14 | | As at 31-Dec-13 | |
|------------------|--------------------|------------------|--------------------|
| Secured (\$'000) | Unsecured (\$'000) | Secured (\$'000) | Unsecured (\$'000) |
| 519 | 6,900 | 432 | 4,000 |

Amount repayable after one year

| As at 30-Sep-14 | | As at 31-Dec-13 | |
|------------------|--------------------|------------------|--------------------|
| Secured (\$'000) | Unsecured (\$'000) | Secured (\$'000) | Unsecured (\$'000) |
| 1,284 | - | 1,225 | - |

Details of collateral

The secured borrowings comprise of outstanding finance lease of \$1.8 million on certain motor vehicles and machinery.

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

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|-----------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Operating activities | | | | |
| (Loss) Profit before income tax | (3,285) | 1,284 | (3,561) | 2,907 |
| Adjustments for: | | | | |
| Amortisation expense | 246 | - | 741 | - |
| Depreciation expenses | 480 | 462 | 1,404 | 1,063 |
| Interest expenses | 67 | 39 | 172 | 66 |
| Interest income | (8) | (25) | (22) | (36) |
| Loss (Gain) on disposal of plant and equipment | - | 15 | 6 | 16 |
| Plant and equipment written off | 12 | 58 | 18 | 59 |
| Allowance for inventories | 3,311 | 192 | 3,801 | 451 |
| Inventories written off | - | (5) | - | 5 |
| Bad debts written off - trade | 2 | - | 2 | - |
| Allowance for doubtful trade receivables | 19 | 63 | 19 | 63 |
| Allowance for doubtful other receivables | 7 | - | 7 | - |
| Professional fees paid by shares | - | - | 100 | 470 |
| Employee share-based payments | 11 | 12 | 36 | 40 |
| Liabilities written back | (1) | (26) | (62) | (114) |
| Net foreign exchange losses | (73) | (62) | 3 | (58) |
| Operating cash flows before movements in working capital | 788 | 2,007 | 2,664 | 4,932 |
| Trade receivables | 1,047 | 706 | 9,594 | 4,033 |
| Other receivables and prepayments | (457) | (1,954) | (3,371) | (3,444) |
| Inventories | 909 | (3,787) | (3,537) | (5,824) |
| Trade payables | (717) | (1,023) | (4,642) | 3,060 |
| Other payables | 53 | 61 | (2,056) | (2,244) |
| Cash (used in) generated from operations | 1,623 | (3,990) | (1,348) | 513 |
| Interest received | 8 | 25 | 22 | 36 |
| Income tax paid | (305) | (399) | (816) | (784) |
| Net cash (used in) from operating activities | 1,326 | (4,364) | (2,142) | (235) |
| Investing activities | | | | |
| Proceeds from disposal of plant and equipment | 1 | 63 | 39 | 63 |
| Purchase of plant and equipment (Note A) | (589) | (1,218) | (848) | (1,751) |
| Purchase of available-for-sale investment | (493) | - | (493) | - |
| Cash contribution from non-controlling interests | - | 249 | - | 249 |
| Net cash outflows on acquisition of subsidiary (Note B) | - | (2,571) | - | (2,571) |
| Net cash used in investing activities | (1,081) | (3,477) | (1,302) | (4,010) |
| Financing activities | | | | |
| Interest paid | (67) | (39) | (172) | (66) |
| Proceeds from issuance of ordinary shares, net | 13,484 | 382 | 17,683 | 2,569 |
| Proceeds from bank borrowings | 1,100 | 4,100 | 2,900 | 6,900 |
| Repayment of obligations under finance leases | (131) | (145) | (357) | (188) |
| Dividends paid to shareholders | - | - | (982) | (2,017) |
| Dividends paid to non-controlling interest | - | - | (19) | - |
| Net cash from financing activities | 14,386 | 4,298 | 19,053 | 7,198 |
| Net increase in cash and cash equivalents | 14,631 | (3,543) | 15,609 | 2,953 |
| Cash and cash equivalents at beginning of period | 19,433 | 24,116 | 18,455 | 17,620 |
| Cash and cash equivalents at end of period | 34,064 | 20,573 | 34,064 | 20,573 |

Notes

A. Purchase of plant and equipment:

In 3Q-14, the Group acquired plant and equipment with an aggregate cost of \$589,000 (3Q-13: \$1,218,000) of which \$281,000 (2013: \$Nil) was acquired under finance lease arrangements.

In YTD-14, the Group acquired plant and equipment with an aggregate cost of \$848,000 (YTD-13: \$1,751,000) of which \$491,000 (2013: \$Nil) was acquired under finance lease arrangements.

B. Acquisition of subsidiary

On 1 July 2013, the Group acquired 100% of the issued share capital of Pixio for cash consideration of \$6.45 million. Pixio is incorporated in Malaysia and is in the business of providing design and digital inkjet printing solutions for Point Of Sale and Out-of-Home advertisements (DPAS).

Assets acquired and liabilities assumed at the date of acquisition were as follows:

| In S\$'000 | 3Q-14 | 3Q-13 | YTD-14 | YTD-13 |
|---------------------------------|-------|---------|--------|---------|
| Assets | - | 5,352 | - | 5,352 |
| Liabilities | - | (1,898) | - | (1,898) |
| Net assets acquired | - | 3,454 | - | 3,454 |
| Total purchase consideration | - | 6,448 | - | 6,448 |
| Goodwill arising on acquisition | - | 2,994 | - | 2,994 |
| Cash consideration | - | 6,448 | - | 6,448 |
| Less: Outstanding balance | - | (3,217) | - | (3,217) |
| Cash and cash balances acquired | - | (660) | - | (660) |
| Cash outflows on acquisition | - | 2,571 | - | 2,571 |

C. Cash and cash equivalents at end of period comprise of:

| In S\$'000 | 3Q-14 | 3Q-13 |
|---------------------------|--------|--------|
| Cash | 34,111 | 20,619 |
| Less: Cash pledged | (47) | (46) |
| Cash and cash equivalents | 34,064 | 20,573 |

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

| <u>In S\$'000</u> | <u>Share capital</u> | <u>Capital reserve</u> | <u>Share options reserve</u> | <u>Currency translation reserve</u> | <u>Accumulated losses</u> | <u>Attributable to equity holders</u> | <u>Non-controlling interests</u> | <u>Total</u> |
|----------------------------------------------------------------|----------------------|------------------------|------------------------------|-------------------------------------|---------------------------|---------------------------------------|----------------------------------|---------------|
| Group | | | | | | | | |
| Balance as at 1 January 2014 | 135,873 | (859) | 1,538 | 100 | (84,589) | 52,063 | 485 | 52,548 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 81 | 81 | (249) | (168) |
| Other comprehensive income for the period | - | - | - | 76 | - | 76 | - | 76 |
| Total | <u>-</u> | <u>-</u> | <u>-</u> | <u>76</u> | <u>81</u> | <u>157</u> | <u>(249)</u> | <u>(92)</u> |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Reversal of expenses related to equity settled | | | | | | | | |
| share-based payment | - | - | (10) | - | 10 | - | - | - |
| Issue of shares upon conversion of warrants | 142 | - | - | - | - | 142 | - | 142 |
| Issue of shares for settlement of | | | | | | | | |
| professional fees | 100 | - | - | - | - | 100 | - | 100 |
| Recognition of share-based payments | - | - | 13 | - | - | 13 | - | 13 |
| Total | <u>242</u> | <u>-</u> | <u>3</u> | <u>-</u> | <u>10</u> | <u>255</u> | <u>-</u> | <u>255</u> |
| Balance as at 31 March 2014 | 136,115 | (859) | 1,541 | 176 | (84,498) | 52,475 | 236 | 52,711 |
| Total comprehensive loss for the period | | | | | | | | |
| Loss for the period | - | - | - | - | (110) | (110) | (169) | (279) |
| Other comprehensive income for the period | - | - | - | 25 | - | 25 | 8 | 33 |
| Total | <u>-</u> | <u>-</u> | <u>-</u> | <u>25</u> | <u>(110)</u> | <u>(85)</u> | <u>(161)</u> | <u>(246)</u> |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Dividends | - | - | - | - | (982) | (982) | - | (982) |
| Reversal of expenses related to equity settled | | | | | | | | |
| share-based payment | - | - | (1,298) | - | 1,298 | - | - | - |
| Issue of shares upon conversion of warrants | 4,057 | - | - | - | - | 4,057 | - | 4,057 |
| Recognition of share-based payments | - | - | 12 | - | - | 12 | - | 12 |
| Total | <u>4,057</u> | <u>-</u> | <u>(1,286)</u> | <u>-</u> | <u>316</u> | <u>3,087</u> | <u>-</u> | <u>3,087</u> |
| Balance as at 30 June 2014 | <u>140,172</u> | <u>(859)</u> | <u>255</u> | <u>201</u> | <u>(84,292)</u> | <u>55,477</u> | <u>75</u> | <u>55,552</u> |

| <u>In S\$'000</u> Group | <u>Share capital</u> | <u>Capital reserve</u> | <u>Share options reserve</u> | <u>Currency translation reserve</u> | <u>Accumulated losses</u> | <u>Attributable to equity holders</u> | <u>Non-controlling interests</u> | <u>Total</u> |
|----------------------------------------------------------------|--------------------------|----------------------------|--------------------------------------|---------------------------------------------|-------------------------------|-----------------------------------------------|--------------------------------------|---------------|
| Balance as at 1 July 2014 | 140,172 | (859) | 255 | 201 | (84,292) | 55,477 | 75 | 55,552 |
| Total comprehensive income for the period | | | | | | | | |
| Loss for the period | - | - | - | - | (3,109) | (3,109) | (285) | (3,394) |
| Other comprehensive income for the period | - | - | - | (17) | - | (17) | (10) | (27) |
| Total | - | - | - | (17) | (3,109) | (3,126) | (295) | (3,421) |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Issue of shares upon conversion of warrants | 13,484 | - | - | - | - | 13,484 | - | 13,484 |
| Recognition of share-based payments | - | - | 11 | - | - | 11 | - | 11 |
| Total | 13,484 | - | 11 | - | - | 13,495 | - | 13,495 |
| Balance as at 30 September 2014 | <u>153,656</u> | <u>(859)</u> | <u>266</u> | <u>184</u> | <u>(87,401)</u> | <u>65,846</u> | <u>(220)</u> | <u>65,626</u> |

| In S\$'000 Group | Share capital | Capital reserve | Share options reserve | Currency translation reserve | Accumulated losses | Attributable to equity the | Non-controlling interests | Total |
|----------------------------------------------------------------|----------------------|------------------------|------------------------------|-------------------------------------|---------------------------|-----------------------------------|----------------------------------|--------------|
| Balance as at 1 January 2013 | 132,856 | (859) | 1,548 | 168 | (85,976) | 47,737 | 564 | 48,301 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 841 | 841 | 21 | 862 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 841 | 841 | 21 | 862 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Reversal of expenses related to equity settled | | | | | | | | |
| share-based payment | - | - | (29) | - | 29 | - | - | - |
| Issue of shares upon conversion of warrants | 813 | - | - | - | - | 813 | - | 813 |
| Recognition of share-based payments | - | - | 15 | - | - | 15 | - | 15 |
| Total | 813 | - | (14) | - | 29 | 828 | - | 828 |
| Balance as at 31 March 2013 | 133,669 | (859) | 1,534 | 168 | (85,106) | 49,406 | 585 | 49,991 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 489 | 489 | 13 | 502 |
| Other comprehensive income for the period | - | - | - | 3 | - | 3 | - | 3 |
| Total | - | - | - | 3 | 489 | 492 | 13 | 505 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Dividends | - | - | - | - | (2,017) | (2,017) | - | (2,017) |
| Issue of shares upon share options exercised | 153 | - | (42) | - | - | 111 | - | 111 |
| Issue of shares upon conversion of warrants | 793 | - | - | - | - | 793 | - | 793 |
| Issue of shares for settlement of professional fees | 470 | - | - | - | - | 470 | - | 470 |
| Recognition of share-based payments | - | - | 13 | - | - | 13 | - | 13 |
| Total | 1,416 | - | (29) | - | (2,017) | (630) | - | (630) |
| Balance as at 30 June 2013 | 135,085 | (859) | 1,505 | 171 | (86,634) | 49,268 | 598 | 49,866 |

| <u>In S\$'000</u> Group | <u>Share capital</u> | <u>Capital reserve</u> | <u>Share options reserve</u> | <u>Currency translation reserve</u> | <u>Accumulated losses</u> | <u>Attributable to equity the</u> | <u>Non-controlling interests</u> | <u>Total</u> |
|-----------------------------------------------------------------------|--------------------------|----------------------------|--------------------------------------|---------------------------------------------|-------------------------------|-------------------------------------------|--------------------------------------|---------------|
| Balance as at 1 July 2013 | 135,085 | (859) | 1,505 | 171 | (86,634) | 49,268 | 598 | 49,866 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 1,019 | 1,019 | 2 | 1,021 |
| Other comprehensive income for the period | - | - | - | (62) | - | (62) | (3) | (65) |
| Total | - | - | - | (62) | 1,019 | 957 | (1) | 956 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Issue of shares upon conversion of warrants | 382 | - | - | - | - | 382 | - | 382 |
| Non-controlling interests arising from incorporation of subsidiary | - | - | - | - | - | - | 249 | 249 |
| Recognition of share-based payments | - | - | 12 | - | - | 12 | - | 12 |
| Total | 382 | - | 12 | - | - | 394 | 249 | 643 |
| Balance as at 30 September 2013 | <u>135,467</u> | <u>(859)</u> | <u>1,517</u> | <u>109</u> | <u>(85,615)</u> | <u>50,619</u> | <u>846</u> | <u>51,465</u> |

| <u>In S\$'000</u> | <u>Share capital</u> | <u>Capital reserve</u> | <u>Share options reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|-------------------------------------------------------------------------------|-----------------------|------------------------|------------------------------|---------------------------|----------------------|
| Company | | | | | |
| Balance as at 1 January 2014 | 135,873 | 22 | 1,538 | (95,194) | 42,239 |
| Loss for the period, representing total comprehensive loss for the period | - | - | - | (276) | (276) |
| Transactions with owners, recognised directly in equity | | | | | |
| Reversal of expenses related to equity settled share-based payment | - | - | (10) | 10 | - |
| Issue of shares upon conversion of warrants | 142 | - | - | - | 142 |
| Issue of shares for settlement of professional fees | 100 | - | - | - | 100 |
| Recognition of share-based payments | - | - | 13 | - | 13 |
| Total | <u>242</u> | <u>-</u> | <u>3</u> | <u>10</u> | <u>255</u> |
| Balance as at 31 March 2014 | <u>136,115</u> | <u>22</u> | <u>1,541</u> | <u>(95,460)</u> | <u>42,218</u> |
| Loss for the period, representing total comprehensive loss for the period | - | - | - | (162) | (162) |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividends | - | - | - | (982) | (982) |
| Reversal of expenses related to equity settled share-based payment | - | - | (1,298) | 1,298 | - |
| Issue of shares upon conversion of warrants | 4,057 | - | - | - | 4,057 |
| Recognition of share-based payments | - | - | 12 | - | 12 |
| Total | <u>4,057</u> | <u>-</u> | <u>(1,286)</u> | <u>316</u> | <u>3,087</u> |
| Balance as at 30 June 2014 | <u>140,172</u> | <u>22</u> | <u>255</u> | <u>(95,306)</u> | <u>45,143</u> |
| Profit for the period, representing total comprehensive profit for the period | - | - | - | 85 | 85 |
| Transactions with owners, recognised directly in equity | | | | | |
| Issue of shares upon conversion of warrants | 13,484 | - | - | - | 13,484 |
| Recognition of share-based payments | - | - | 11 | - | 11 |
| Total | <u>13,484</u> | <u>-</u> | <u>11</u> | <u>-</u> | <u>13,495</u> |
| Balance as at 30 September 2014 | <u><u>153,656</u></u> | <u><u>22</u></u> | <u><u>266</u></u> | <u><u>(95,221)</u></u> | <u><u>58,723</u></u> |

| <u>In S\$'000</u> | <u>Share capital</u> | <u>Capital reserve</u> | <u>Share options reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|-------------------------------------------------------------------------------|----------------------|------------------------|------------------------------|---------------------------|---------------|
| Company | | | | | |
| Balance as at 1 January 2013 | 132,856 | 22 | 1,548 | (94,280) | 40,146 |
| Loss for the period, representing total comprehensive loss for the period | - | - | - | (41) | (41) |
| Transactions with owners, recognised directly in equity | | | | | |
| Reversal of expenses related to equity settled share-based payment | - | - | (29) | 29 | - |
| Issue of shares upon conversion of warrants | 813 | - | - | - | 813 |
| Recognition of share-based payments | - | - | 15 | - | 15 |
| Total | <u>813</u> | <u>-</u> | <u>(14)</u> | <u>29</u> | <u>828</u> |
| Balance as at 31 March 2013 | <u>133,669</u> | <u>22</u> | <u>1,534</u> | <u>(94,292)</u> | <u>40,933</u> |
| Profit for the period, representing total comprehensive income for the period | - | - | - | 2 | 2 |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividends | - | - | - | (2,017) | (2,017) |
| Issue of shares upon share options exercised | 153 | - | (42) | - | 111 |
| Issue of shares upon conversion of warrants | 793 | - | - | - | 793 |
| Issue of shares for settlement of professional fees | 470 | - | - | - | 470 |
| Recognition of share-based payments | - | - | 13 | - | 13 |
| Total | <u>1,416</u> | <u>-</u> | <u>(29)</u> | <u>(2,017)</u> | <u>(630)</u> |
| Balance as at 30 June 2013 | <u>135,085</u> | <u>22</u> | <u>1,505</u> | <u>(96,307)</u> | <u>40,305</u> |
| Profit for the period, representing total comprehensive income for the period | - | - | - | 6 | 6 |
| Transactions with owners, recognised directly in equity | | | | | |
| Issue of shares upon conversion of warrants | 382 | - | - | - | 382 |
| Recognition of share-based payments | - | - | 12 | - | 12 |
| Total | <u>382</u> | <u>22</u> | <u>12</u> | <u>-</u> | <u>394</u> |
| Balance as at 30 September 2013 | <u>135,467</u> | <u>22</u> | <u>1,517</u> | <u>(96,301)</u> | <u>40,705</u> |

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

Issued share capital

In 3Q-14, the Company issued an additional 2,697,434,822 new ordinary shares at \$0.005 per share through conversion of 2,697,434,822 warrants.

As a result, the Company's issued and paid-up capital increased to \$153,655,585 divided into 12,528,241,084 shares as at 30 September 2014.

In 3Q-13, the Company issued an additional 76,498,000 new ordinary shares at \$0.005 per share through conversion of warrants.

Warrants

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

At 30 September 2013, there were 3,842,888,195 outstanding warrants. Each warrant carried the right to subscribe for one new share in the capital of the Company at an exercise price of \$0.005.

Share options

The Company has a share option scheme known as mDR Limited Share Option Scheme 2003 which was approved by members of the Company at the Extraordinary General Meeting held on 13 January 2003. The Scheme expired on 12 January 2013. Upon expiration of the Scheme, no further share option can be granted but the provisions of the Scheme will remain in full force and effect in respect of any share options granted prior to the expiration but not exercised at the time of expiration.

At 30 September 2014, there were 45,155,000 (30 September 2013: 53,832,133) outstanding share options which would entitle the holders to subscribe for a total of 45,155,000 (30 September 2013 : 53,832,133) ordinary shares. If exercised, these share options represent approximately 0.36% of the share capital consisting of 12,528,241,084 issued shares at 30 September 2014.

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

| | Number of ordinary shares | |
|--------------------|----------------------------------|----------------------|
| | 30-Sep-14 | 31-Dec-13 |
| Issued and paid up | <u>12,528,241,084</u> | <u>8,981,891,673</u> |

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

Not applicable

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

The figures have not been audited or reviewed by the auditors of the Company.

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

Not applicable

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those used in the audited financial statements for the financial year ended 31 December 2013.

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

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") for accounting periods beginning 1 January 2014, where applicable.

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

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

| Earnings per ordinary share <i>(based on consolidated net (loss) profit attributable to equity holders of the Company)</i> | 3Q-14 cents | 3Q-13 cents | YTD-14 cents | YTD-13 cents |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|
| - Basic | (0.030) | 0.012 | (0.030) | 0.027 |
| - Fully diluted | <u>(0.030)</u> | <u>0.009</u> | <u>(0.030)</u> | <u>0.020</u> |

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 10,412,484,222 (3Q-13: 8,766,342,122).

In 3Q-14 and YTD-14, the share options are antidilutive and hence disregarded in the calculation of diluted losses per share.

Fully diluted earnings per ordinary share for 3Q-13 and YTD-13 were computed based on the weighted average number of shares during the period adjusted for the effect of all potential dilutive ordinary shares of 11,602,109,915.

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

| | Group | | Company | |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 30-Sep-14 Cents | 31-Dec-13 Cents | 30-Sep-14 Cents | 31-Dec-13 Cents |
| Net Asset Value ("NAV") per share | <u>0.53</u> | <u>0.58</u> | <u>0.47</u> | <u>0.47</u> |

The NAV per share as at 30 September 2014 is calculated based on 12,528,241,084 (31 December 2013: 8,981,891,673) ordinary shares.

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

Revenue and (loss) profit after income tax

The Group's quarter-on-quarter revenue decreased by 11% from \$82.9 million to \$73.6 million, with a 7% decrease from \$243.7 million for YTD-13 to \$225.5 million for YTD-14. The decrease in revenue was due mainly to the slowdown in its DMS businesses in both retail and distribution segments and AMS business.

Gross margins for DMS decreased from 9% to 8% quarter on quarter due to competitive pricing in the mobile distribution and retail businesses. AMS margins improved due to a change in the revenue mix of the AMS business.

Gross margin for DPAS decreased due to competition and a general slowdown.

Overall the Group's gross profit margins for 3Q-14 decreased by 1% and remain unchanged at 10% for YTD-14.

The Group registered losses of \$3.4 million and \$3.8 million for 3Q-14 and YTD-14 respectively, compared to profits of \$1.0 million and \$2.4 million for the respective corresponding periods in 2013. The one-off specific stock provision of \$3.07 million, coupled with the slowdown in the DMS businesses contributed to the losses for 3Q-14 and YTD-14. Included in the losses is also amortisation of the customer list under Quanli Singapore amounting to \$0.2 million and \$0.7 million for 3Q-14 and YTD-14 respectively.

Cash flows

The Group has a deficit cash of \$2.1 from operations for YTD-14 due mainly to higher purchase of inventories and repayment to trade payables.

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

Not applicable

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

The continuing sluggish demand for new handsets arising from market saturation, had resulted in an extremely challenging business landscape for the Singapore-centric DMS distribution and retail businesses. With the rate of handset obsolescence gathering pace, a result of the proliferation of new handset manufacturers, and established manufacturers bringing new devices to market within shorter timeframes, the Group had critically assessed the value of its inventory holdings and deemed the provision of \$3.07 million as necessary.

Following this, with the continued challenging environment in which the DMS distribution and retail businesses are operating under, it will be a priority of the Group to evaluate the long term viability of the DMS businesses in its current form and scale, and a rationalization of the DMS businesses will be carried out with a view to returning them to future profitability.

The DPAS segment, whilst remaining profitable and a key contributor to the Group's bottom-line, is facing margin pressures due to the slowdown in the billboards business in Malaysia. However, the growth potential for the DPAS business remains good, and efforts will be made to grow its footprint in the region, outside of Malaysia.

In August 2014, MDR Golden Myanmar Sea Company Limited ("MDR Golden"), the business partner of its joint venture company MDR Myanmar Limited ("MDR Myanmar"), started its Ooredoo prepaid cards distribution business in Mandalay with encouraging results. MDR Golden, as one of two prepaid cards distributors appointed by Ooredoo in Mandalay, and one of six distributors nationwide, is a key partner to Ooredoo's vision to provide "accessible, affordable and life-enhancing services to the people of Myanmar".

The Group, through Golden Myanmar Sea Company Ltd ("GMS Myanmar"), is also gradually building its distribution network in Myanmar. To date, GMS Myanmar has more than 250 dealer points across 11 out of 14 States in Myanmar. The Group will make efforts to grow its network and presence in Myanmar, as the country presents a tremendous growth potential in the years to come.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommend for the period.

13. Interested Person Transactions

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000) |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | \$'000 | \$'000 |
| Pacific Organisation Pte Ltd - Rental expenses | 332 | - |
| Mr Tham Khai Wor - Advisory fee | 32 | - |
| - Others | 5 | - |
| Total | 369 | - |

14. Use of proceeds

The following sets out the status of 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.

| | S\$'000 |
|-----------------------------------------------------------------------------------------------------|---------------|
| Balance of proceeds as at 30 June 2014 | 4,925 |
| Proceeds received for the period | 13,487 |
| Utilisation towards general working capital - third party payments, including suppliers invoices | (2,000) |
| Balance of proceeds as at 30 September 2014 | <u>16,412</u> |

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.

BY ORDER OF THE BOARD

Ong Ghim Choon
Chief Executive Officer
14 November 2014

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

We, Mah Kah On and Ong Ghim Choon, being two directors of mDR Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the third quarter 2014 financial results to be false or misleading in any material respect.

On behalf of the Board of Directors

Mah Kah On
Chairman of Audit Committee

Ong Ghim Choon
Chief Executive Officer

Singapore, 14 November 2014