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*Our vision is to be a leader  
in distribution, retail and  
after-market services for high  
technology products*

# CORPORATE PROFILE

**mDR Limited** (“mDR” or the “Company”) is Asia’s premier outsourcing solutions partner for major mobile phone manufacturers and telecommunication network operators in the provision of after-market services (“AMS”) and distribution and retail (“DMS”) for mobile communication and high-tech consumer products.

In AMS, we offer a comprehensive suite of integrated after-sales customer services including customer relationship management and technical services management, on behalf of our partners to their end-customers through proximity service centres and third-party repair management services. Today, we operate an integrated AMS network across the Asia-Pacific region comprising more than 100 service centres and more than 100 collection points across various countries in the region. We represent global brands including 3Com, Huawei, LG, Motorola, Panasonic, Philips, Samsung, Sony Ericsson and ZTE.

Of synergistic fit is our DMS business, which provides distribution and retail of mobile communication equipment, prepaid cards and mobile-related services in Singapore. DMS partners and customers include mobile telecommunications equipment manufacturers such as Nokia, Samsung, Motorola and Sony Ericsson. Our distribution network comprises of the largest retail chains for mobile phones in Singapore, including authorized dealers and owned retail outlets operating under the “3 Mobile”, “Handphone Shop” and “Super Mobile” brands, as well as “Handphone Megastore”. These outlets retail handsets and accessories of several leading mobile phone brands and are also exclusive distributors for SingTel and MobileOne mobile-related services. (The comprehensive list of DMS outlets can be referred to on the back sheet of this Annual Report).

# CHAIRMAN'S STATEMENT



## INTRODUCTION

In the 2007 Annual Report, I had stated that given the prevailing economic uncertainties, 2008 was expected to be a difficult year. As we now enter 2009 and into a market environment that is expected to be more challenging and which carries multiple uncertainties, let us take a look at how the mDR Group (the "Group") managed the risks and challenges of 2008.


The key areas of focus in 2008 for the respective business divisions of the Group were:-

## AMS OPERATIONS

Having spent an inordinate amount of time and resources in 2007, putting in place new service models with our major principals to ensure better financial yields and long-term viability for this division, 2008's focus was on implementation.

In 2008, the Group focused on the following:-

- Completing administrative and regulatory matters relating to planned exits and closures of non-viable markets and accounts;
- Implementing new business models, while concurrently improving current business models to achieve better growth in revenue and/or yields; and
- Streamlining the division's internal corporate structure to reduce costs.



The aforementioned activities resulted in the AMS division posting an improvement of S\$3.3 million over 2007 and achieving a profit at the operating level in the second half of 2008. While the AMS division is now a more efficient and competitive structure, capable of meeting and delivering increasingly tighter service metrics for the global brands that we serve, we will remain vigilant in monitoring its performance in the light of current volatile market conditions.

### DMS OPERATIONS

DMS remains proactive and innovative in working with our principals, carrier partners as well as our franchisees in introducing products and services through our distribution and retail channels. In this typically high volume but low margin business, timely sell through of product lines and inventory is critical to profitability. Consumer demand and market sentiments have a direct bearing on the revenue and results of the DMS division.

Giving consideration to prevailing economic uncertainties, we actively reduced DMS trading and distribution purchases, particularly in the second half of 2008, in order to mitigate risks that may arise from price erosion due to excess hardware in the regional market. This resulted in a revenue of S\$234.8 million, a 4% decrease as compared to 2007. Profit contribution at the operating level was S\$3.2 million lower in 2008 as compared to 2007. However, sales volume and line activation in the retail segment remains relatively healthy and recorded an increase in revenue of S\$11.1 million or 8%.

### CONVERTIBLE BONDS

The global financial crisis has created much uncertainties which presents severe challenges for the Group and as such, measures have been instituted to protect our operations. In early 2008, the Group entered into an agreement with its lenders to restructure its bank debts. Part of the restructuring includes a conversion of S\$12.0 million of debts into convertible bonds. The first redemption of S\$2.0 million of the convertible bonds fell due at the end of 2008 and the Group has successfully negotiated with its lenders for a variation in relation to this first redemption.

We will continue to discuss with our lenders on the remaining S\$10.0 million convertible bonds. Agreement between the lenders and the Group is crucial to the Group's ability to continue as a going concern. If an agreement can be reached with our lenders on a further and favourable variation to the remaining S\$10.0 million of the convertible bonds, the Group believes that it has adequate resources to continue its operations.

### STRATEGIC INVESTORS

We believe strongly in the potential benefits and contributions that can be derived from strategic partnerships, synergistic or otherwise, like accelerating the pace of entry into new markets, broadening product lines and service mix or increasing the depth, experience and skill set of the Group. As such, we have been looking at various opportunities in this area for the past few years. While our efforts to-date have yet to bear fruit, and may prove to be more difficult under the existing weak investment climate, we will nevertheless continue to engage and interview all viable opportunities in this area.

### 2008 REVIEW

Closure of non-viable operations and accounts in China, Taiwan and Malaysia contributed to improvement in the AMS division. Completion of restructuring and other cost management activities at the corporate level resulted in the improvement of AMS operations by S\$3.3 million. This gain is offset by lower contribution from DMS operating profit of S\$3.2 million as it curtails its trading and distribution business in order to mitigate against risk of excess hardware and potential price erosion in regional markets.

In the face of the deep global economic downturn and business forecast predicated on the condition, the Group provided for an impairment of goodwill of S\$14.1 million. Fair value adjustments for convertible bonds/notes and unrealised translation loss arising from revaluation of inter-company balances accounted for S\$4.2 million and S\$3.8 million respectively. The above non-cash charges of an aggregate S\$22.1 million resulted in the Group posting a net loss after tax of S\$24.4 million for 2008. Excluding these one-off expenses of S\$22.1 million, the Group

# CHAIRMAN'S STATEMENT

made a net loss after tax of S\$2.3 million. Comparatively, the Group posted a net loss after tax of S\$0.5 million in 2007.

## OUTLOOK AND PROSPECTS

We expect 2009 to be an extremely challenging year. Our performance is tied very closely to the continued success of our principals' and partners' products and services in the relevant industries. Poor trading conditions and/or any changes in business models that our key principals and partners may implement, in the face of the deep global economic downturn, may require timely and expeditious adjustments to both our AMS and DMS operations.

We believe that the efforts and resources that we have expended in the last couple of years that have resulted in a leaner and more cost effective structure will help the Group to weather the uncertainties. The Group will need to protect its cash-flow and working capital position and as such the Group will actively engage with its lenders to seek a mutually agreeable arrangement on the remainder of the convertible bonds.

## NOTE OF APPRECIATION

I would like to thank my fellow Directors who continue to provide valuable insight and expertise to the Group as we move forward. The Board shall continue to be proactive and contribute constructively to the Group. The current environment imposes additional duties on the Board to discharge its role and we will carry these out with due care and vigilance.

Our management team has also shown tremendous initiative, drive and commitment and I expect that they will continue to do so going forward.

We appreciate the strong support and confidence that our principals, business partners and lenders have provided to the Group through these years, and their active engagement to help us evolve new and more effective business models in both the AMS and DMS divisions.

As our shareholders, we appreciate your indulgence and understanding and seek your continued support for these challenging and uncertain times that we are all going through.

PHILIP ENG  
Chairman



# BUSINESS NETWORK



# BOARD OF DIRECTORS



**PHILIP ENG** is our Independent Non-Executive Chairman. He was appointed to our Board on 1 June 2005 and was re-elected on 31 May 2006 and subsequently on 25 April 2008. Mr. Eng is also Deputy Chairman of MCL Land Limited. He is Non-Executive Chairman of Orchard Energy Pte Ltd, Director of Frasers Centrepoint Asset Management Ltd, Chinese Development Assistance Council, Hektar Asset Management Sdn. Bhd., NTUC Income and OpenNet Pte Ltd. He is also Commissioner of PT Adira Dinamika Multi Finance Tbk, in Indonesia. He is currently Singapore's Ambassador to Greece and High Commissioner to Cyprus. He graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.



**TONG CHOO CHERNG** is our Executive Director and Chief Executive Officer. He was appointed to our Board on 25 May 2005 and re-elected on 31 May 2006. As CEO, Mr. Tong is responsible for the overall management of the business of our Group. Mr. Tong joined the Group in August 2003 as our Regional Director with overall responsibilities for managing our operations Australia and New Zealand. Prior to joining us, Mr. Tong was the Chief Financial Officer (South Asia) for Flextronics International Ltd and the Group Chief Financial Officer for JIT Ltd from 1999 to 2000, before JIT Ltd was acquired by Flextronics in 2000. Prior to 1999, Mr. Tong held various appointments which included Thomson Consumer Electronics Marketing Asia Pte Ltd where he served as Manager – Finance, Ventures and Business Development (1996 to 1997) and then as Manager, Planning & Distribution (1997 to 1999). Before that, Mr. Tong was an Executive Director of United Circuits (HK) Ltd and United Greatwall (China) Ltd, a printed circuit board manufacturer from 1991 to 1996. Between 1985 to 1990, Mr. Tong was with Motorola Electronics Pte. Ltd. in Singapore, first as its Financial Controller from 1986 to 1987 and then as Materials Manager from 1988 to 1990. Mr. Tong is qualified as a certified accountant with The Chartered Association of Certified Accountants (United Kingdom).



**MAH KAH ON** is our Independent Non-Executive Director. He was appointed to our Board on 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 (formerly known as Associated Merchant Bank Pte Ltd). He was the chief executive officer from 1999 till 30 June 2005, when he retired. Mr. Mah qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales and he is currently a member of the Institute of Certified Public Accountants in Singapore.





**CHAN SOO SEN** is our Independent Non-Executive Director. He was appointed to our Board on 6 October 2006 and subsequently on 25 April 2008. Mr. Chan is also an Independent Director for BreadTalk Group Limited, Sunmoon Food Company Limited (formerly known as FHTK Holdings Ltd), Midas Holdings Limited and The GEP Group. He is a well-known figure in Singapore's political scene, having been a Member of Parliament ("MP") since winning the 1997 General Elections in the East Coast Group Representative Constituency. He is also currently the MP for Joo Chiat, a ward that he has been in charge of after the 2001 General Elections and upon re-election in the 2006 General Elections. Appointed as the Parliamentary Secretary in January 1997, Mr. Chan had served in various ministries. He was promoted to Senior Parliamentary Secretary in May 2001 and then to Minister of State six months later. His last held appointments were Minister of State for Education as well as Minister of State in the Ministry of Trade and Industry. He relinquished his political appointments in 2006. Prior to his political career, Mr. Chan spent 14 years in the Administrative Service from 1980 to 1994, rising to the appointment of Deputy Secretary (Development) in the Ministry of Home Affairs. His achievements include setting up the Chinese Development Assistance Council in 1992, which has grown to become an effective community self-help group today. He was also responsible for taking the China-Singapore Suzhou Industrial Park project off the ground in 1994 and nurturing it through its initial three years. Mr. Chan was awarded the President's Scholarship and Colombo Plan Scholarship in 1975 to pursue undergraduate studies in the United Kingdom. He graduated in 1978 with a Bachelor of Arts (Second Class Honours) in Mathematics from Keble College, University of Oxford. In 1986, he pursued post graduate studies in the United States under the Public Service Division's Mid Career Scholarship and returned in 1987 with a Master of Science in Management Science from the University of Stanford.



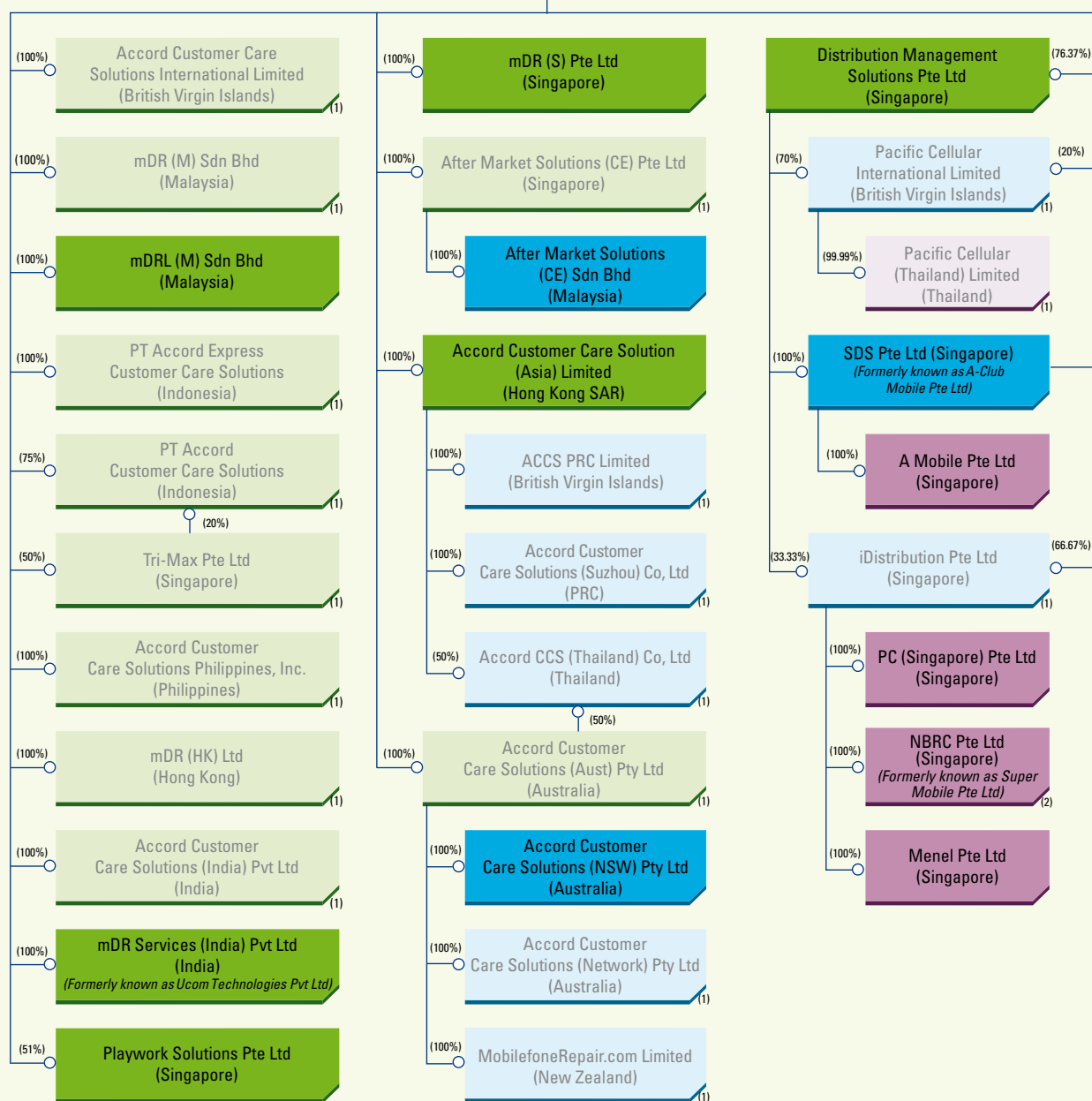
**THAM KHAI WOR** is our Independent Non-Executive Director. He was appointed to our Board on 6 October 2006. Mr. Tham retired in 2005 from Singapore Press Holdings, the largest media organization in the region. In his 33 years with Singapore Press Holdings, Mr. Tham held a number of key senior positions including his last appointment as Senior Executive Vice President, Marketing. He was also a member of the Singapore Press Holdings management and executive committees and held various directorships in its subsidiaries. Mr. Tham's knowledge and experience in the publishing of newspapers and magazines, media, advertising and marketing is well known in the region. He was actively involved with the advancement of the printing, advertising and publishing industries, and was

- President, Master Printers Association;
- President, Media Owners Association;
- Founding Governor, Institute of Advertising; and
- Director, Asian Federation of Advertising Associations.

For all his contributions to advertising and media, he was awarded the prestigious Max Lewis Award for Excellence in 2005. Mr. Tham is presently a company director and principal consultant in marketing, business development, strategic brand management and media relations. His clients include Singapore Press Holdings, AIG-AIA, SC Global, Mercedes Benz, Cycle and Carriage, TSMP and Singapore Pools.

# GROUP STRUCTURE

(AS AT 31 DECEMBER 2008)



## NOTES:

- (1) All subsidiaries denoted with a footnote (1) are currently dormant  
 (2) Retail operation ceased

# CORPORATE GOVERNANCE

The Company is committed to observe the standards of corporate governance as set out in the Singapore Code of Corporate Governance (the “Code”).

## Board’s Conduct of its Affairs

The Board is accountable to the shareholders while the management is accountable to the Board.

The Board establishes a control framework that enables risk 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.

To assist the Board in the execution of its responsibilities, the Board has established 3 committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee, all of which operate within clearly defined terms of reference and functional procedures. Other ad hoc committees will also be constituted as and when necessary to oversee special matters.

Regular quarterly meetings are scheduled ahead 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’s approval 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 will fund Directors’ attendances at any course appropriate to their discharge of duties as Directors.

Directors are given unrestricted access to all Company staff. Directors 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.

## Board Composition and Balance

As at the date of this Report, the Board comprises one Executive Director and four Non-Executive Directors of whom all four are also Independent Directors (i.e. Independent Directors make up more than one-third of the Board). The independence of each Independent Director is reviewed annually by the Nomination Committee. For this, the Nomination Committee adopts the Code’s definition of what constitutes an independent director in its review.

The Nomination Committee is of the view that the four current Independent Directors of the Company, namely Mr. Philip Eng Heng Nee, Mr. Mah Kah On, Mr. Chan Soo Sen and Mr. Tham Khai Wor are independent directors within the meaning of the Code, that there is a strong and independent element on the Board and it is able to exercise objective judgment 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 Nomination Committee is also of the view that the current Board consists of persons who, together, will provide core competencies such as accounting & finance, business & management experience, industry knowledge, strategic planning experience and customer-based experience & knowledge necessary to meet the Company’s objectives.

# CORPORATE GOVERNANCE

## Role of Chairman and Chief Executive Officer

The Board applies the principle of clear division of responsibilities at the top of the Company; the working of the Board and the executive responsibility of the Company's business are divided to ensure a balance of power and authority.

The Chairman's and Chief Executive Officer's functions in the Company are assumed by different individuals. The Chief Executive Officer is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman bears responsibility for the management of the Board. The Chief Executive Officer of the Company, Mr. Tong Choo Cherng, is not related to the Chairman of the Board, Mr. Philip Eng Heng Nee.

## Access to Information

Board memoranda accompany each Director's written resolution to provide explanatory information on the resolution. Financial budgets and forecasts are also presented to the Board before adoption. The Directors have also been 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 will appoint a professional adviser selected by the group or individual, to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends all Board and Board committee meetings unless there is a valid reason for excusing himself from any meeting, in which case a representative will attend in his absence. The Company Secretary helps to ensure that board procedures are followed and relevant rules and regulations are complied with.


## Nomination Committee ("NC")

As at the date of this Report, the Company's NC comprises four Non-Executive Directors, namely, Mr. Chan Soo Sen (NC chairman), Mr. Philip Eng Heng Nee, Mr. Mah Kah On and Mr. Tham Khai Wor, all of whom are independent. The NC chairman is not directly or indirectly associated with any substantial shareholder of the Company.

The NC is responsible for, *inter alia*, making recommendations to the Board on all Board appointments and 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 shall abstain 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.

New Directors may be appointed via Board resolutions after the NC has reviewed and nominated them for appointments. Such new Directors must submit themselves for re-election at the next Annual General Meeting of the Company. The NC, in considering the re-appointment of any Director, will evaluate the performance of the Director. The Chairman will constantly monitor, and assess each Director's contribution to the Board at meetings, intensity of participation at meetings and the quality of interventions and then discuss the results with the chairman of the NC. The Directors' attendance records at Board and Board committee meetings will make up the other criteria for re-appointment.



Article 91 of the Articles requires every Director to retire from office once every three years and for this purpose, at each Annual General Meeting, one-third of the Directors for the time being shall retire from office. This means that no Director shall stay in office for more than three years before being re-elected by shareholders.

### **Audit Committee (“AC”)**

As at the date of this Report, the Company’s AC comprises four Non-Executive Directors, namely, Mr. Mah Kah On (AC chairman), Mr. Philip Eng Heng Nee, Mr. Chan Soo Sen and Mr. Tham Khai Wor, all of whom are independent. Each AC member has many years of experience in managerial positions in various industries. The Board is of the view that the AC members have sufficient financial management expertise to discharge the AC’s functions.

The role of the AC includes, *inter alia*, reviewing the quarterly and full-year financial statements prior to submission to the Board, reviewing the independence and objectivity of the external auditors and reviewing 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 shall have 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 function properly. Each member of the AC shall abstain 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 once a year without the presence of the management. The AC has reviewed the independence and objectivity of Deloitte & Touche and has satisfied itself of Deloitte & Touche’s position as an independent external auditor.

### **Internal Audit**

The Company’s internal audit department ( “IA”) is an independent function that reports directly to the AC on audit matters and to the Chief Executive Officer on administrative matters. The AC reviews the IA’s reports and its activities on a quarterly basis. The AC also reviews and approves the annual internal audit plans and resources to ensure that the IA has the capability to adequately perform its functions. The IA meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. .

The AC is of the view that the IA has appropriate standing within the Company, and is currently adequately resourced.

### **Remuneration Committee (“RC”)**

As at the date of this Report, the Company’s RC comprises four Non-Executive Directors, namely, Mr. Tham Khai Wor (RC chairman), Mr. Philip Eng Heng Nee, Mr. Mah Kah On and Mr. Chan Soo Sen, all of whom are independent of management and free from any business or other relationship, which may materially interfere with the exercise of their independent judgment.

The RC has access to the Company’s human resources department and external consultant for expert advice on executive compensation.

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 and Directors through competitive compensation and progressive policies. The RC’s recommendations are made in consultation with the Chairman of the Board and submitted for approval by the entire Board.

# CORPORATE GOVERNANCE

Each Member of the RC shall abstain from voting on any resolutions, making any recommendation and participating in any deliberation in respect of his remuneration.

## Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on 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 programme (including, but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and Senior Management to ensure that the programme is competitive and sufficient to attract, retain and motivate Senior Management of the required quality to run the Company successfully;
- 3) review Directors' and Senior Management's compensation annually and determine appropriate adjustments; review and recommend the Chief Executive Officer's pay adjustments; and
- 4) administer the mDR Share Option Scheme 2003 ("ESOS"), details of which are set out in this Annual Report.

The RC decides on the specific remuneration packages for the Directors, Chief Executive Officer and all key employees who report directly to the Chief Executive Officer. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for approval by the entire Board.

The Chief Executive Officer's remuneration packages include a performance-related variable bonus, and also share options which have been designed to align his interests with the shareholders'. The Chairman's remuneration is not performance-related and is paid as a director's fee. The Chairman is also entitled to share options under the ESOS. Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting.

In setting remuneration packages, the RC takes into account the performance of the Group and the individuals. In its deliberations, the RC takes into consideration pay and employment conditions within the industry and in comparable companies.

As at 31 December 2008, the Directors' remunerations fall within the following categories :

Range	2008	2007
Below S\$250,000	4	4
Between S\$250,000 and S\$500,000	-	-
Between S\$500,000 and S\$750,000	1	1

The terms of appointment of the Chairman of the Board, Mr Philip Eng Heng Nee, are set out in an appointment letter from the Company to him. His remuneration essentially comprises a director's fee of S\$120,000 for each financial year and share options under the ESOS. Upon full exercise of the said options, the total number of shares to be issued to Mr Philip Eng will be equivalent to 0.73% of the issued share capital of the Company as at 31 December 2008. As discussed and accepted by the RC, Mr Philip Eng has decided to reduce his director's fee to S\$80,000 for financial year 2008 ("FY2008").



The Non-Executive Directors do not have appointment letters from the Company. Their terms of appointment and office are specified in the Articles. The remuneration package for each of the three Non-Executive Independent Directors, namely Mr. Mah Kah On, Mr. Chan Soo Sen and Mr. Tham Khai Wor, essentially comprises a director's fee of S\$40,000 for each financial year.

The chairmen and members of the various Board committees also receive the following additional fees to take into account their additional responsibilities:-

<b>Appointment</b>	<b>Additional fee for each financial year (S\$)</b>
Audit Committee chairman	20,000
Audit Committee member	10,000
Nomination Committee chairman	6,000
Nomination Committee member	3,000
Remuneration Committee chairman	6,000
Remuneration Committee member	3,000

The RC recommends to the Board, Non-Executive Directors' fees that are appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities. The RC is of the view that the Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

The Company has entered into a Service Agreement dated 25 May 2005 with Mr. Tong Choo Cherng. Under the Service Agreement, Mr. Tong is appointed as the Chief Executive Officer of the Company. The appointment is for a term of five years (unless terminated by either party on the giving of six months' notice). The Service Agreement will also terminate automatically in the event of his death and may be terminated immediately by the Company without prior notice on the occurrence of certain specified events, including, serious or persistent breach of obligations, grave misconduct or bankruptcy.

Save as disclosed above, there are no other existing or proposed service contracts or appointment letters between the Company or its subsidiaries and any of its Directors.

There are no existing or proposed service contracts entered or to be entered into by any Director with the Company or any of the Company's subsidiaries which provide for benefits upon termination of employment.

## Key Executives' Remuneration

For FY2008, the key executives who are not directors of the Company and whose remuneration falls within the following categories are as follows:

Below S\$250,000  
 Cholan s/o P. Alagumalai  
 Kwa Hian Djoe  
 Siua Cheng Foo, Richard  
 Wee Swee Neo, Doris

Between S\$250,000 and S\$500,000  
 Lee Kah Hoo  
 Low Hwee Chiak  
 Ong Ghim Choon

There are no employees who are immediate family members of a Director or the Chief Executive Officer, whose remuneration exceeds S\$150,000 during FY2008.

# CORPORATE GOVERNANCE

## **Accountability and Audit Communication with Shareholders Greater Shareholder Participation**

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

The Company does not practise selective disclosure of material information. Material information is publicly released at the first opportune time 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 & Corporate Regulatory Authority) and will also be made available on the Company's website.

The Company's investor relation function is supported by the in-house corporate affairs department and/or outsourced on an ad hoc basis to an external public relations firm to assist in its communication with its investors, the media, analysts and the public. All shareholders of the Company receive the Company's annual report and notice of Annual General Meeting. The notice of meeting will also be posted on the Company's website. At Annual General Meetings, shareholders are given equal opportunity and time to air their views and ask Directors and management questions regarding the Company. The Articles allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings. The chairman of each Board committee will be present and available to address questions at general meetings. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. Resolutions are separately passed at general meetings.

The Company has yet to amend its Articles to provide for absentia voting as this method is elaborate and costly, and the need for it presently does not arise.

## **Best Practices Guide and Dealings in Securities**

Notwithstanding that compliance with the SGX-ST's Best Practices Guide is not mandatory, the Company is committed to adopt and abide by it.

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

Officers 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.

## Directors' Attendance at Board and Board Committee Meetings

For FY2008, the Directors' attendances at Board and committee meetings are as follows:-

Directors	No. of meetings attended expressed as a ratio of total no. of meetings held in FY2008			
	Board Meetings	AC Meetings	NC Meetings	RC Meetings
Philip Eng Heng Nee	6/6	4/4	1/1	2/3
Tong Choo Cherng	6/6	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>
Mah Kah On	6/6	4/4	1/1	3/3
Chan Soo Sen	5/6	3/4	0/1	1/3
Tham Khai Wor	4/6	3/4	1/1	3/3

Note:

<sup>(1)</sup> Mr. Tong Choo Cherng is not a member of the Audit Committee, Nomination Committee or Remuneration Committee.

## Interested Person Transactions Policy

The Company has adopted an internal policy where all Interested Person Transactions will be documented and submitted at least 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.

## Implementation of Whistle-Blowing Policy

The Company has implemented a whistle-blowing policy by which staff of the Company may, in confidence, raise concerns about possible improprieties in financial or other matters and arrangements are in place for independent investigation of such matters and appropriate follow-up action.



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# REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2008.

## 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*)  
Tong Choo Cherng  
Mah Kah On  
Chan Soo Sen  
Tham Khai Wor

## 2 AUDIT COMMITTEE

The Board of Directors has adopted the principles of corporate governance under the Best Practices Guide with regards to the audit committee.

The members of the Audit Committee at the date of this report are:

Mah Kah On (*Chairman of the Audit Committee*)  
Philip Eng Heng Nee  
Chan Soo Sen  
Tham Khai Wor

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;
- c) the quarterly, half-yearly and annual announcements on the results and the financial position of the Company and the Group;
- d) the co-operation and assistance by the management to the Group's external auditors; and
- e) the reappointment of the external auditors of the Group.

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 of the Group 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.

# 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:

Name of directors and companies in which interests are held	Shareholdings registered in the name of director		
	At January 1, 2008	At December 31, 2008,	At January 21, 2009
mDR Limited			
-Ordinary shares			
Tong Choo Cherng	10,000,000	10,000,000	10,000,000
mDR Limited			
-Options granted			
Philip Eng Heng Nee	11,238,000	12,326,000	12,326,000
Tong Choo Cherng	1,716,428	6,716,428	6,716,428

## 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 for salaries, bonuses and other benefits 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:

Tham Khai Wor (*Chairman of the Remuneration Committee*)  
 Chan Soo Sen  
 Mah Kah On  
 Philip Eng Heng Nee

- b) Each share option entitles the employees of the Group and of its associated company(ies) 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 company(ies), if any, provided that the Company has control over the associated company(ies). 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%. In the event that options are issued at a discount, such options may be exercised only after the second anniversary from the date of the grant of the option.

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 company(ies) 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 (12) twelve 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.

# REPORT OF THE DIRECTORS

- d) The share options granted and exercised during the financial year and share options outstanding as at December 31, 2008 under the 2003 Scheme were as follows:

Grant date	Balance at January 1, 2008	Issued	Lapsed/ cancelled	Number of share options		Exercisable period
				Balance at December 31, 2008	Exercise price per Share S \$	
September 17, 2003	1,465,708	-	(77,142)	1,388,566	0.3111	September 17, 2004 to September 16, 2013
April 14, 2004	12,381,404	-	(2,082,849)	10,298,555	0.5063	April 14, 2005 to April 13, 2014
September 22, 2005	11,238,000	-	-	11,238,000	0.1206	September 22, 2006 to September 21, 2010
January 10, 2008	-	1,088,000	-	1,088,000	0.0550	January 10, 2009 to January 9, 2013
May 13, 2008	-	22,000,000	-	22,000,000	0.0300	May 13, 2009 to May 12, 2018
<b>Total</b>	<b>25,085,112</b>	<b>23,088,000</b>	<b>(2,159,991)</b>	<b>46,013,121</b>		

Particulars of the options granted in 2003, 2004 and 2005 under the scheme were set out in the Report of the Directors for the financial year ended December 31, 2003, December 31, 2004 and December 31, 2005.

In respect of options granted to employees of the Group, a total of 17,000,000 were granted during the financial year, making it a total of 26,970,693 options granted to employees of the Group from the commencement of the Scheme to the end of the financial year.

- 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, 2008	Aggregate options exercised since commencement of the Scheme to December 31, 2008	Aggregate options outstanding at December 31, 2008	Percentage of total number of options outstanding at December 31, 2008
Philip Eng Heng Nee	1,088,000	12,326,000	-	12,326,000	27%
Tong Choo Cherng	5,000,000	6,716,428	-	6,716,428	12%

- f) During the financial year, other than as disclosed in paragraph 6(e) above in respect of options granted to Philip Eng Heng Nee and Tong Choo Cherng, no employees received 5% or more 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.

## **7 AUDITORS**

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

### **ON BEHALF OF THE DIRECTORS**

Philip Eng Heng Nee

Tong Choo Cherng

April 3, 2009

# STATEMENT BY DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 25 to 79 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, 2008, 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, after considering the measures taken by the Group relating to the uncertainties described in the financial statements regarding going concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## ON BEHALF OF THE DIRECTORS

Philip Eng Heng Nee

Tong Choo Cherng

April 3, 2009

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MDR LIMITED

We have audited the accompanying financial statements of mDR Limited (the Company) and its subsidiaries (the Group) which comprise the balance sheets of the Group and the Company as at December 31, 2008, the profit and loss statement, statement of changes in equity and cash flow statement 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 notes, as set out on pages 25 to 79.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Singapore Companies Act, Cap. 50 (the "Act") and the Singapore Financial Reporting Standards. This responsibility includes: 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 true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## 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 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 and fair presentation of the financial statements 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.

## Opinion

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet 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, 2008 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MDR LIMITED

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(d) of the financial statements wherein the management has disclosed the material uncertainties relating to the Group's and the Company's ability to continue as going concerns in the face of the global financial and economic crisis, uncertainties associated with negotiating additional banking facilities and challenges management have in executing their action plans to address the abovementioned uncertainties. In the event that the Group and the Company are unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. No adjustments have been made in the financial statements in respect of this.

Deloitte & Touche LLP  
Public Accountants and  
Certified Public Accountants

Cheung Pui Yuen  
Partner  
Appointed on October 3, 2005

Singapore  
April 3, 2009



# BALANCE SHEETS

YEAR ENDED DECEMBER 31, 2008

		Group		Company	
	Note	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	6	9,714	9,613	342	2,034
Cash and bank balances pledged	6	101	152	101	152
Trade receivables	7	28,505	33,184	6,897	7,659
Other receivables and prepayments	8	6,573	6,137	11,937	7,499
Inventories	9	8,557	16,678	306	-
Total current assets		53,450	65,764	19,583	17,344
<b>Non-current assets</b>					
Investment in associates	10	-	-	-	-
Investment in subsidiaries	11	-	-	15,483	26,523
Plant and equipment	12	3,637	3,841	414	424
Other investments	13	-	-	-	-
Goodwill on consolidation	14	3,087	11,655	-	-
Other goodwill	15	2,500	8,074	-	-
Total non-current assets		9,224	23,570	15,897	26,947
<b>Total assets</b>		62,674	89,334	35,480	44,291
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank loans and overdrafts	16	8,893	19,107	2,215	5,252
Convertible loan notes	17	12,850	-	12,850	-
Fair value adjustment on convertible notes	17	3,866	-	3,866	-
Trade payables	18	12,840	18,941	660	1,319
Other payables	19	13,993	20,645	10,275	19,075
Current portion of finance leases	20	14	84	-	-
Income tax payable		692	1,460	-	-
Total current liabilities		53,148	60,237	29,866	25,646
<b>Non-current liabilities</b>					
Finance leases	20	-	42	-	-
Deferred tax liabilities	21	214	1,179	-	912
Total non-current liabilities		214	1,221	-	912
<b>Capital, reserves and minority interests</b>					
Share capital	23	99,894	98,055	99,894	98,055
Capital redemption reserve		22	22	22	22
Share options reserve	24	2,161	3,015	2,161	3,015
Foreign currency translation reserve		4,289	789	-	-
Accumulated losses		(99,655)	(77,786)	(96,463)	(83,359)
Equity attributable to equity holders of the Company		6,711	24,095	5,614	17,733
Minority interests		2,601	3,781	-	-
Total equity		9,312	27,876	5,614	17,733
<b>Total liabilities and equity</b>		62,674	89,334	35,480	44,291

See accompanying notes to financial statements.

# CONSOLIDATED PROFIT AND LOSS STATEMENT

YEAR ENDED DECEMBER 31, 2008

	Note	Group	
		2008 \$'000	2007 \$'000
<b>Revenue</b>	25	267,503	288,066
<b>Cost of sales</b>	26	(233,509)	(244,008)
<b>Gross profit</b>		33,994	44,058
Other operating income	27	4,253	4,347
Administrative expenses		(29,561)	(40,261)
Other operating expenses	28	(28,887)	(6,821)
Changes in fair value of convertible notes designated as fair value through profit or loss		(4,195)	-
Finance cost	29	(1,212)	(1,157)
<b>(Loss) Profit before income tax</b>		(25,608)	166
Income tax credit (expense)	30	1,207	(636)
<b>Loss for the year</b>	31	(24,401)	(470)
Attributable to:			
<b>Equity holders of the Company</b>		(23,036)	(1,417)
Minority interests		(1,365)	947
		(24,401)	(470)
Loss per share (cents):			
- Basic	33	(1.33)	(0.09)
- Diluted	33	(1.33)	(0.09)

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2008

	Share capital \$'000	Capital redemption reserve \$'000	Share options reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Attributable to equity holders of the Company \$'000	Minority interests \$'000	Total \$'000
<b>Group</b>								
Balance at January 1, 2007	89,841	22	3,166	1,204	(76,369)	17,864	3,575	21,439
Net loss for the year	-	-	-	-	(1,417)	(1,417)	947	(470)
Exchange differences arising on translation of foreign operations (*)	-	-	-	(415)	-	(415)	(491)	(906)
Total recognised income and expense for the year	-	-	-	(415)	(1,417)	(1,832)	456	(1,376)
Issue of shares for acquisition of interest in subsidiaries (Note 23)	250	-	-	-	-	250	(250)	-
Issue of shares on settlement of consultation services rendered (Note 23)	3,118	-	-	-	-	3,118	-	3,118
Issue of shares on placement (Note 23)	4,846	-	-	-	-	4,846	-	4,846
Recognition of share-based payments (Note 24)	-	-	(151)	-	-	(151)	-	(151)
Balance at December 31, 2007	98,055	22	3,015	789	(77,786)	24,095	3,781	27,876
Net loss for the year	-	-	-	-	(23,036)	(23,036)	(1,365)	(24,401)
Exchange differences arising on translation of foreign operations (*)	-	-	-	3,500	-	3,500	-	3,500
Total recognised income and expense for the year	-	-	-	3,500	(23,036)	(19,536)	(1,365)	(20,901)
Reversal of expenses related to equity-settled share-based payment (Note 24)	-	-	(1,167)	-	1,167	-	-	-
Recognition of share-based payments (Note 24)	-	-	313	-	-	313	-	313
Effects of acquisition of interest in subsidiaries	-	-	-	-	-	-	392	392
Convertible note – Fair value loss (Note 23)	329	-	-	-	-	329	-	329
Issue of shares upon conversion of convertible notes (Note 23)	2,150	-	-	-	-	2,150	-	2,150
Expenses in relation to issuance of convertible notes (Note 23)	(640)	-	-	-	-	(640)	-	(640)
Minority interest on non-wholly owned subsidiary disposed	-	-	-	-	-	-	(207)	(207)
Balance at December 31, 2008	99,894	22	2,161	4,289	(99,655)	6,711	2,601	9,312

(\*) Also recognised directly in equity

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2008

<b>Company</b>	<b>Share capital \$'000</b>	<b>Capital redemption reserve \$'000</b>	<b>Share option reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total \$'000</b>
Balance at January 1, 2007	89,841	22	3,166	(70,412)	22,617
Issue of shares for acquisition of interest in subsidiaries (Note 23)	250	-	-	-	250
Issue of shares on settlement of consultation services rendered (Note 23)	3,118	-	-	-	3,118
Issue of shares on placement (Note 23)	4,846	-	-	-	4,846
Recognition of share-based payments (Note 24)	-	-	(151)	-	(151)
Net loss for the year	-	-	-	(12,947)	(12,947)
Balance at December 31, 2007	98,055	22	3,015	(83,359)	17,733
Reversal of expenses related to equity-settled share-based payment (Note 24)	-	-	(1,167)	1,167	-
Recognition of share-based payments (Note 24)	-	-	313	-	313
Net loss for the year	-	-	-	(14,271)	(14,271)
Convertible note – Fair value loss (Note 23)	329	-	-	-	329
Issue of shares upon conversion of convertible notes (Note 23)	2,150	-	-	-	2,150
Expenses in relation to issuance of convertible notes (Note 23)	(640)	-	-	-	(640)
Balance at December 31, 2008	99,894	22	2,161	(96,463)	5,614

See accompanying notes to financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED DECEMBER 31, 2008

	2008 \$'000	2007 \$'000
<b>Operating activities</b>		
(Loss) Profit before income tax	(25,608)	166
Adjustments for:		
Depreciation expense	1,510	2,083
Interest expense	1,212	1,157
Interest income	(48)	(1,060)
Loss on disposal of plant and equipment	293	522
Allowance for (Reversal of) impairment of plant and equipment	80	(69)
Reversal of provision for impairment for advance payments for investments	-	(1,606)
Allowance for inventories	877	60
(Reversal of) Allowance for trade receivables	(503)	29
Reversal of other receivables	(775)	(642)
Share-based payments	313	(151)
Impairment of other goodwill	5,574	-
Impairment of goodwill on consolidation	8,568	519
Impairment of (Reversal of) other investments	-	(1,151)
Negative goodwill released to income	-	-
Reversal of restructuring cost	(2,000)	-
Gain on sale of business	-	(788)
Loss on disposal of subsidiaries (Note 32)	751	239
Forfeiture of deposit received	-	(1,501)
Changes in fair value of convertible notes designated as fair value through profit or loss	4,195	-
Liabilities written back	(248)	-
Operating cash flows before movements in working capital	(5,809)	(2,193)
Trade receivables	4,801	(2,072)
Other receivables and prepayments	196	880
Inventories	7,058	(2,787)
Trade payables	(5,376)	4,615
Other payables	(4,354)	(22,475)
Cash used in operations	(3,484)	(24,032)
Income tax paid	(526)	(316)
Interest received	48	1,060
Net cash used in operating activities	(3,962)	(23,288)

See accompanying notes to financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED DECEMBER 31, 2008

	2008 \$'000	2007 \$'000
<b>Investing activities</b>		
Investment in subsidiary	(408)	-
Additional investment in subsidiaries	-	(250)
Proceeds from disposal of plant and equipment	149	284
Purchase of plant and equipment	(2,051)	(1,073)
Proceeds from disposal of other investment	-	10,882
Advance payments for investments recovered	-	3,557
Proceeds from sale of business	-	1,743
Proceeds from disposal of subsidiary (Note 32)	-	120
Net cash (used in) from investing activities	(2,310)	15,263
<b>Financing activities</b>		
Interest paid	(1,212)	(1,157)
Repayment of bank loans	(11,612)	(2,015)
Proceeds from issue of shares	1,510	8,214
Repayment of finance leases	(112)	(82)
Repayment of cash pledged (Note A)	-	(54)
Cash pledged	51	-
Proceeds from issuance of convertible notes	12,850	-
Net cash from financing activities	1,475	4,906
Net decrease in cash and cash equivalents	(4,797)	(3,119)
Cash and cash equivalents at beginning of year	2,118	5,652
Effect of foreign exchange rate changes	3,500	(415)
<b>Cash and cash equivalents at end of financial year (Note A)</b>	<b>821</b>	<b>2,118</b>

## Notes to the consolidated cash flow statements

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

	2008 \$'000	2007 \$'000
Cash (Note 6)	9,815	9,765
Bank overdrafts (Note 16)	(8,893)	(7,495)
Less: Cash pledged (Note 6)	(101)	(152)
Cash and cash equivalents	821	2,118

See accompanying notes to financial statements.



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 1 GENERAL AND GOING CONCERN ASSUMPTION

- a) The Company (Registration No. 200009059G) is incorporated in the Republic of Singapore with its registered office and principal place of business at 20 Toh Guan Road #07-00 CJ GLS Building, Singapore 608839. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.
- b) The principal activity of the Company is that of investment holding and provision of after market services for mobile communication devices.
- c) The principal activities of the associates and subsidiaries are described in Notes 10 and 11 to the financial statements respectively.
- d) The global financial and economic crisis has created many circumstances which present severe challenges to the Group and these circumstances create material uncertainties over future trading results and cash flows. Measures have been instituted by the Group to protect its operations which include initiating several key cost cutting measures.

The Group has failed to comply on one of the financial debt covenants as per the convertible bond agreement and as a result the loan facilities are repayable on demand and have been disclosed as current liability in these financial statements. The Group has negotiated with its lenders, a variation of the first redemption of \$2.0 million of the \$12.0 million convertible bonds and continues to engage with its lenders on the remainder of the facilities. It is likely that these discussions will not be completed for some time and the agreement between the lenders and the Group is crucial to the Group's ability to continue as a going concern.

The Group has concluded that the combination of these circumstances represent a material uncertainty that casts doubt upon the Group's and the Company's ability to continue as a going concern. However after considering the measures taken and the uncertainties described above, the Group believes that it has adequate resources to continue its operations as a going concern.

For these reasons, the Group and Company continues to adopt the going concern basis in preparing the financial statements.

- e) The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2008 were authorised for issue by the Board of Directors on April 3, 2009.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The financial statements are prepared in accordance with the historical cost convention, 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").

**ADOPTION OF NEW AND REVISED STANDARDS** - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2008. 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.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

FRS 1	-	Presentation of Financial Statements (Revised)
FRS 1	-	Presentation of Financial Statements (Amendments relating to puttable financial instruments and obligations arising on liquidation)
FRS 23	-	Borrowing Costs (Revised)
FRS 32	-	Financial Instruments: Presentation (Amendments relating to puttable financial instruments and obligations arising on liquidation)
FRS 102	-	Share-based Payment (Amendments relating to Vesting Conditions and Cancellations)
FRS 108	-	Operating Segments
INT FRS 113	-	Customer Loyalty Programmes
INT FRS 116	-	Hedges of a Net Investment in a Foreign Operation

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

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS 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 except for the following:

## **FRS 1 – Presentation of Financial Statements (Revised)**

FRS 1 (Revised) will be effective for annual periods beginning on or after January 1, 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

## **FRS 108 – Operating Segments**

FRS 108 will be effective for annual financial statements beginning on or after January 1, 2009 and supersedes FRS 14 – Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments may change.

## **FRS 23 – Borrowing Costs (Revised)**

FRS 23 (Revised) will be effective for annual periods beginning on or after January 1, 2009 and eliminates the option available under the previous version of FRS 23 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the change in accounting policy is to be applied prospectively, there will be no impact on amounts reported for 2008.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by other members of the Group.

All material intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

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

**BUSINESS COMBINATIONS** - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current 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, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

## **Financial assets**

### Effective interest method

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 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 these financial instruments "at fair value through profit or loss".

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## Trade and other receivables

Trade 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 are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

## Other investments

Investment in unquoted bonds and unquoted equity shares are measured at cost, less impairment.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and fixed deposits and bank overdrafts that are subject to an insignificant risk of changes in value.

## Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 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.

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 to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit and loss statement to the extent the carrying amount of the investment 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.

### Bank borrowings (except convertible notes)

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. Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

### Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

### Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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Financial liabilities at fair value through profit or loss are initially measured at fair value, and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

## Other 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 rate method with interest expense recognised on an effective yield basis.

## Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

## Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**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.

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 on a straight-line basis over the lease term.

## 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 balance sheet 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 an 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 handphone spare parts, accessories and handphone sets that are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. 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.

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 33⅓%
Plant and equipment	-	10% to 20%
Motor vehicles	-	18% to 33⅓%
Furniture, fittings and renovations	-	20% to 33⅓%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, 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 the profit and loss statement.

**GOODWILL ON CONSOLIDATION AND OTHER GOODWILL (“GOODWILL”)** - Goodwill arising on the acquisition of a subsidiary or a business represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or purchased business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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 the carrying amount of the unit, 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 purchased business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**IMPAIRMENT OF ASSETS EXCLUDING GOODWILL** - At each balance sheet date, the Group reviews the carrying amounts of its 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.

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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.

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 the profit and loss statement.

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 the profit and loss statement.

**ASSOCIATES** - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred a legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.


Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**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 balance sheet date, 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.





**SHARE-BASED PAYMENTS** - The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions, behavioural considerations.

**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 fee 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.

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

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore

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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 profit and loss statement 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 balance sheet date.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 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 balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 the profit and loss statement.

**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 balance sheet and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies

are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. 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 classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### **3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

#### *Critical judgements in applying the entity's accounting policies*

In the process of applying the entity's accounting policies, which are described in Note 2, management is of the opinion that any instances of application of judgements (other than those arising from estimates discussed below) are not expected to have a significant effect on the amounts recognised in the financial statements except for the following:

As discussed in Note 1 to the financial statements, the Group has concluded that the combination of circumstances represent a material uncertainty that casts doubt upon the Group's and the Company's ability to continue as a going concern. However, after considering the measures taken and the uncertainties described above, the Group and Company believe that it has adequate resources to continue its operations as a going concern.

For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

#### Impairment of goodwill on consolidation and other goodwill

In determining whether goodwill is impaired, an estimation of the value in use of the cash-generating units to which goodwill has been allocated is performed by management. 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 on consolidation and other goodwill at the balance sheet date was \$3.1 million and \$2.5 million (2007 : \$11.7 million and \$8 million) respectively. Details of the impairment loss calculation are provided in Note 14 and Note 15 to the financial statements.

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## Recoverability of other receivables

During the year, the management considered the recoverability of other receivables due from certain subsidiaries included in the balance sheet of the Company as at December 31, 2008 and made reversal of provision for doubtful other receivables of \$2.02 million (2007 : additional provision \$10.6 million) (Note 8).

## Allowance for inventory obsolescence

In determining the net realisable value of the inventories, an estimation of the recoverable amount 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, 2008 is disclosed in Note 9 to the financial statements.

## 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 balance sheet date:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Loans and receivables (including cash and cash equivalent)	44,034	49,086	18,750	17,344
<b>Financial Liabilities</b>				
Amortised cost	35,740	58,819	13,150	-
Fair value through profit and loss	16,716	-	16,716	25,646

### (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 transacts business in various foreign currencies, including EURO and US dollars, and therefore is exposed to foreign exchange risk. This risk is managed through natural hedges as revenue and sales denominated in foreign currency are partly matched with corresponding costs in the same foreign currency.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities functional currencies at the reporting date are as follows::

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States dollars	(19,847)	(3,432)	27,454	8,509	(166)	(445)	21,133	16,791
Euros	(3,762)	(463)	1,013	674	(103)	(51)	278	1,242
Chinese Renminbi	(104)	(94)	42	37	-	(5,882)	-	-
Thai Baht	(6)	(12)	-	484	(30)	(932)	268	-
Australian dollars	(20,949)	-	3,595	-	-	(90)	-	-

*Foreign currency sensitivity*

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the Singapore dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the 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. The sensitivity analysis also includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant foreign currency weakens by 5% against the functional currency, loss will increase (decrease) by:

	US		Euro		Chinese		Thai		Australia	
	Dollar Impact		Impact		Reminbi Impact		Baht Impact		Dollar Impact	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>										
Profit and loss	380	365 <sup>(a)</sup>	(137)	22	(3)	(1)	-	1	(868)	1
<u>Company</u>										
Profit and loss	1,048	1,543 <sup>(b)</sup>	9	116	-	(58)	-	1	-	1

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If the relevant foreign currency strengthens by 5% against the functional currency, loss will increase (decrease) by:

	<b>US Dollar Impact</b>		<b>Euro Impact</b>		<b>Chinese Reminbi Impact</b>		<b>Thai Baht Impact</b>		<b>Australia Dollar Impact</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Group</u>										
Profit and loss	(380)	(365) <sup>(a)</sup>	137	(22)	3	1	-	(1)	868	(1)
<u>Company</u>										
Profit and loss	(1,048)	(1,543) <sup>(b)</sup>	(9)	(116)	-	58	-	(1)	-	(1)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure from the movements in foreign currency balances for the following reasons:

- (a) This is mainly attributable to the exposure outstanding on receivables and payables as at year end
- (b) This is mainly attributable to the exposure to outstanding US dollar intercompany receivables at the year end

## (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 sometimes borrows at variable rates.

### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group and Company's loss for the year ended December 31, 2008 would increase/decrease by \$109,000 and \$75,000 (2007 : \$96,000 and \$26,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with recognised and creditworthy counterparties. The Group's exposure of its counterparties are continuously monitored.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. The exposure to credit risk is monitored on an on-going basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade receivables are disclosed in Note 7.

The Group performs ongoing credit evaluations of its customers' financial conditions and generally does not require collateral. This evaluation includes assessing and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligation as at the end of the financial period in relation to each class of recognised financial assets in the carrying amount of those assets stated in the balance sheet. The Group does not have any significant concentration of credit risk.

Cash and fixed deposits are held with creditworthy financial institutions.

(iv) Liquidity risk management

Liquidity risk reflects that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to managing 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.

However, as a consequence of the general economic environment, the Group has stepped up its liquidity risk management approach as compared to prior periods as outlined below:

- with effect from the current year, liquidity forecasts are produced on a daily basis to ensure utilisation of current forecast is optimised.
- the management continually assesses the balance of capital and debt funding of the Group.

# NOTES TO FINANCIAL STATEMENTS

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## Liquidity and interest risk analyses

The table below summarises the maturity profile of the Group's and the Company's financial liabilities and financial assets at the balance sheet date based on contractual undiscounted payments.

### Financial liabilities

	Average effective interest rate	On demand or within 1 year	1 to 5 years	Over 5 years	Adjustment(*)	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
<b>2008</b>						
Trade and other payables	-	26,833	-	-	-	26,833
Variable interest rate instrument	4.95 to 6.36	10,109	-	-	(1,216)	8,893
Finance lease liability (fixed rate)	2.8	14	-	-	-	14
Convertible notes	1.5 to 3.75	17,179	-	-	(463)	16,716
<b>2007</b>						
Trade and other payables	-	39,586	-	-	-	39,586
Variable interest rate instrument	3.2 to 7.0	19,107	-	-	-	19,107
Finance lease liability (fixed rate)	4.3	88	44	-	(6)	126
<u>Company</u>						
<b>2008</b>						
Trade and other payables	-	10,935	-	-	-	10,935
Variable interest rate instruments	5.4 to 6.1	2,342	-	-	(127)	2,215
Convertible notes	1.5 to 3.75	17,719	-	-	(463)	16,716
<b>2007</b>						
Trade and other payables	-	20,394	-	-	-	20,394
Variable interest rate instruments	3.4 to 5.7	5,491	-	-	(239)	5,252

\* The adjustment column represents the possible future cash flows attributable to the instalment included in the maturity analysis which is not included in the carrying amount of the financial asset/ liability at the balance sheet.



### Financial assets

	Average effective interest rate	On demand or within 1 year	1 to 5 years	Over 5 years	Adjustment(*)	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
<b>2008</b>						
Trade and other receivables	-	34,219	-	-	-	34,219
Fixed interest rate instruments	1.0	9,832	-	-	(17)	9,815
<b>2007</b>						
Trade and other receivables	-	39,321	-	-	-	39,321
Fixed interest rate instruments	2.0	9,821	-	-	(56)	9,765
<u>Company</u>						
<b>2008</b>						
Trade and other receivables	-	18,307	-	-	-	18,307
Fixed interest rate instruments	-	443	-	-	-	443
<b>2007</b>						
Trade and other receivables	-	15,158	-	-	-	15,158
Fixed interest rate instruments	2.0	2,186	-	-	-	2,186

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions 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.

Except for convertible notes which are recorded as FVTPL as disclosed in Note 17, the management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(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 the debt and equity balance.

# NOTES TO FINANCIAL STATEMENTS

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The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16 and Note 17, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group's risk management committee reviews the capital structure on an on-going basis and given the current economic environment and trading conditions in the Group, management is reviewing its capital structure.

## 5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with related parties are unsecured, interest-free and repayable on demand.

During the year, group entities entered into the following trading transactions with related parties:

	Group	
	2008	2007
	\$'000	\$'000
<u>Nature of transactions</u>		
<i>Companies with common directors:</i>		
Bond interest income	-	(993)
Expenses paid on behalf of the Company	223	241

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 was as follows:

	Group	
	2008	2007
	\$'000	\$'000
Short-term benefits	1,055	1,056
Post-employment benefits	22	21
Share-based payments	137	119

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

### **Summary of transactions between Intermediaries and mDR Group/Company**

In prior year, the Group completed its investigation into the overstatement of revenue and unravelling of the Group's structure. The following are the details of the related transactions and their impact on the financial statements of the Group and the Company for the year ended December 31, 2007.

#### **A) Advance payments for investments**

- 1) The Group had in the financial statements for the years ended December 31, 2003 and 2004 made deposits of \$2.6 million and \$2.3 million for investments in intermediaries respectively. Both deposits were fully provided for in the restated financial statements for these respective years and have been written off in these financial statements.
- 2) In February 2005, the Company made an advance deposit of \$7.1 million to an intermediary, Hong Kong International Finance Ltd ('HKIF') for a 25% investment in Network Management Solutions Pte Ltd ('NMS'). A provision for impairment of \$4.6 million was made in the financial statements for the year ended December 31, 2005.

During the financial year ended December 31, 2006, the Company received cash amounting to \$1 million and a 10% share in Distribution and Management Solutions Pte Ltd ('DMS') valued at \$0.9 million. The amount of advance deposit was therefore reduced to \$5.2 million.

As at December 31, 2006, HKIF owned 27,873,000 shares in a SGX listed company with an estimated market value of \$1.9 million. The Company, accordingly, reversed \$1.3 million from the provision for impairment after considering the market value of the quoted equity shares which the Company could recover from HKIF.

During the year ended December 31, 2007, HKIF sold all the quoted equity shares and the Company received \$3.5 million from the sale. This resulted in a credit to other operating expenses of \$1.6 million (Note 28). With this last transaction, the recovery of assets from HKIF has completed.

#### **B) Other Investments**

- 1) Convertible Bonds issued by an intermediary Ventures Management Solutions Pte Ltd ('VMS')

The Company had invested \$20.0 million in bonds issued by VMS as at December 31, 2005. VMS had invested the monies in various SGX public listed companies and in a foreign public listed company through its subsidiary company, NMS. Provision for impairment of \$5.9 million and \$8.0 million was made in the financial statements for the years ended December 31, 2005 and 2006 respectively.

VMS has since 2005, disposed of the various shares in stages and during 2007, the Company recovered \$7.6 million resulting in a credit to other operating expenses of \$1.5 million (Note 13). With the last transaction, the recovery of the convertible bonds from VMS has completed.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

- 2) Investment of \$3.2 million in Mobile CCS Holdings Pte Ltd ('MCCS')

During the financial year ended December 31, 2004, the Group invested \$3.2 million in MCCS.

Further NMS had issued a bond of \$6.5 million to MCCS. NMS invested these monies in the equity shares of a public listed company. NMS has since the year 2006 disposed of the equity shares in stages and paid the amounts due to MCCS.

In 2007, the Group also recovered \$3.2 million from MCCS.

## 6 CASH AND BANK BALANCES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	8,072	6,988	443	1,183
Fixed deposits	1,743	2,777	-	1,003
	9,815	9,765	443	2,186
Shown as:				
Cash and bank balances	9,714	9,613	342	2,034
Cash pledged	101	152	101	152
	9,815	9,765	443	2,186

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one year or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at an average rate of 1.00% (2007 : 2.01%) per annum and for a tenure of 1 to 365 days. Cash and bank balances are pledged with a bank for a credit line and in connection with credit facilities granted by certain banks in 2008 (Note 16).

The Group and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
United States dollars	118	939	9	762
EURO	-	112	-	112

## 7 TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Outside parties	29,999	35,820	1,591	1,576
Subsidiaries (Note 11)	-	-	5,391	6,248
	29,999	35,820	6,982	7,824
Less allowances for doubtful trade receivables - outside parties	(1,494)	(2,636)	(85)	(165)
	28,505	33,184	6,897	7,659

Movement in allowances (Note a):

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At beginning of year	2,636	2,152	165	285
(Reversal) Charge to profit and loss	(503)	29	-	(119)
Transfer from restructuring cost	-	1,223	-	-
Written off during the year	(639)	(768)	(80)	(1)
At end of year	1,494	2,636	85	165

- a) This allowance has been determined by reference to past default experience.

The average credit period on sales of goods is 30 days (2007 : 30 days). The Group has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable.

Before accepting any new customer, the Group will assess the potential customer's credit quality. Limits are monitored periodically by management. At the balance sheet date, approximately 18% (2007 : 23%) of the Group's trade receivables were due from 3 major customers who are based in Singapore.

In determining the recoverability of a trade receivable 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 concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due and not impaired	22,403	27,551	6,897	7,824
Past due but not impaired (i)	6,102	5,633	-	-
	28,505	33,184	6,897	7,824
Impaired receivables – individually assessed (ii)	1,494	2,636	85	165
Less: Allowance for doubtful debts	(1,494)	(2,636)	(85)	(165)
Total trade receivables, net	28,505	33,184	6,897	7,824

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(i) Aging of receivables that are past due but not impaired				
31 to 60 days	3,105	3,376	-	-
61 to 90 days	884	608	-	-
>91 days	2,113	1,649	-	-
Total	6,102	5,633	-	-

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

The Company's trade receivables due from subsidiaries are interest-free and repayable on demand. The Company has not made any provision as the management is of the view that these receivables are recoverable.

The Group and Company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
United States dollars	3,976	6,952	2,314	3,316
EURO	496	343	278	892

## 8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Accrued interest receivable	13	129	-	-
Deposits	2,003	1,703	94	115
Prepayments	859	875	527	518
Recoverables	3,151	3,303	1,287	1,282
Staff advances	12	16	-	30
	6,038	6,026	1,908	1,945
Associates (Note 10)	3,399	3,399	-	-
Related parties (Note 5)	1,966	2,332	1,932	1,755
Due from minority shareholders of a subsidiary	186	214	-	-
Subsidiaries (Note 11)	-	-	64,575	65,227
	11,589	11,971	68,415	68,927
Less allowances for doubtful other receivables – subsidiaries	-	-	(56,478)	(61,428)
– recoverable from outside parties	(5,016)	(5,834)	-	-
	6,573	6,137	11,937	7,499

Movement in allowance:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At beginning of year	5,834	16,314	61,428	56,993
Reversal to profit and loss	(775)	(642)	(2,019)	11,639
Written off during the year	(43)	(9,838)	(2,931)	(7,204)
At end of year	5,016	5,834	56,478	61,428

The amounts due from associates are unsecured, interest free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

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The Group and Company have made provisions for amounts where the directors are of the view that these amounts are not recoverable.

The Group and Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
United States dollars	508	617	17,810	12,713
Euro	20	87	-	238

## 9 INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Spare parts, accessories and consumables, carried at net realisable value after the following allowances	8,557	16,678	306	-

Movement in allowances:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At beginning of year	2,238	2,851	-	-
Charge to profit and loss	877	60	241	-
Transfer from restructuring cost	-	161	-	-
Written off during the year	(980)	(834)	-	-
At end of year	2,135	2,238	241	-



## 10 INVESTMENT IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	9,236	9,236	6,680	6,680
Provision for impairment	(9,236)	(9,236)	(6,680)	(6,680)
Net	-	-	-	-

Details of the associates are as follows:

Associates	Cost of investment		Proportion of ownership interest and voting power held		Principal activities/ Country of incorporation and operations
	2008	2007	2008	2007	
	\$'000	\$'000	%	%	
<u>Held by Company:</u>					
Tri-max Pte Ltd <sup>(1)</sup>	6,680	6,680	50	50	Investment holding/Singapore
<u>Held by subsidiaries:</u>					
Distribution Management Solutions (Hong Kong) Co Limited <sup>(2)</sup>	2,556	2,556	50	50	Provision of logistic services/Hong Kong
Total - Group	9,236	9,236			

### Notes:

<sup>(1)</sup> Audited by S K Cheong & Co, Singapore

<sup>(2)</sup> The associate is not audited.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 11 INVESTMENT IN SUBSIDIARIES

	Company	
	2008	2007
	\$'000	\$'000
Unquoted equity shares, at cost	38,640	40,114
Provision for impairment	(23,157)	(13,591)
	15,483	26,523

Movement in provision for impairment:

	Company	
	2008	2007
	\$'000	\$'000
At beginning of year	13,591	13,910
Charge to profit and loss	12,708	681
Written off during the year	(3,142)	(1,000)
At end of year	23,157	13,591

During the year, the Company carried out a review of the recoverable amounts of its investment in subsidiaries that are loss-making. The review led to the recognition of an impairment loss of \$12.7 million mainly 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 Company prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 1 year and extrapolates cash flows for the following 4 years based on estimated growth rates of 3%. These rates do not exceed the average long-term growth rate of the relevant markets.

The rates used to discount the forecast cash flows range from 10.24% to 13.78%.

The principal activities of the subsidiaries are the provision of after-market services except for Distribution Management Solutions Pte. Ltd., whose principal activities are the provision of distribution management solutions for mobile communication devices and high-tech consumer products, investment holding and retailing of consumer electronic products.

Details of the subsidiaries are as follows:

Subsidiaries	Cost of investment		Proportion of ownership interest and voting power held		Principal activities/ Country of incorporation and operations
	2008	2007	2008	2007	
	\$'000	\$'000	%	%	
Accord Customer Care Solutions (Asia) Limited <sup>(2)</sup>	66	66	100	100	Hong Kong
mDRL (M) Sdn Bhd <sup>(3)</sup>	340	340	100	100	Malaysia
Accord Customer Care Solutions (Taiwan) Corp * <sup>(11)</sup>	-	2,965	-	100	Taiwan
Accord Customer Care Solutions Philippines, Inc. * <sup>(9)</sup>	125	125	100	100	Philippines
Accord Customer Care Solutions International Limited <sup>(1)</sup>	(a)	(a)	100	100	British Virgin Islands
Accord Customer Care Solutions (Vietnam) Limited * <sup>(10)</sup>	-	177	-	100	Vietnam
Accord Customer Care Solutions India Pvt Ltd <sup>(4)</sup>	4	4	100	100	India
Accord Customer Care Solutions (Aust) Pty Ltd <sup>(5)</sup>	6,390	6,390	100	100	Australia
After Market Solutions (CE) Pte Ltd <sup>(7)</sup>	(a)	(a)	100	100	Singapore
Broadmax Services Limited * <sup>(10)</sup>	-	6,778	-	70	British Virgin Islands
mDR Services India Pvt Ltd <sup>(4) (13)</sup> (formerly known as Ucom Technologies Pvt Ltd)	5,038	-	100	-	India
Distribution Management Solutions Pte Ltd <sup>(7)</sup>	12,574	9,574	76	69	Singapore
PT AccordExpress Customer Care Solutions * <sup>(9)</sup>	198	198	100	100	Indonesia
PT Accord Customer Care Solutions * <sup>(9)</sup>	5,997	5,997	75	75	Indonesia
mDR (S) Pte Ltd <sup>(7)</sup>	6,394	6,394	100	100	Singapore
mDR (M) Sdn Bhd <sup>(3)</sup>	828	828	100	100	Malaysia
mDR (HK) Limited * <sup>(2)</sup>	278	278	100	100	Hong Kong
Playwork Solutions Pte Ltd * <sup>(12)</sup>	408	-	51	-	Singapore
	<u>38,640</u>	<u>40,114</u>			

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	Proportion of ownership interest and voting power held		Principal activities/ Country of incorporation and operations
	2008	2007	
	%	%	
Subsidiary of After Market Solutions (CE) Pte Ltd			
After Market Solutions (CE) Sdn Bhd <sup>(3)</sup>	100	100	Malaysia
Subsidiaries of Accord Customer Care Solutions (Asia) Limited			
Accord Customer Care Solutions PRC Limited *	100	100	British Virgin Islands
Accord Customer Care Solutions (Suzhou) Co, Ltd *	100	100	People's Republic of China
Shanghai ACCS Forte Science & Technology Co, Ltd * <sup>(11)</sup>	-	51	People's Republic of China
Subsidiaries of Accord Customer Care Solution PRC Limited			
Beijing Jin Hong Jing Telecommunication & Technology Co, Ltd <sup>(11)</sup>	-	100	People's Republic of China
Tian Jin Shi Jin Hong Jing Telecommunication & Technology Co, Ltd <sup>(11)</sup>	-	100	People's Republic of China
Subsidiaries of Distribution Management Solutions Pte Ltd			
SDS Pte Ltd (formerly known as A-Club Mobile Pte Ltd) <sup>(7)</sup>	76	69	Singapore

	Proportion of ownership interest and voting power held		Principal activities/ Country of incorporation and operations
	2008	2007	
	%	%	
A-Mobile Pte Ltd <sup>(7)</sup>	76	69	Singapore
iDistribution Pte Ltd <sup>(7)</sup>	76	69	Singapore
Menel Pte Ltd <sup>(7)</sup>	76	69	Singapore
Pacific Cellular International Limited <sup>(1)</sup>	68	62	British Virgin Islands
Pacific Cellular (Thailand) Limited *	68	62	Thailand
PC (Singapore) Pte Ltd <sup>(7)</sup>	76	69	Singapore
NBRC Pte Ltd <sup>(7)</sup> (formerly known as Super Mobile Pte Ltd)	76	69	Singapore
Subsidiaries of Accord Customer Care Solutions (Aust) Pty Ltd			
Accord Customer Care Solutions (Network) Pty Ltd <sup>(5)</sup>	100	100	Australia
Accord Customer Care Solutions (NSW) Pty Ltd <sup>(5)</sup>	100	100	Australia
Mobile phone repair.com NZ Limited *	100	100	New Zealand
Accord CCS Thailand Co, Ltd <sup>(6)</sup>	100	100	Thailand

#### Notes on cost

(a) Less than \$1,000.

#### Auditors of subsidiaries for 2008:

- (1) Deloitte & Touche LLP, Singapore for consolidation purposes only and no audit reports issued. Not required to be audited in country of incorporation.
- (2) Mazars CPA Limited, Hong Kong.
- (3) Moores Rowland, Malaysia.
- (4) Vikas Bhatnagar & Co.
- (5) Mazars, Australia.
- (6) Amnuayporn Accounting Office Co, Ltd.
- (7) Deloitte & Touche LLP, Singapore.
- (8) Moores Rowland, Singapore.
- (9) These subsidiaries have commenced liquidation.
- (10) These subsidiaries have been liquidated.
- (11) These subsidiaries have been disposed during the year.
- (12) This is a newly incorporated subsidiary in September 2008 where no auditor has been appointed.
- (13) This subsidiary was held through Broadmax Services Limited which was liquidated during the year and is now held directly.

\* Management accounts used for consolidation purposes.

# NOTES TO FINANCIAL STATEMENTS

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## Note on subsidiary

### (a) Distribution Management Solutions Pte Ltd ('DMS')

- i) On January 11, 2007, the Company acquired 8,333,340 shares from a vendor through an issuance of an aggregate of 6,097,561 new ordinary shares of the Company to the vendor at \$0.041 per share. This resulted an increase of shareholdings in DMS to 69.29%.
- ii) On January 7, 2008, DMS requested that \$3 million debts owing to Company be repaid through capitalisation by way of issue of 100,000,000 new ordinary shares in the capital of DMS at an issue price of S\$0.03 per ordinary share. This resulted an increase of shareholdings in DMS to 76.37%.

## 12 PLANT AND EQUIPMENT

Group	Computers and computer system \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and renovations \$'000	Total \$'000
Cost:					
At January 1, 2007	5,373	9,875	878	6,084	22,210
Exchange differences	31	178	7	39	255
Disposal of business/subsidiaries	(547)	(2,234)	(26)	(735)	(3,542)
Additions	367	102	167	437	1,073
Reclassifications	711	(626)	(32)	(53)	-
Transfer from restructuring cost	-	(1,118)	-	(297)	(1,415)
Disposals	(524)	(921)	(461)	(815)	(2,721)
At December 31, 2007	5,411	5,256	533	4,660	15,860
Exchange differences	(189)	(267)	(3)	(240)	(699)
Additions	1,017	217	-	817	2,051
Disposals of business/subsidiaries	(151)	(531)	-	(152)	(834)
Reclassifications	136	(47)	-	(89)	-
Disposals	(336)	(562)	(120)	(967)	(1,985)
At December 31, 2008	5,888	4,066	410	4,029	14,393
Accumulated depreciation:					
At January 1, 2007	3,941	5,425	518	4,328	14,212
Exchange differences	30	74	5	6	115
Disposal of business/subsidiaries	(492)	(1,780)	(16)	(586)	(2,874)
Depreciation	885	504	115	579	2,083
Reclassifications	571	(505)	(8)	(58)	-
Transfer from restructuring cost	-	(478)	-	(76)	(554)
Disposals	(471)	(473)	(330)	(572)	(1,846)
At December 31, 2007	4,464	2,767	284	3,621	11,136
Exchange differences	(181)	(94)	(1)	(180)	(456)
Depreciation	722	265	66	457	1,510
Disposal of business/ subsidiaries	(118)	(337)	-	(143)	(598)
Reclassifications	32	69	3	(104)	-
Disposals	(346)	(310)	(86)	(802)	(1,544)
At December 31, 2008	4,573	2,360	266	2,849	10,048
Impairment:					
At January 1, 2007	7	471	-	52	530
Exchange differences	-	51	-	5	56
Impairment loss transfer from restructuring cost	3	337	-	26	366
Disposals	-	(37)	-	(32)	(69)
At December 31, 2007	10	822	-	51	883
Exchange differences	(1)	(112)	-	(7)	(120)
Impairment loss	17	62	-	1	80
Disposals	-	(135)	-	-	(135)
At December 31, 2008	26	637	-	45	708
Carrying amount:					
At December 31, 2008	1,289	1,069	144	1,135	3,637
At December 31, 2007	937	1,667	249	988	3,841

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

	Computers and computer system \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and renovations \$'000	Total \$'000
<u>Company</u>					
Cost:					
At January 1, 2007	2,483	43	118	648	3,292
Additions	22	2	-	1	25
Disposals	(7)	-	(118)	(20)	(145)
At December 31, 2007	2,498	45	-	629	3,172
Additions	149	228	-	44	421
Disposals	(134)	-	-	(21)	(155)
At December 31, 2008	2,513	273	-	652	3,438
Accumulated depreciation:					
At January 1, 2007	1,666	7	90	587	2,350
Depreciation	471	15	2	9	497
Disposals	(7)	-	(92)	-	(99)
At December 31, 2007	2,130	22	-	596	2,748
Depreciation	359	41	-	10	410
Disposals	(134)	-	-	-	(134)
At December 31, 2008	2,355	63	-	606	3,024
Impairment:					
At January 1, 2007	65	585	-	202	852
Disposals	(65)	(585)	-	(202)	(852)
At December 31, 2007 and 2008	-	-	-	-	-
Carrying amount:					
At December 31, 2008	158	210	-	46	414
At December 31, 2007	368	23	-	33	424

- a) During the year, the Group carried out a review of the recoverable amount of its plant and equipment. These assets are used in the Group's after-market services segment. The review led to the recognition of an impairment loss of \$Nil (2007 : \$366,000) due to expiration of a specific after-market services contract with a customer and commencement of liquidation proceedings for certain subsidiaries as there is no possibility of future usage of the related assets.
- b) The carrying amounts of the Group's plant and equipment include amounts of \$116,000 (2007 : \$229,000) in respect of assets held under finance lease (Note 20).



## 13 OTHER INVESTMENTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At cost:				
Unquoted bonds	491	491	-	-
Unquoted equity shares	12,300	12,300	11,500	11,500
Unquoted others	412	412	-	-
	13,203	13,203	11,500	11,500
Provision for impairment	(13,203)	(13,203)	(11,500)	(11,500)
	-	-	-	-

Movement in provision for impairment:

At beginning of year	13,203	26,722	11,500	25,410
Reversal to profit and loss	-	(1,151)	-	(1,542)
Written off during the year	-	(12,368)	-	(12,368)
At end of year	13,203	13,203	11,500	11,500

The unquoted investments are stated at cost less any impairment in net recoverable value as the management is of the view that there is no reliable measure of the fair values of these unquoted investments.

## 14 GOODWILL ON CONSOLIDATION

	Group	
	2008	2007
	\$'000	\$'000
Cost:		
At beginning of year	38,598	51,418
Disposal of subsidiaries	-	(12,820)
At end of year	38,598	38,598
Provision for impairment:		
At beginning of year	26,943	39,244
Provision charged to profit and loss statement	8,568	519
Utilised upon disposal of subsidiaries	-	(12,820)
At end of year	35,511	26,943
Carrying amount:		
At end of year	3,087	11,655
At beginning of year	11,655	12,174

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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. The carrying amount of goodwill had been allocated as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
After Market Solutions:		
mDR (S) Pte Ltd	3,087	5,172
mDR Services India Pvt Ltd (formerly known as Ucom Technologies Pvt Ltd)	-	5,710
mDR (M) Sdn Bhd	-	587
mDR (HK) Ltd	-	186
	<b>3,087</b>	<b>11,655</b>

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 based on estimated growth rates of 3%.

The rates used to discount the forecast cash flows range from 10.24% to 13.78%.

## 15 OTHER GOODWILL

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cost:				
At beginning and end of year	11,387	11,387	-	-
Provision for impairment:				
At beginning of year	3,313	3,313	-	-
Provision during the year	5,574	-	-	-
At end of year	8,887	3,313	-	-
Carrying amount:				
At end of year	2,500	8,074	-	-
At beginning of year	8,074	8,074	-	-

The above relates to goodwill on purchase of after-market service businesses and related assets.

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Distribution Management Solutions:		
Distribution Management Solutions Pte Ltd	2,500	8,074

The Group tests other 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 based on growth rate of 3% (2007 : 5%).

The rate used to discount the forecast cash flows is 11.85% (2007 : 6.33%).

## 16 BANK LOANS AND OVERDRAFTS

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank overdrafts	8,893	7,495	2,215	1,557
Unsecured bank loans	-	11,612	-	3,695
	<b>8,893</b>	<b>19,107</b>	<b>2,215</b>	<b>5,252</b>

- Unsecured bank loans of subsidiaries amounting to \$Nil (2007 : \$7,913,000) are supported by corporate guarantees from the Company.
- The average effective interest rates paid for bank overdraft and bank loans (unsecured) are from 4.95% to 6.36% (2007 : 3.23% to 6.95%) per annum respectively.
- The Group and Company's bank loans and overdrafts are denominated in the functional currencies of the respective entities.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 17 CONVERTIBLE LOAN NOTES

The Company has issued the following convertible notes/bonds:

- a) On January 30, 2008, the Company received approval for the issue of an aggregate amount of 1.5% equity linked redeemable non-recallable structured convertible notes ("Notes") that are due in 2010 amounting to \$32 million. During the year, the Company has been able to draw down \$3 million from this facility. As at December 31, 2008, the holder of the convertible notes has converted \$2.15 million into equity shares of the Company and the balance of \$0.85 million has been disclosed as current liability which is convertible into equity shares by 2009.
- b) On February 25, 2008, the Group entered into a three-year debt restructuring agreement with three lenders for a conversion debt of \$12.0 million. Under the agreement, a conversion debt of \$12.0 million shall be repaid and discharged by way of conversion into 3.75% Class A convertible bonds due in 2010.

As part of the convertible bond agreement, the Company has to comply with certain financial debt covenants. As at December 31, 2008, the Company has failed to comply on one of the financial covenants which has resulted in the outstanding amount of \$12.0 million being repayable on demand.

Subsequent to year-end, the Company has received a waiver of debt covenants for period between January 1, 2009 and December 31, 2009.

These notes/bonds contain embedded conversion features and the Company has designated the combined contract at fair value through profit or loss.

The fair value and the change in that fair value that can be ascribed to changes in underlying credit risk are set out below:

	2008		
	Convertible notes \$'000	Convertible bonds \$'000	Total \$'000
Fair value	845	15,871	16,716
Difference between carrying amount and amount contractually required to be paid at maturity	(5)	3,871	3,866
Change in fair value not attributable to changes in market conditions	14	144	158

The Group estimates the fair value of the notes/bonds using valuation techniques which include assumptions that are supportable by observable market data. The credit spread for the valuation ranges from 4.26% to 7.95% and the volatility ranges from 95.65% to 190.62% throughout the valuation period.

The Group estimates changes in fair value due to credit risk, by estimating the amount of change in the fair value that is not due to changes in market conditions that give rise to market risk.

## 18 TRADE PAYABLES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Outside parties	12,724	18,558	602	699
Subsidiaries (Note 11)	-	-	58	620
Related parties (Note 5)	116	383	-	-
	12,840	18,941	660	1,319

The Group and Company's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
United States dollars	3,492	3,420	135	282
Euro	280	365	103	51
Thailand Baht	-	-	-	932

The Group and Company practice offsetting on its payables and receivables to the same party. Trade payables principally comprise amounts outstanding for trade purchases.

## 19 OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Accrued expenses	13,080	17,033	2,566	2,302
Provision for restructuring costs	658	3,364	-	-
	13,738	20,397	2,566	2,302
Subsidiaries (Note 11)	-	-	7,679	16,693
Related parties (Note 5)	255	248	30	80
	13,993	20,645	10,275	19,075

Movement in provision for restructuring costs:

At beginning of year	3,364	5,948	-	-
Reversal to profit and loss	(706)	(2,584)	-	-
Written off during the year	(2,000)	-	-	-
At end of year	658	3,364	-	-

Amount payable to subsidiaries and related parties are short-term, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

The Group and Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
United States dollars	40	12	31	163
Euro	64	98	-	-
Chinese Renminbi	104	94	-	5,882
Australian dollars	-	-	-	90

## 20 FINANCE LEASES

	<b>Minimum lease payment</b>		<b>Present value of minimum lease payments</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Group</u>				
Amounts payable under finance leases:				
Within one year	15	88	14	84
In the second to fifth year inclusive	-	46	-	42
	15	134	14	126
Less: Future finance charges	(1)	(8)	NA	NA
Present value of lease obligations	14	126	14	126
Less: Amount due from settlement within 12 months (shown under current liabilities)			(14)	(84)
Amount due for settlement after 12 months			-	42

The average lease term is 5 years. The average effective borrowing rate was 2.8% (2007 : 4.25%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Singapore dollars.

The fair value of the Group's lease obligations approximates their carrying amount.

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

## 21 DEFERRED TAX LIABILITIES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At beginning of year	1,179	1,153	912	912
(Credit) charge to profit and loss for the year (Note 30)	(965)	26	(912)	-
At end of year	214	1,179	-	912

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

## 22 DEFINED CONTRIBUTION PLANS

- a) The employees of the Company and its subsidiaries that are located in Singapore, India, Australia, Malaysia and Thailand are members of the state managed retirement benefit plan as governed by the respective Governments of those countries, are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The total expense recognised in the profit and loss statement of \$2,034,000 (2007 : \$2,543,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2008, contributions of \$487,000 (2007 : \$779,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date.

- b) Pursuant to the relevant regulations of the PRC government, the Group has participated in central pension schemes ("the Schemes") operated by local principal municipal governments whereby the Group is required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Payments to the Schemes are charged as expenses as they fall due.

The total expense recognised in the profit and loss statement of \$154,000 (2007 : \$279,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2007 and 2008, there were no outstanding contributions that have not been paid over to the plans.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 23 SHARE CAPITAL

	Group and Company			
	2008	2007	2008	2007
	Number of ordinary shares		\$'000	\$'000
Issued and paid up:				
At beginning of year	1,688,488,970	1,539,452,227	98,055	89,841
Issuance of ordinary shares as purchase consideration for acquisition of subsidiaries	-	6,097,561	-	250
Convertible note – Fair value loss	-	-	329	-
Issue of shares upon conversion of convertible notes	96,238,782	-	2,150	-
Expenses in relation to issuance of convertible notes	-	-	(640)	-
Issuance of ordinary shares pursuant to a placement for settlement of consultancy services rendered	-	69,439,182	-	3,118
Issuance of ordinary shares pursuant to a placement	-	73,500,000	-	4,846
Transfer from share premium account	-	-	-	-
At end of year	1,784,727,752	1,688,488,970	99,894	98,055

The Company has one class of ordinary shares which carry no right to fixed income.

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 46,013,121(2007 : 25,085,112) unissued ordinary shares of the Company under option.

## 24 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"). 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:

	<b>Group and Company</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price</b>	<b>Number of share options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>		<b>\$</b>
Outstanding at the beginning of the year	25,085,112	0.322	26,755,249	0.332
Reinstatement during the year	-	-	-	-
Issued during the year	23,088,000	0.031	-	-
Lapsed/Cancelled during the year	(2,159,991)	0.499	(1,670,137)	0.475
Outstanding at the end of the year	<u>46,013,121</u>	<u>0.168</u>	<u>25,085,112</u>	<u>0.322</u>
Exercisable at the end of the year	<u>22,925,121</u>	<u>0.305</u>	<u>21,947,112</u>	<u>0.351</u>

The weighted average share price at the date of exercise for share options exercised in both years were \$Nil. The options outstanding at the end of the year have a weighted average remaining contractual life of 8 years (2007 : 7 years).

In 2008, options were granted on January 10 and May 13. The estimated fair values of the options granted on those dates were in average \$0.0263 and \$0.0199 respectively.

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

As a result of the adjustment to the options pursuant to the issue of renounceable underwritten rights issue, the exercise prices of outstanding share options as at June 13, 2006 under the 2003 Scheme were revised from prices ranging from \$0.1206 to \$0.5063.

The Group and the Company reversed total expenses of \$1,167,000 (2007 : \$151,000) related to equity-settled share-based payment transactions during the year due to the lapse of options during the year. The total expense recognised in 2008 was \$313,000 (2007 : \$Nil).

## 25 REVENUE

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
After-market services income	32,658	42,818
Distribution management solutions income	234,845	245,248
	<u>267,503</u>	<u>288,066</u>

Revenue from provision of after-market services comprises retrofit services and repair management services, and sales of parts and accessories. Out warranty service income includes retrofit income.

Distribution management solutions income comprises the sale of mobile communication products and the provision of distribution management solutions for mobile communication products.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 26 COST OF SALES

Cost of sales represents cost of inventory recognised as expense.

## 27 OTHER OPERATING INCOME

	Group	
	2008	2007
	\$'000	\$'000
Rental income	158	186
Interest income on:		
Bank balances	48	67
Bonds in related party (Note 13)	-	993
Bad debts recovered	-	148
Liabilities written back	248	-
Waiver of debts due to intermediary companies	-	463
Gain on divestment of business	-	788
Forfeiture of deposit for disposal of subsidiary	-	1,501
Reversal of provision for restructuring cost (Note 19)	2,000	-
Reversal of impairment for doubtful other receivables (Note 8)	1,799	-
Others	-	201
	4,253	4,347

## 28 OTHER OPERATING EXPENSES

	Group	
	2008	2007
	\$'000	\$'000
Minimum lease payments under operating leases	6,933	7,752
Reversal of impairment on plant and equipment - net (Note 12)	-	(69)
Reversal of provision for impairment for advance payments for investments (Note 8)	-	(1,606)
Impairment of other receivables (Note 8)	-	354
Impairment of inventory (Note 9)	98	-
Loss on disposal of plant and equipment (Note 12)	293	522
Impairment of goodwill on consolidation	8,568	519
Impairment of other goodwill (Note 15)	5,574	-
Impairment of (Reversal of) other investments (Note 13)	-	(1,151)
Loss on disposal of subsidiaries	751	239
Allowance for inventories (Note 9)	779	60
(Reversal of) Allowance for doubtful trade receivables - net (Note 7)	(503)	29
Allowance for (Reversal of) doubtful other receivables (Note 8)	1,024	(996)
Depreciation expenses (Note 12)	1,510	2,083
Foreign currency exchange adjustment loss (gain)	3,860	(915)
	28,887	6,821

## 29 FINANCE COST

	Group	
	2008	2007
	\$'000	\$'000
Interest on bank loans	1,212	1,157

## 30 INCOME TAX (CREDIT) EXPENSE

	Group	
	2008	2007
	\$'000	\$'000
Current tax	72	603
Deferred tax (Note 21)	(965)	26
	(893)	629
(Overprovision) / Underprovision of current tax in prior years	(314)	7
	(1,207)	636

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax (credit) expense for the Group varied from the amount of income tax credit determined by applying the Singapore tax rate of 18% (2007 : 18%) to loss (2007 : profit) before income tax as a result of the following:

	Group	
	2008	2007
	\$'000	\$'000
Tax (credit) expense at the statutory rate	(4,609)	30
Non-deductible items	2,943	683
Deferred tax assets relate to unabsorbed losses not recognised	498	-
Others	275	(43)
	(893)	629
(Overprovision) / Underprovision in prior years – current tax	(314)	7
Net	(1,207)	636

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

The Group has tax losses carried forward available for offsetting against future taxable income as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year	29,347	20,078
Arising during the year	6,092	9,926
Utilised during the year	(3,325)	(657)
Balance at end of year	32,114	29,347
Deferred tax benefits on above unrecorded at 18%	5,780	5,282

The realisation of the future income tax benefits from tax losses carried forward are available for an unlimited future year subject to conditions imposed by law including the retention of majority shareholders as defined.

## 31 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' remuneration:		
Directors of the Company	513	520
Directors of subsidiaries	-	-
Directors' fees	320	340
Employees benefits expenses (including directors' remuneration)	3,178	3,774
Non-audit fees:		
Paid to auditors of the Company	11	47
Paid to other auditors	631	729
Depreciation of plant and equipment	1,510	2,083

Number of directors of the Company in remuneration bands is as follows:

	<b>2008</b>			<b>2007</b>		
	<b>Executive directors</b>	<b>Non-executive directors</b>	<b>Total</b>	<b>Executive directors</b>	<b>Non-executive directors</b>	<b>Total</b>
\$500,000 and above	1	-	1	1	-	1
\$250,000 to \$499,999	-	-	-	-	-	-
Below \$250,000	-	4	4	-	4	4
	1	4	5	1	4	5

## 32 DISPOSAL OF SUBSIDIARIES

As referred to in Note 11 to the financial statements, the Group disposed its subsidiaries, Accord Customer Care Solutions (Taiwan) Corp, Shanghai ACCS Forte Science & Technology Co, Ltd and Beijing Jin Hong Jing Telecommunications & Technology Co, Ltd.

In 2007, the Group disposed its subsidiaries, Accord Customer Care Solutions FZCO and Accord (Tianjin) Electronics Co, Ltd.

Details of the disposal are as follows:

### Book values of net assets disposed

	2008	2007
	\$'000	\$'000
<b>Current assets</b>		
Cash and bank balances	415	93
Trade receivables and other receivables	456	327
Inventories	126	45
Total current assets	997	465
<b>Non-current asset</b>		
Plant and equipment	231	110
<b>Current liabilities</b>		
Trade and other payables	(477)	(216)
Net assets	751	359
Loss on disposal	(751)	(239)
Total consideration	-	120

	2008	2007
	\$'000	\$'000
Total consideration, satisfied by cash	-	120
Cash inflow arising on disposal:		
Cash consideration paid	-	120

As the impact of disposal of subsidiaries on the Group's results and cash flows is not material, there is no separate disclosure of discontinued operations.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## 33 LOSS PER SHARE

The calculation of basic earnings per ordinary share is calculated on the Group loss attributable to equity holders of the Company of \$23,036,000 (2007 : \$1,417,000) divided by the weighted average number of ordinary shares of 1,737,728,536 (2007 : 1,610,125,914).

Fully diluted earnings per ordinary share is based on 1,737,728,536 (2007 : 1,610,125,914) ordinary shares assuming the full exercise of share options outstanding (where dilutive) and adjusting the weighted average number of ordinary shares to reflect the effect of all potentially dilutive ordinary shares.

	Group			
	2008		2007	
	Basic	Diluted	Basic	Diluted
Net loss attributable to equity holders of the Company (\$'000)	(23,036)	(23,036)	(1,417)	(1,417)
Ordinary shares				
Weighted average shares	1,737,728,536	1,737,728,536	1,610,125,914	1,610,125,914
Loss per share (cents)	(1.33)	(1.33)	(0.09)	(0.09)

There is no dilution to the weighted average number of ordinary shares used to compute earnings per share.

## 34 OPERATING LEASE ARRANGEMENTS

	Group	
	2008	2007
	\$'000	\$'000
Minimum lease payments under operating leases recognised as an expense in the year	6,933	7,752

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2008	2007
	\$'000	\$'000
Within one year	5,669	4,649
In the second to fifth year inclusive	4,088	3,608
	9,757	8,257

Operating lease payments represent rentals payable by the Group for certain of 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.

## 35 CONTINGENT LIABILITIES (UNSECURED)

- a) In 2008, the Company has outstanding banker's guarantees amounting to \$134,439 (2007 : \$197,200) issued in favour of financial institutions undertaken for operating lease agreements of \$134,439 (2007 : \$197,200).
- b) The Company has outstanding corporate guarantees amounting to \$Nil (2007 : \$56,700,000) issued in favour of financial institutions for granting credit facilities to its subsidiaries and an associate. As at December 31, 2008, the outstanding amount of the credit facilities utilised amounted to \$9,668,000 (2007 : \$20,902,000), which includes \$Nil (2007 : \$2,052,700) which this subsidiary is jointly liable for credit facilities utilised by the subsidiary's 67% owned associate. As at December 31, 2008, the Group has made a provision for loss of \$Nil (2007 : \$2,052,700) on the bank loan of the associate. The financial effects of the Amendments to FRS 39 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

The management does not expect material losses under these guarantees.

- c) Certain subsidiaries have several outstanding banker's guarantees amounting to \$3,000,000 (2007 : \$5,000,000) issued in favour of equipment principals, entered in the normal course of business and under supply agreements.

## 36 SEGMENT INFORMATION

For management purposes, the Group is organised on a world-wide basis into three major operating divisions - South Asia, North Asia and South Pacific. The divisions are the basis on which the Group reports its primary segment information.

The dominant source and nature of the Group's risk and returns are based on the geographical areas where its service centers are located. Therefore, the primary segment is geographical segments by location of our service centers.

South Asia comprises Indonesia, Thailand, Malaysia, India and Singapore.

North Asia comprises People's Republic of China, Hong Kong SAR and Taiwan.

South Pacific comprises Australia and New Zealand.

Primary segment information for the Group based on geographical segments for the year ended December 31, 2008 are as follows:

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

## By Geographical Operations

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and provisions. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost. These transfers are eliminated on consolidation.

	<b>South Asia</b>	<b>North Asia</b>	<b>South Pacific</b>	<b>Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>December 31, 2008</u>				
<b>REVENUE</b>				
External sales	259,656	2,884	4,963	267,503
<b>RESULTS</b>				
Segment result	(23,647)	(3,799)	3,050	(24,396)
Finance costs				(1,212)
Loss before income tax				(25,608)
Income tax expense				1,207
Loss before minority interest				(24,401)
<b>ASSETS</b>				
Segment assets	55,324	842	921	57,087
Unallocated corporate assets				5,587
Consolidated total assets				62,674
<b>LIABILITIES</b>				
Segment liabilities	(3,318)	15,659	14,492	26,833
Bank loans and overdrafts				8,893
Convertible notes/bonds				12,850
Fair value adjustments on convertible notes				3,866
Income tax payable				692
Unallocated corporate liabilities				228
Consolidated total liabilities				53,362
<b>OTHER INFORMATION</b>				
Capital expenditure	2,004	47	-	2,051
Depreciation expense	1,393	102	15	1,510



	South Asia	North Asia	South Pacific	Consolidated
	\$'000	\$'000	\$'000	\$'000
<u>December 31, 2007</u>				
REVENUE				
External sales	273,174	6,297	8,595	288,066
RESULTS				
Segment result	1,515	(950)	758	1,323
Finance costs				(1,157)
Profit before income tax				166
Income tax expense				(636)
Loss before minority interest				(470)
ASSETS				
Segment assets	67,383	2,420	(198)	69,605
Unallocated corporate assets				19,729
Consolidated total assets				89,334
LIABILITIES				
Segment liabilities	36,319	1,450	1,817	39,586
Bank loans and overdrafts				19,107
Income tax payable				1,460
Unallocated corporate liabilities				1,305
Consolidated total liabilities				61,458
OTHER INFORMATION				
Capital expenditure	1,047	26	-	1,073
Depreciation expense	1,603	211	269	2,083

#### By Business Segment

The Group operates in two business segments - after-market services ("AMS") and distribution management solutions ("DMS") (Note 25).

Segment revenue: Segment revenue is the operating revenue reported in the Group's profit and loss statement that is directly attributable to a segment and the relevant portion of such revenue that can be allocated on a reasonable basis to a segment.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on those assets used by a segment. Capital expenditure includes the total cost incurred to plant and equipment, and any intangible assets.

	Revenue		Assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMS	32,658	42,818	17,222	34,533	1,097	275
DMS	234,845	245,248	45,452	54,801	954	798
Total	267,503	288,066	62,674	89,334	2,051	1,073

# STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2009

**Issued and Paid Up Capital** : **S\$100,043,751**

**Class of Shares** : **Ordinary**

**Voting Rights** : **One Vote per share**

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	(%)	NO. OF SHARES	(%)
1 - 999	134	1.44	53,021	0.00
1,000 - 10,000	1,976	21.28	13,188,228	0.73
10,001 - 1,000,000	7,008	75.49	743,413,868	41.27
1,000,001 AND ABOVE	166	1.79	1,044,739,301	58.00
<b>TOTAL</b>	<b>9,284</b>	<b>100.00</b>	<b>1,801,394,418</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	(%)
1	TAN HOR THYE	201,092,337	11.16
2	POH TIAN PENG	118,529,959	6.58
3	PLE INVESTMENTS PTE LTD	89,172,338	4.95
4	DBS NOMINEES PTE LTD	55,375,100	3.07
5	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	46,183,610	2.56
6	OCBC SECURITIES PRIVATE LTD	31,157,750	1.73
7	CIMB-GK SECURITIES PTE LTD	30,693,698	1.70
8	TAN NG KUANG	23,146,394	1.28
9	TAN CHIP SIN	16,836,000	0.93
10	PHILLIP SECURITIES PTE LTD	16,031,758	0.89
11	CHONG SHIN LEONG	16,000,000	0.89
12	NG SWEE HUA	15,500,000	0.86
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	14,970,000	0.83
14	KIM ENG SECURITIES PTE LTD	14,121,500	0.78
15	EDB INVESTMENTS PTE LTD	12,586,400	0.70
16	UOB KAY HIAN PTE LTD	11,454,000	0.64
17	CITIBANK NOMINEES SINGAPORE PTE LTD	11,430,900	0.63
18	LOW KAY HOCK	6,366,000	0.35
19	LEE KAI HENG	6,200,000	0.34
20	OOI FERNLAND	5,961,000	0.33
<b>TOTAL</b>		<b>742,808,744</b>	<b>41.20</b>

## SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of substantial shareholders as of 18 March 2009

Name	Direct Interest	(%)	Deemed Interest	(%)
Economic Development Board	-	-	101,758,738 <sup>(1)</sup>	5.65
EDB Investments Pte Ltd	12,586,400	0.70	89,172,338 <sup>(2)</sup>	4.95
Ronnie Poh Tian Peng	137,924,959 <sup>(4)</sup>	7.66	3,386,070 <sup>(3)</sup>	0.19
Henry Tan Hor Thye	201,092,337	11.16	3,386,070 <sup>(3)</sup>	0.19

Notes:

1. Deemed to be interested in the shares of the Company through its wholly-owned subsidiary, EDB Investments Pte Ltd ("EDBI").
2. EDBI is deemed to be interested in the shares of the Company through:- (i) PLE Investments Pte Ltd ("PLEI"), which is 58% owned by EDBI; and (ii) EDBV Management Pte Ltd ("EDBVM"), which is 100% owned by EDBI. PLEI is directly interested in 89,172,338 ordinary shares of the Company. EDBVM is a discretionary fund manager of PLEI.
3. Deemed to be interested in the 3,386,070 ordinary shares held by Accord Holdings Pte. Ltd. in the Company.
4. Including 19,395,000 ordinary shares registered with DBS Nominees Pte Ltd.

## Percentage of Shareholdings in Public Hands

We confirmed that approximately 80.48% of the Company's entire share capital is in the hands of public shareholdings as at 18 March 2009. According, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

## **mDR LIMITED**

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of mDR Limited ("the Company") will be held at The Chevrons, 48 Boon Lay Way, Singapore 609961 (contact number: 6668 8888) on Thursday, 30 April 2009 at 3.00 p.m. for the following purposes:

### **AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 90 of the Articles of Association of the Company:  
  
Mr. Tong Choo Cherng (Retiring under Article 90) **(Resolution 2)**  
Mr. Mah Kah On Gerald (Retiring under Article 90) **(Resolution 3)**  
  
Mr. Mah Kah On Gerald, will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and as member of the Remuneration and Nominating Committee and will be considered independent.
3. To approve the payment of Directors' fees of S\$280,000 for the year ended 31 December 2008 (previous year 2007: S\$320,000). **(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)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### **AS SPECIAL BUSINESS**

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

6. Authority to issue shares  
  
That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:
    - (a) (i) issue shares in 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 centum (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 centum (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 Singapore Exchange Securities Trading Limited) 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) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (5) 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)**

7. Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

- (a) in exercising the authority conferred by this Resolution, the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and
- (b) unless revoked or varied by the Company in 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 (ii)]

**(Resolution 7)**

8. Authority to issue shares under the mDR Share Option Scheme 2003

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the mDR Share Option Scheme 2003 ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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 (iii)]

**(Resolution 8)**

By Order of the Board

HUANG WENJIAN EUGENE  
Company Secretary

16 April 2009

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 6 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. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

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.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

- (ii) The Ordinary Resolution 7 in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

- (iii) The Ordinary Resolution 8 in item 8 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 in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 20 Toh Guan Road #07-00 CJ GLS Building Singapore 608839 not less than forty-eight (48) hours before the time appointed for holding the Meeting.



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

**IMPORTANT:**

1. 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.
2. 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.
3. 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**

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members mDR Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

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 Annual General Meeting (the "Meeting") of the Company to be held on 30 April 2009 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
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Re-election of Mr. Tong Choo Cherng as a Director		
3	Re-election of Mr. Mah Kah On Gerald as a Director		
4	Approval of Directors' fees amounting to S\$280,000		
5	Re-appointment of Deloitte & Touche LLP as Auditors		
6	Authority to issue new shares		
7	Authority to issue new shares up to discount of 20%		
8	Authority to issue shares under the mDR Share Option Scheme 2003		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

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

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\*Delete where inapplicable

**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 in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two 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.

FOLD ALONG THIS LINE

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 20 Toh Guan Road #07-00 CJ GLS Building Singapore 608839 (Attn: Company Secretary, Tel: 6410 2568) 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 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.
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.

**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.

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Affix  
Stamp

Company Secretary  
**mDR Limited**  
20 Toh Guan Road  
#07-00 CJ GLS Building  
Singapore 608839



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Philip Eng Heng Nee  
*Independent Non-Executive Chairman*

Tong Choo Cherng  
*Executive Director/Chief Executive Officer*

Mah Kah On  
*Independent Non-Executive Director*

Chan Soo Sen  
*Independent Non-Executive Director*

Tham Khai Wor  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Mah Kah On  
*Chairman*

Philip Eng Heng Nee  
Chan Soo Sen  
Tham Khai Wor

## NOMINATION COMMITTEE

Chan Soo Sen  
*Chairman*

Philip Eng Heng Nee  
Mah Kah On  
Tham Khai Wor

## REMUNERATION COMMITTEE

Tham Khai Wor  
*Chairman*

Philip Eng Heng Nee  
Mah Kah On  
Chan Soo Sen

## REGISTERED OFFICE

20 Toh Guan Road  
#07-00 CJ GLS Building  
Singapore 608839  
**T** : (65) 6410 2600  
**F** : (65) 6410 2610  
**W** : [www.m-dr.com](http://www.m-dr.com)

## SHARE REGISTRAR

Boardroom Corporate & Advisory  
Services Pte Ltd  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483  
Person-in-charge: David Woo

## AUDITORS

Deloitte & Touche LLP  
Certified Public Accountants  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 608839  
Partner-in-charge: Cheung Pui Yuen  
(Audit engagement partner since FY2005)

## COMPANY SECRETARY

Huang Wenjian Eugene  
*LL.B (Hons)*

# DMS GROUP RETAIL NETWORK

## M1 EXCLUSIVE DISTRIBUTOR



**Ang Mo Kio Central**  
Blk 726 Ang Mo Kio Ave 6 #01-4162  
S (560726) T: 6458 7259

**West Coast Plaza**  
154 West Coast Road #B1-03  
S (038983) T: 6333 6222

**Suntec City Mall**  
3 Temasek Boulevard #02-054  
S (038983) T: 6333 6222

**Toa Payoh HDB Hub**  
Blk 190 Lorong 6 Toa Payoh #01-548  
S (310190) T: 6358 2268

**Causeway Point S.C.**  
1 Woodlands Square #03-24/25/26  
S (738099) T: 6877 2268

**Lot 1 Shoppers' Mall**  
21 Choa Chu Kang Ave 4 #B1-18  
S (689812) T: 6767 2268

**Junction 8 S.C.**  
9 Bishan Place #02-30  
Junction 8 Shopping Centre  
T: 6254 0800

**Clementi Central**  
Blk 449 Clementi Ave 3 #01-263  
S (120449) T: 6779 2122

**Jurong Point S.C.**  
1 Jurong West Central 2 #03-15  
S (648886) T: 6792 2228

**Bedok Central**  
Blk 211 Bedok Central #01-747  
S (460211) T: 6245 2268

**Square2**  
10 Sinaran Drive #B1-111  
S (307506) T: 6397 6968

**Century Square S.C.**  
2 Tampines Central #04-07/08  
S (529509) T: 6789 2218

**Funan DigitalLife Mall**  
109 North Bridge Road #01-K8  
S (179097) T: 6334 9083

**East Point Mall**  
3 Simei Street 6 #03-11  
S (528833) T: 6781 8061

**Toa Payoh Central**  
Blk 178 #01-232  
S (380178) T: 6253 4580

**The Cathay (Dhoby Ghaut)**  
2 Handy Road #01-10  
S (229233) T: 6737 8588

**Queensway S.C.**  
#02-44  
S (149053) T: 6472 5519

**VivoCity**  
1 Harbourfront Walk #02-26  
S (098585) T: 6376 8026

**Great World City**  
No.1 Kim Seng Promenade #02-36  
S (237994) T: 6235 1665

**Century Square S.C.**  
2 Tampines Central 5 #04-14A  
S (529509) T: 6784 8079

**Raffles City S.C.**  
252 North Bridge Road #B1-39  
S (179103) T: 6337 8580

**Yishun (Chong Pang)**  
Blk 101 Yishun Ave 5 #01-89  
S (760101) T: 6257 0318

**Hougang Point Festival Market**  
1 Hougang St. 91#01-05  
S (538092) T: 6384 2088

**White Sands S.C.**  
1 Pasir Ris Central St. 3 #03-22  
S (518457) T: 6585 2388

**Taman Jurong S.C.**  
Blk 399 Yung Sheng Road #01-47  
S (610399) T: 6264 8348

**Toa Payoh Central**  
Blk 185 #01-342  
S (380185) T: 6253 6638

**Bukit Panjang Plaza**  
1 Jelebu Road #01-13  
S (677743) T: 6763 7637

**Bedok Central**  
Blk 214 #01-107  
S (460214) T: 624 50343

**Pasir Ris NTUC Resort (Downtown East)**  
1 Pasir Ris Close #01-107  
S (519599) T: 6582 3533



**Plaza Singapura**  
68 Orchard Road #B2-23  
S (238839) T: 6884 8591



**Jurong Point II**  
1 Jurong West Central #B1-87/88  
S (648886) T: 6861 0125

## SINGTEL EXCLUSIVE RETAILER



**TANGS Orchard (Technobay)**  
310 & 320 Orchard Road Level 3  
S (238864) T: 6733 7533

**Snap n Talk**  
80 Marine Parade Road  
Parkway Parade #B1-153  
S (449269) T: 6348 7533

**Compass Point S.C.**  
1 Seng Kang Square #02-32  
S (545078) T: 6489 0761

**Ang Mo Kio Central**  
Blk 726 Ave 6 #01-4162  
S (560726) T: 6554 1493

**Clementi West Street 2**  
Blk 727 Clementi West #01-240  
S (098585) T: 6376 9621

**Wisma Atria**  
435 Orchard Road #03-29/30/31  
S (238877) T: 6738 0618

**Suntec City Mall**  
3 Temasek Boulevard #02-056/58/60  
S (038983) T: 6333 1579

**Funan DigitalLife Mall**  
109 North Bridge Road #01-11  
S (179097) T: 6339 4340

**Bedok Central**  
Blk 211 New Upper Changi Road #01-747  
S (460211) T: 6244 7663

**Junction 8 S.C.**  
9 Bishan Place #02-32  
S (579837) T: 6352 9530

**Jurong Point S.C.**  
1 Jurong West Central 2 #03-25A  
S (648884) T: 6795 1961

**VivoCity**  
1 HarbourFront Walk #01-171/172/173/174  
T: 6376 8296

**Parkway Parade**  
80 Marine Parade Road #B1-31/32  
S (449269) T: 6345 1033

**Hougang Mall**  
90 Hougang Ave 10 #04-17  
S (538766) T: 6285 6301

**Tampines Mart**  
No.11 Tampines Mart St.32 #01-02A  
S (529287) T: 6781 8355

**Clementi Central**  
Blk 449 Clementi Ave 3 #01-263  
S (120449) T: 6873 2511

**Ang Mo Kio Hub**  
53 Ang Mo Kio Ave 3 #01-17/ 18  
S (569933) T: 6753 3822

**West Coast Plaza**  
154 West Coast Road #B1-38  
S (127371) T: 6775 9188

**Toa Payoh Central**  
Blk 186 Toa Payoh Central #01-426  
S (310186) T: 6258 1959

**Jurong East**  
Blk 132 Jurong East St 13 #01-283  
S (600132) T: 6569 6118

**Jurong West**  
Blk 501 Street 51 #01-271  
S (640501) T: 6567 5165

**Ang Mo Kio**  
Blk 704 Ang Mo Kio Ave 8 #01-2547  
S (560704) T: 6456 5758

**Thomson Plaza**  
310 Upper Thomson Road #01-77  
S (574408) T: 6452 4882

**Loyang Point**  
Blk 258 Pasir Ris St 21 #02-341  
S (510258) T: 6581 0266

**IMM**  
2 Jurong East St 21 IMM Building #02-02  
S (609601) T: 6552 6388

**VivoCity**  
1 Harbourfront Walk #02-08  
S (098585) T: 6376 8102

**Bedok North**  
Blk 214 Bedok North St 1 #01-167  
S (460214) T: 6448 7310

**Boon Lay S.C.**  
Blk 221 Boon Lay Place #01-116  
S (640221) T: 6265 6020

**Century Square**  
2 Tampines Central 5 #05-22  
S (529509) T: 6787 3403

**Queensway S.C.**  
1 Queensway #01-42  
Queensway Shopping Centre  
S (149053) T: 6475 5332

**Great World City**  
1 Kim Seng Promenade #02-38  
S (237994) T: 6235 1134

**Bedok South**  
Blk 18 Bedok South Road #01-77  
S (460018) T: 6244 3808

**Pearl Centre**  
100 Eu Tong Sen St #01-K3  
S (059812) T: 6324 0811

**Geylang**  
315 Geylang Road  
S (389354) T: 6446 0618

**Ang Mo Kio**  
Blk 727 Ang Mo Kio Ave 6 #01-4250  
S (560727) T: 6451 5451

**Paya Lebar MRT Station**  
30 Paya Lebar #01-12  
S (409006) T: 6746 8801

**Yishun**  
Blk 293 Yishun St.22 #01-251  
S (760293) T: 6754 7594

**Suntec City Mall**  
3 Temasek Boulevard #02-092  
S (038985) T: 6337 0618

**Pasir Ris NTUC Resort (Downtown East)**  
1 Pasir Ris Close #01-09A/B  
S (519599) T: 6583 6566

**East Link Mall**  
8 Tampines Central 1 #01-04  
S (529543) T: 6789 3986



**mDR Limited**

(Company Registration No. 200009059G)

20 Toh Guan Road  
#07-00 CJ GLS Building S (608839)

T (65) 6410 2600  
F (65) 6410 2610