MDR Limited

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

ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON 30 APRIL 2021

— RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The board of directors (the "**Board**") of mDR Limited (the "**Company**" and together with its subsidiaries the "**Group**") wishes to thank shareholders for submitting their questions in advance of the Company's upcoming annual general meeting and extraordinary general meeting to be held on 30 April 2021 via electronic means.

The Company has consolidated the substantial and relevant questions received from shareholders after making editorial amendments to some questions for clarity. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions. The following are the Company's responses to the questions received from shareholders:

1. Why is there such a big increase in Directors' fees from S$174,000 to S$300,000, especially when the Company is in loss in FY2020?

<u>Company's Response</u>:

There is no increase in the proposed amount for Directors' fees. S$174,000 was the actual amount of Directors' fees paid to the Directors in FY2020, out of the maximum approved Directors' fees up to S$300,000. The proposed Directors' fees for FY2021, again of up to S$300,000, have remained unchanged and are the same as what was approved in the several preceding financial years. This is despite the expansion of the size of the Board from 6 Directors (comprising 3 Independent Directors) to currently 7 Directors (comprising 4 Independent Directors since September 2020), which is to comply with the requirement under the Code of Corporate Governance 2018 for a majority of the board of directors of a listed company to comprise of independent directors where the Chairman is not independent. Kindly note that, in fact the Company's Independent Directors (other than those appointed in September 2020) have also taken an approximately 25% cut in Directors' fees since October 2020 in view of the impact of COVID-19.

2. In November 2020, Tsinghua Unigroup defaulted on 1.3 billion yuan (US$199 million) onshore bond and was downgraded from AA to BBB by China Chengxin Credit Rating Group. Why did the management still hold on to the 2021 Debt Security instead of cutting loss immediately? Please give an update on the 2021 Debt Security.

<u>Company's Response</u>:

The debt security which was due for maturity on 31 January 2021 ("**2021 Debt Security**") was issued by Tsinghua Unic Limited ("**Issuer**") and unconditionally and irrevocably guaranteed by Tsinghua Unigroup Co., Ltd. ("**Tsinghua Unigroup**"). Tsinghua Unigroup is majority (51%) owned by Tsinghua Holdings (a wholly-owned subsidiary of Tsinghua University). Tsinghua Unigroup's rating was initially downgraded to AA from AAA, followed by AA to BBB in November 2020 by China Chengxin International Credit Rating Co. Capital market pricing is usually considered efficient and the price of the 2021 Debt Security had already adjusted with the ratings downgrade, so Management had to decide if the price decline was fair at the material time. The Company decided to continue to hold the 2021 Debt Security as Management's general expectation was that the default on an "offshore" bond by a well-established state-linked tech conglomerate such as Tsinghua was unlikely.

Risk in debt instruments is a factor of financial stability and duration. In November 2020, given that the Issuer was still rated investment grade (with BBB rating) and the bond maturity was only 2 months away, Management was still reasonably confident of a successful redemption, especially given the emphasis on the strategic and national importance of technology, outlined in October 2020 for the CCP's 14th Five-Year Plan. In addition, the trade war with the US and sanctions on certain Chinese companies had made it more imperative for China to be technologically self-reliant. To also give context on investment grade bond rating, please note that some BBB rated bond issuers include BP, Citigroup, FedEx, HP, Morgan Stanley and Prudential. The investment team had also consulted with a third party financial advisor and their credit analysts and received similar level of confidence in the Issuer.

The Company has been engaging with the Issuer of the 2021 Debt Security. We understand that the Issuer is looking into various ways to solve their current liquidity issue.

3. The Company has not performed well in its investments. What is the Board doing about this? In the event of non-performance, would the Board consider, either changing the investment manager or to liquidate all investments and return the proceeds to shareholders?

Company's Response:

As mentioned in the Chairman's Statement in Annual Report 2020, while Management is dissatisfied by FY2020's performance, we remain committed to achieve better performance and dividend payment in the future. The net loss of the Group in FY2020 was primarily due to the impairment of financial assets and loss allowance for trade receivables in relation to the coupon payment of Tsinghua's 2021 Debt Security, which was unexpected in view of Tsinghua group's credit rating, Tsinghua being a state-linked tech conglomerate, and the strategic nature of Tsinghua's chip business, especially when the semi-conductor industry was one of the best-performing and growth industry across sectors and regions in 2020.

The Board reviews Group's investments' performance, investment strategy and execution periodically. The Group's equity portfolio outperformed the STI in 2020. Share buy-backs by the Company have also been, *inter alia*, progressively improving the return on equity, thereby increasing shareholder value. Currently, the Board does not have any plans of liquidating investments and/or returning proceeds to shareholders. Management is focused more on the long-term return and is therefore not disconcerted by short-term market volatility. Given that the core members of the investment team together hold approximately 51.84% of Company's shareholdings and there is a clear alignment of interest, Management is optimistically confident of the long-term performance of the Group's investments. Management will continue to work towards its efforts to accelerate growth, achieve better results and create value for all shareholders.

4. What strategic plans and goals does the Board have for the Company for the next 3 and 5 years?

Company's Response:

The Group has continued with its evolutionary and strategic transformative plans and goals, since obtaining shareholders' approval in April 2018 for the diversification of its businesses to include the Investment Business and Property Business.

The Investment division is expected to be a key driver of profits and cashflow for the Group. Dividend income from invested marketable securities will continue to be the main source of revenue for the division. The Group is yet to venture into the Property Business, due to a lack of attractive real estate assets at our preferred valuation. Management expects to add real estate assets in the future when prices and valuations are attractive.

While there are disruptive headwinds and changing consumer patterns in terms of online sales, the Group believes that the distribution and physical retail channels remain relevant in the Singapore market based on consumers' preferences for flagship phones. DMS restructured its business operations in the 4^{th} quarter of 2020 with the cessation of M1's distribution business and will continue to exercise financial prudence through a tight rein on costs. The division will continue with its strategy to operate retail stores at locations which are strategic and profitable. DMS will continue to capitalise on its business relationship with its various business partners and principals to grow the business. With the Group's experience in the telecommunications sector and long established relationship with business partners and principals, on the whole Management is optimistic about the future outlook of the DMS business.

We are confident of the Group's potential in terms of value creation and benefits for its shareholders and various stakeholders. Overall, we are cautiously optimistic of the Group to grow stronger with a scaled-up balance sheet and diversified businesses in the next 3 to 5 years.

5. What is the dividend policy of the Company?

Company's Response:

The Company has a dividend policy of declaring at least 50% of its full-year profits as dividend.

BY ORDER OF THE BOARD

Madan Mohan
Company Secretary

29 April 2021