

MINUTES OF 20TH ANNUAL GENERAL MEETING OF mDR LIMITED (“MDR” OR THE “COMPANY” AND TOGETHER WITH ITS SUBSIDIARIES THE “GROUP”) HELD BY WAY OF ELECTRONIC MEANS ON FRIDAY, 30 APRIL 2021 AT 2:00 P.M.

PRESENT

Board of Directors

<i><u>In Attendance</u></i>	:	Mr Edward Lee Ewe Ming (“ <i>Chairman</i> ”) Mr Ong Ghim Choon (CEO / “ <i>Mr Ong</i> ”) Mr Oei Su Chi, Ian (<i>Independent Director</i>) Ms Ong Siow Fong (<i>Independent Director</i>)
<i><u>Via live webcast</u></i>	:	Ms Connie Zhang (<i>Executive Director</i>) Mr Mark Leong Kei Wei (<i>Lead Independent Director</i>) Ms Liu Yao (<i>Independent Director</i>)
<i><u>Shareholders who attended via live webcast or audio conference</u></i>	:	As set out in the attendance records maintained by the Company
<i><u>Company Secretary (In Attendance)</u></i>	:	Mr Madan Mohan
<u>BY INVITATION</u> <i><u>(Attended via live webcast)</u></i>	:	Mr Richard Siua (<i>Group COO</i>) Ms Yip Li San (<i>Group CFO</i>) Mr Hock Lee Ng (<i>Deloitte and Touche LLP</i>)

1. INTRODUCTION AND QUORUM

1.1 Chairman welcomed shareholders to the annual general meeting (“**AGM**” or “**Meeting**”). As a quorum in accordance with the Constitution of the Company was present, Chairman declared the AGM open at 2:00 pm. Chairman expressed regret that due to the COVID-19 restriction orders in Singapore, shareholders are unable to attend the AGM in person. He then introduced the fellow Board members who had joined the AGM, either via webcast or in person.

2. NOTICE OF MEETING

2.1 The Notice convening the AGM (“**AGM Notice**”) circulated to shareholders was taken as read.

2.2 Chairman informed shareholders that all resolutions to be tabled at the AGM have been voted upon by way of poll. Therefore all resolutions for the AGM are deemed proposed and seconded. Chairman noted that he had been appointed as proxy by shareholders to vote on their behalf in accordance with the specific instructions in the Proxy Forms. Voting via submission of Proxy Forms was in accordance with the COVID-19 (Temporary Measures) Act 2020 and the related Order on the alternative arrangements for general meetings. Chairman noted that Samas Management Consultants Pte Ltd, the scrutineers for the Meeting, have independently verified the votes based on the Proxy Forms received 72 hours before the AGM, and the Company will announce the poll results after introducing the resolutions.

3. CORPORATE PRESENTATION, QUESTIONS & ANSWERS

- 3.1 Chairman informed the Meeting that the Company had invited questions from shareholders prior to the AGM via online pre-registration website, post and email. He further informed the Meeting that the Company has published the responses to the questions received from shareholders, both on SGXNET and the Company's corporate website. He thanked the shareholders who had submitted the questions in advance of the Meeting and invited shareholders to go through these to understand Management's strategies and business plans. He requested shareholders to email any follow-up question that they may have by writing to the Company.
- 3.2 Chairman made a presentation (enclosed in **Appendix A**) on the FY2020 financial results and the business outlook of the Group in FY2021, and also summarised the Company's responses to the questions received from shareholders. Key points from Chairman's presentation are as follows:
- (a) As expected, FY2020 has been a difficult year not just for MDR, but for many companies around the world and in Singapore. Due to COVID-19, Group's revenue and profits declined. This was expected because DMS and DPAS divisions were affected by the business disruptions from the circuit breaker measures in Singapore and the movement control order (MCO) in Malaysia, and also because consumer spending was affected. Investment side had some improvements. This was because the Group deployed more capital. However, investment returns were also affected because companies were conservative in terms of their dividend distributions. There were also significant mark-to-market fluctuations in terms of the price of equities and bonds.
 - (b) In 2020 we had a significant loss primarily because of the impairment of Tsinghua's debt security. Excluding this item, business for continuing operations was satisfactory in FY2020 with profit of S\$3.68m (excluding exceptional impairments), especially considering the unprecedented economic weakness from COVID-19. This shows the resilience of the Group's business, as well as the benefits of diversification. We also disposed S\$10.78m of bonds and purchased S\$5.17m of equity at the market bottom in March 2020 which benefited the Company's investment portfolio. We customarily benchmark ourselves against STI as the Group has substantial exposure to the Singapore market. In FY2020 our equities portfolio outperformed the STI.
 - (c) We were unable to declare dividend for FY2020 based on accounting rules despite good cash-flow. The Company became more active in share buy-backs, which also shows our confidence in terms of valuation of our stock and the promise of our business. We will continue to maintain the dividend policy of at least 50% pay-out of full-year profits.
 - (d) The outlook for the Group's business therefore remains cautious. We have seen a recovery in most economic sectors but then we're starting to see second, third or fourth wave of COVID-19 in different countries. So I think businesses are a little bit more cautious in terms of their spending that could affect some of our business. There are some structural changes in Group's business as well. Previously we were working with both Singtel and M1. The M1 relationship ceased in September 2020. So we are looking at new opportunities in the phone business. In Investments, we continue to be active in public equities space. General conclusion therefore is that there is weakness in some business divisions, but overall business is doing well as a diversified entity. The Group is cashflow positive and its balance sheet is strong. Moving forward the key focus for the Management is how to take advantage of the current situation, which is Management's plan and we will execute based on that.
 - (e) Chairman emphasized that Company's Directors' fees is relatively stable and there is no increase in the fees. The proposed approval of Directors' fees up to S\$300,000 is to have some headroom if new directors are appointed to the Board, which is unlikely, as the Company is already in compliance with the Code of Corporate Governance 2018 with the Board comprising of a majority of independent directors. In view of the business impact from COVID-19, Company's independent directors (other than those appointed in

September 2020) had also taken an approximately 25% cut in Directors' fees effective from October 2020, in addition to the Group's Executive Directors and senior Management who had voluntarily taken a 10% salary cut effective from October 2020.

- (f) Chairman discussed about Company's decision to continue to hold Tsinghua's bond instead to cut loss or sell the debt security. He noted that capital market pricing is usually considered efficient and the price of Tsinghua's bond had already adjusted with the ratings downgrade, so Management had to decide if the price decline was fair at the material time. Risk in debt instruments is a factor of financial stability and duration. In November 2020, given that Tsinghua Unigroup was still rated investment grade (with BBB rating) and the bond maturity was only about two months away, the Company decided to continue to hold Tsinghua's debt security as Management was reasonably confident of a successful redemption, especially considering that Tsinghua's business was solid, the semiconductor business is a strategic asset that is crucial to China's objective of being technologically self-reliant. To also give context on investment grade bond rating, some BBB rated bond issuers include BP, Citigroup, FedEx, HP, Morgan Stanley and Prudential. Management also spoke to a third party financial advisor and their analysts and had received similar level of confidence in the debt security's issuer.

3.3 After the presentation, Chairman proceeded for the resolutions tabled at the AGM.

ORDINARY BUSINESS

4. RESOLUTION 1: DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4.1 Chairman noted Resolution 1 as set out in the AGM Notice.

4.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Directors' Statement and audited Financial Statements for the year ended 31 December 2020	613,967,897	613,917,897	99.99	50,000	0.01

4.3 Based on the results, Chairman declared that Resolution 1 was duly passed.

4.4 RESOLVED:

That the Directors' Statement and the audited Financial Statements of the Company for the year ended 31 December 2020 together with the Auditors' Report thereon, be received and adopted.

5. RESOLUTION 2: RE-ELECTION OF Ms ONG SIOW FONG AS A DIRECTOR

5.1 Chairman noted Resolution 2 as set out in the AGM Notice.

5.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Re-election of Ms Ong Siow Fong as a Director	613,967,897	613,917,897	99.99	50,000	0.01

5.3 Based on the results, Chairman declared that Resolution 2 was duly passed.

5.4 **RESOLVED:**

That Ms Ong Siow Fong be and is hereby re-elected as a Director of the Company.

6. **RESOLUTION 3: RE-ELECTION OF Ms LIU YAO AS A DIRECTOR**

6.1 Chairman noted Resolution 3 as set out in the AGM Notice.

6.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Re-election of Ms Liu Yao as a Director	613,967,897	613,917,897	99.99	50,000	0.01

6.3 Based on the results, Chairman declared that Resolution 3 was duly passed.

6.4 **RESOLVED:**

That Ms Liu Yao be and is hereby re-elected as a Director of the Company.

7. **RESOLUTION 4: RE-ELECTION OF Mr MARK LEONG KEI WEI AS A DIRECTOR**

7.1 Chairman noted Resolution 4 as set out in the AGM Notice.

7.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Re-election of Mr Mark Leong Kei Wei as a Director	613,967,897	613,917,897	99.99	50,000	0.01

7.3 Based on the results, Chairman declared that Resolution 4 was duly passed.

7.4 **RESOLVED:**

That Mr Mark Leong Kei Wei be and is hereby re-elected as a Director of the Company.

8. **RESOLUTION 5: RE-ELECTION OF Ms ZHANG YANMIN AS A DIRECTOR**

8.1 Mr Ong noted Resolution 5 as set out in the AGM Notice.

8.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Re-election of Ms Zhang Yanmin as a Director	613,967,897	613,917,897	99.99	50,000	0.01

8.3 Based on the results, Mr Ong declared that Resolution 5 was duly passed.

8.4 **RESOLVED:**

That Ms Zhang Yanmin be and is hereby re-elected as a Director of the Company.

9. **RESOLUTION 6: APPROVAL OF DIRECTORS' FEES OF UP TO S\$300,000 FOR THE YEAR ENDING 31 DECEMBER 2021**

9.1 Chairman noted Resolution 6 as set out in the AGM Notice.

9.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Approval of Directors' fees of up to S\$300,000 for the year ending 31 December 2021	611,242,055	611,192,055	99.99	50,000	0.01

9.3 Based on the results, Chairman declared that Resolution 6 was duly passed.

9.4 **RESOLVED:**

That payment of up to S\$300,000 to be paid to all Directors (other than the Executive Directors) as Directors' fees for the financial year ending 31 December 2021 be and is hereby approved.

9.5 Non-Executive Directors, Mr Mark Leong Kei Wei and Mr Oei Su Chi, Ian, who are also shareholders of the Company, voluntarily abstained from voting on 2,725,842 shares in aggregate, on Resolution 6.

10. **RETIREMENT OF AUDITORS**

10.1 Chairman noted item 7 of the AGM Notice on the retirement of Deloitte & Touche LLP ("**Deloitte**") as the Auditors of the Company upon the conclusion of the AGM.

10.2 On behalf of the Board, Management and the Company, Chairman expressed appreciation to Deloitte for their past services to the Company.

11. **ANY OTHER ORDINARY BUSINESS**

11.1 As there were no notice of other ordinary business received by the Company, the meeting proceeded to the Special Business on the agenda.

SPECIAL BUSINESS

12. RESOLUTION 7: GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES

12.1 Chairman noted Resolution 7 as set out in the AGM Notice.

12.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
General authority to allot and issue shares	613,967,897	613,917,897	99.99	50,000	0.01

12.3 Based on the results, Chairman declared that Resolution 7 was duly passed.

12.4 RESOLVED:

“That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”) and the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue ordinary shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) 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) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than ten per cent (10%) of the total number of issued Shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustment as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury shares and subsidiary holdings, at the time this Resolution is passed, after adjusting for:

- (i) 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 this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

In this Resolution 7, “subsidiary holdings” shall have the meaning ascribed to it in the SGX-ST Listing Manual.

13. RESOLUTION 8: AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE mDR SHARE PLAN 2018

13.1 Chairman noted Resolution 8 as set out in the AGM Notice.

13.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Authority to allot and issue Shares under the mDR Share Plan 2018	151,930,812	151,866,562	99.96	64,250	0.04

13.3 Based on the results, Chairman declared that Resolution 8 was duly passed.

13.4 RESOLVED:

“That the Directors be and are hereby authorised to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of Awards under the mDR Share Plan 2018, provided that the aggregate number of Shares to be allotted and issued pursuant to the mDR Share Plan 2018 and any other share-based incentive schemes that may be implemented by the Company, shall not exceed 15% of the total issued and paid-up Shares (excluding treasury shares and subsidiary holdings) on the day preceding the date on which the Award shall be granted.”

13.5 Group Employees (including Group Executive Directors) and Group Non-Executive Directors, the Controlling Shareholders and their Associates, who are also Shareholders and eligible to participate in the mDR Share Plan 2018 abstained from voting on 462,037,085 shares in aggregate, on Resolution 8.

14. RESOLUTION 9: PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

14.1 Mr Ong noted Resolution 9 as set out in the AGM Notice.

14.2 The results of the proxy votes received were as follows:

Ordinary Resolution	Total	For		Against	
		No. of Shares	%	No. of Shares	%
Proposed renewal of the Share Buy-back Mandate	216,093,754	216,043,754	99.98	50,000	0.02

14.3 Based on the results, Mr Ong declared that Resolution 9 was duly passed.

14.4 **RESOLVED:**

“That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”) and such other laws and regulations as may for the time being be applicable, the exercise by the directors of the Company (“**Directors**”) of all the powers of the Company to purchase or otherwise acquire issued and paid-up ordinary shares in the share capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limit (as defined herein), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined herein), whether by way of:

(i) on-market purchases transacted through the trading system of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), or as the case may be, any other securities exchange on which the Shares may for the time being be listed on (“**Market Purchase**”); and/or

(ii) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act and the SGX-ST Listing Manual (“**Off-Market Purchase**”),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the SGX-ST Listing Manual, be and is hereby authorised and approved generally and unconditionally (“**Share Buy-back Mandate**”);

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-back Mandate shall, at the discretion of the Directors, either be cancelled or held as treasury shares and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors to purchase Shares pursuant to the Share Buy-back Mandate may be exercised by the Directors any time and from time to time, on and from the date of the passing of this resolution, up to the earliest of:

(i) the date on which the next annual general meeting is held or is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in a general meeting;

(d) in this resolution:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company, or as the case

may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the Off-Market Purchase from the holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, and other related expenses) to be paid for the Shares as determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares;
and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

“**Prescribed Limit**” means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

- (e) the Directors and/or any of them be and are hereby authorised to do any and all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the matters referred to in this resolution and the taking of any and all actions whatsoever, by any Director on behalf of the Company in connection with the proposed Share Buy-back Mandate prior to the date of the passing of this resolution be and are hereby approved, ratified and confirmed.”

14.5 Mr Edward Lee Ewe Ming and Ms Zhang Yanmin, who hold 398,374,144 shares in the Company, abstained from voting on Resolution 9 in respect of the proposed renewal of the Share Buy-back Mandate.

15. **CLOSURE**

15.1 There being no other business, Chairman declared the AGM closed at 2:24 pm. He then proceeded for the extraordinary general meeting of the Company held on the same date immediately after the AGM.

Approved by:

Mr Edward Lee
Chairman
mDR Limited



Annual General Meeting

30 April 2021



Financial Results: YoY Financial Performance



(\$'000)	FY 2020	FY 2019
<u>Continuing Operations</u>		
Revenue	192,797	285,691
Gross Profit	24,304	32,555
(Loss) Profit before income tax	(14,525)	1,038
(Loss) Profit for the year from continuing operations	(14,380)	1,041
Profit (Loss) for the year from discontinued operations	116	(5)
(Loss) Profit for the year	(14,264)	1,036
Profit for the year (excluding impairments)	3,686	6,261

Financial Results: YoY Segmental Breakdown of Revenue (Continuing Operations)



(\$'000)	FY 2020	FY 2019
DMS	164,252	253,048
AMS	17,333	19,864
DPAS	3,297	5,793
INVESTMENT	7,915	6,986
Total	192,797	285,691

Financial Results: YoY Segmental Breakdown of Gross Profits (Continuing Operations)



(\$'000)	FY 2020	FY 2019
DMS	11,053	18,619
AMS	4,690	5,266
DPAS	646	1,684
INVESTMENT	7,915	6,986
Total	24,304	32,555

Financial Results: Exceptional impairments

(\$'000)	FY 2020	FY 2019
<u>Continuing Operations</u>		
(Loss) Profit for the year	(14,380)	1,041
<u>Exceptional impairment impact:</u>		
Impairment of right-of-use assets and PPE	364	571
Impairment of investment in debt securities	17,166	1,851
Loss allowance for trade receivables (in relation to debt securities)	536	-
Impairment of goodwill	-	2,798
Total impairments	18,066	5,220
Profit for the year (excluding exceptional impairments)	3,686	6,261

Investments: Performance Overview

(\$'000)	FY 2018	FY 2019	FY 2020
Investment performance (inclusive of dividends from equity investment and accrued interest income from bond investment)	(2,705)	3,664	(2,706)

(\$'000)	1H-2020	2H-2020	Total
Investment performance (inclusive of dividends from equity investment and accrued interest income from bond investment)	(23,187)	20,481	(2,706)

Investments: Performance Overview (cont'd)

(\$'000)	1H-2020	2H-2020	Total
Equity Investment			
Addition	16,367	3,267	19,634
Disposal	(5,709)	(7,281)	(12,990)

(\$'000)	1H-2020	2H-2020	Total
Bond investment			
Addition	-	6,674	6,674
Disposal	(12,505)	(3,047)	(15,552)
Redemption	(12,150)	-	(12,150)

Investments in Equity Securities

As at 31 December 2020, the Group invested in investment securities of companies which are broadly categorised within the following business sectors:

Business Sectors	%
Infrastructure	36.6%
Real estate	32.0%
Agriculture	13.1%
Transportation	8.7%
Leisure and hospitality	5.5%
Commodities	4.1%
TOTAL	100.0%

Below is the key information of the investment securities as at 31 December 2020 :

By Market Capitalization	%
\$1 billion and above	95.5%
\$500 million to \$1 billion	0.8%
\$200 million to \$500 million	3.7%
\$200 million and below	0.0%
TOTAL	100.0%

Weighted portfolio Information (based on simple weighted average calculation)	
Market Capitalisation	\$3.40 billion
Dividend Yield	3.84%
5-year Beta	1.088
P/B	0.51x
EV/EBITDA	13.15x
Debt/EBITDA	7.82x

By Exchange (based on market value)	%
SGX	96.7%
HKEX	3.3%
TOTAL	100.0%

By Currencies (based on market value)	%
SGD	63.5%
USD	33.2%
HKD	3.3%
TOTAL	100.0%

(Data derived from SGX "Stock Screener" or Yahoo Finance as at 31 December 2020)

Investments in Debt Securities



As at 31 December 2020, the Group invested in bonds and the issuers of the debt securities are of companies broadly categorised within the following business sectors (excluding Tsinghua bond):

Business Sectors (based on purchase consideration)	%
Real estate	63.6%
Agriculture	36.4%
TOTAL	100.0%

Below is the key information of the bonds as at 31 December 2020:

By Exchange (based on purchase consideration)	%
SGX	66.4%
HKEX	33.6%
TOTAL	100.0%

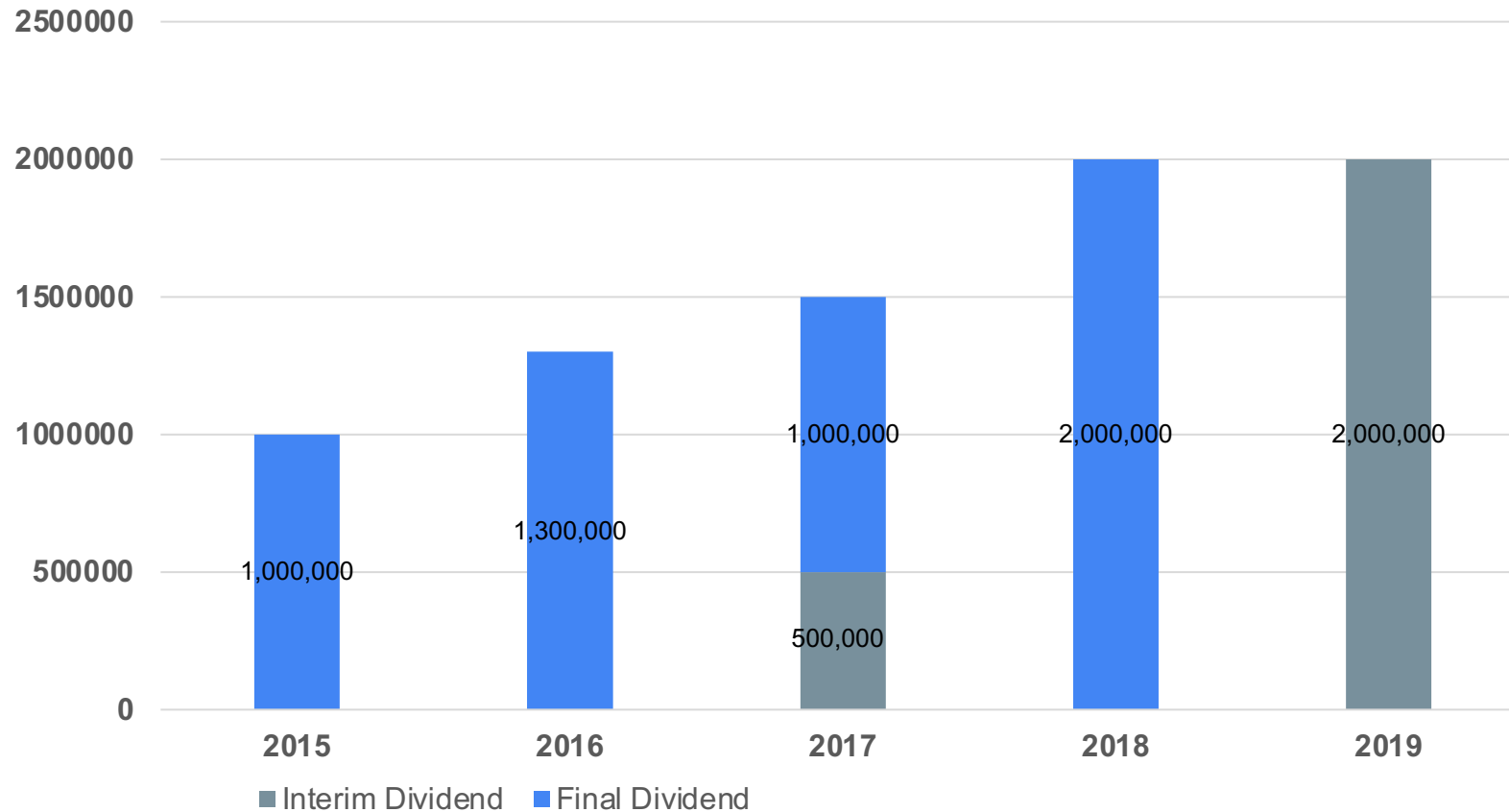
By Currencies (based on purchase consideration)	%
USD	33.6%
SGD	66.4%
TOTAL	100.0%

By Credit Rating (based on purchase consideration)	%
BBB	33.6%
BB	29.9%
BB-	36.5%
TOTAL	100.0%

Weighted portfolio Information (based on simple weighted average calculation)	
Yield to Maturity	5.9%
Duration	0.39 years

(Data extracted from S&P Global Ratings, where applicable)

Dividend



- **Dividend Policy:** At least 50% of profits
- **FY2020:** No dividend could be declared for FY2020 mainly due to the allowance for impairment made in 2H-FY2020 that resulted in losses incurred for the financial period

2021 Outlook

- Barring any unforeseen events, the Group is committed to achieving better performance in FY2021
- With the uncertainties in the global economy because of the COVID-19 pandemic, the Group's business may remain challenging in FY2021
- The Group remains cautious in its business outlook with an expectation of a gradual recovery



Substantial and relevant questions



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?

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.

Substantial and relevant questions

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.

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.

Substantial and relevant questions



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?

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.

Substantial and relevant questions



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

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 4th 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?

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

THANK YOU



MDR Limited

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Disclaimer



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MDR Limited

Annual General Meeting
30 April 2021

