MDR Limited

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

RESPONSE TO SGX-ST'S QUERIES

The Board of Directors (the "**Board**") of mDR Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the following queries received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Company's second half financial statements for the period ended 31 December 2020. The Board wishes to respond to the SGX-ST's queries as follows:

SGX queries:

1. **Given the Group's current liabilities of S$46,429,000 as at 31 December 2020 and cash and bank balances of S$12,324,000 as at 31 December 2020 and noting that the Group incurred losses of S$14,264,000 for YTD-20, please disclose the Board's assessment (i) whether the Group's current assets are adequate to meet its short-term liabilities of S$46,429,000 including its bases of assessment; and (ii) how the Group intends to fulfil its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group is on track to fulfilling these obligations.**

   Company's response:

   The Group has current assets of $76,866,000 and total current liabilities of $46,429,000 as at 31 December 2020, which will result in net current assets of $30,437,000 (i.e. current assets less current liabilities). Group's current assets are 1.66 times higher than its current liabilities as at FY2020 year end.

   Of the Group's total current liabilities, $26,849,000 pertain to bank overdrafts and loans, of which, $21,884,000 are loans/overdrafts advanced for the purchase of quoted equities and debt securities. Though under the Singapore Financial Reporting Standards (SFRS) the aforesaid loans are classified under current liabilities as they are renewed every 1 to 7 days, the likelihood of a recall of these loans is low as they are secured by a charge over the quoted securities.

   The investment in quoted equities of $88,196,000 are classified under non-current assets due to the Company's intention to hold these investments on a long term basis. The Group's quoted equity securities are assets with high liquidity.

   As such, the Board believes that the Group's current assets are adequate to meet its short-term liabilities and its significant payment obligations in the next 12 months.

2. As at 31 December 2020, the Group has current liabilities – bank overdrafts and loans amounting to S$26,849,000 with cash and bank balances of S$12,324,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(i) Please assess the Group and Company's ability to operate as a going concern.
(ii) Please assess the Group and Company's ability to meet its debt covenants (if any).
(iii) Please assess the Company's ability to meet its short-term obligations when they fall due.

Company's response:

As mentioned in item (1) above, the Group's current ratio of 1.66 with net current assets of $30,437,000 and the investments in equity securities of $88,196,000 (which are classified under non-current assets and are assets with high liquidity) demonstrate that the Group's financial position remains strong.

The Group has also performed an assessment of its ability to operate as a going concern in the recent FY2020 audit, which was reviewed by its external auditors.

As such, the management believes that the Group's financial position remains strong, it is able to operate as a going concern and meet its debt covenants and short-term obligations when they fall due.

3. Please disclose the nature of the loan receivables from third parties amounting to S$3,861,000 and the rationale for extending such loans.

Company's response:

The loan receivables from third parties relate to two separate secured loans. One of these loans is secured by, *inter alia*, a mortgage on a property owned by the major shareholder of the borrower. The other loan is a convertible loan secured with, *inter alia*, guarantee from the major shareholder of the borrower. These two loans are income generating and/or have potential to generate good return. In addition, the aforesaid convertible loan gives the Company an option in its sole discretion to convert the loan to equity of the borrower.

BY ORDER OF THE BOARD

Madan Mohan
Company Secretary

16 April 2021