



MDR Limited

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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “**Board**”) of mDR Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the independent auditors of the Company, Ernst & Young LLP has included an emphasis of matter, with respect to the suspected unauthorised use of the Group’s marketing incentive rebates by 2 former employees, in the audit report of the Group (the “**Independent Auditor’s Report**”) for the financial year ended 31 December 2021 (the “**Audited Financial Statements**”). The Group’s Audited Financial Statements which form part of the Annual Report 2021 of the Company has been published on SGXNET on 8 July 2022.

An extract of the emphasis of matter in the Independent Auditor’s Report is set out below:

“Emphasis of matter

We draw attention to Note 44 to the financial statements which discloses the on-going investigation by the Commercial Affairs Department in respect of the suspected misappropriation of assets. Our opinion is not qualified in respect of this matter.”

The extract of Note 44 to the Audited Financial Statements is annexed to this announcement. Shareholders are advised to read this announcement in conjunction with the Company’s announcement dated 18 December 2021, the Independent Auditor’s Report and the Group’s Audited Financial Statements.

BY ORDER OF THE BOARD

Madan Mohan
Company Secretary

8 July 2022

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

44. SUSPECTED MISAPPROPRIATION OF ASSETS

On 18 December 2021, it was announced that the Group has on 10 December 2021 and 13 December 2021 discovered two separate cases of suspected unauthorised use of the Group's marketing incentive rebates by 2 employees (referred to as "Relevant Persons"), comprising of rebates from the Group's principals which are typically used for marketing or promotional support, in its subsidiaries through the suspected unauthorised sale of handsets and phone accessories and misappropriation of proceeds from such sale ("suspected misappropriations").

Since the discovery of the suspected misappropriations, the Group has conducted internal investigations and has also engaged an independent audit firm to conduct forensic analysis and to review the internal controls and procedures on the use of the marketing incentive rebates.

Based on the internal investigations to-date, the aggregate cost of the suspected misappropriations amounted to approximately \$2,083,000 comprising of \$261,000 for 2020 and \$1,822,000 for 2021 have been charged to the Statement of Comprehensive Income as inventories being written off (Note 16).

As at the date of the financial statements, the investigation by the Commercial Affairs Department on the Relevant Persons is still on going. The investigation could uncover other matters which could result in further adjustments to the financial statements.