



MDR Limited

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

ANNOUNCEMENT PURSUANT TO RULE 704(5)(b) OF THE LISTING MANUAL

Pursuant to Rule 704(5)(b) 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 Ernst & Young LLP, the independent auditors of the Group’s subsidiaries, 3 Mobile Telecom Pte Ltd, A-Mobile Pte Ltd, Distribution Management Solutions Pte Ltd, and Handphonestop Pte Ltd (collectively the “**Subsidiaries**”), 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 Subsidiaries (the “**Independent Auditor’s Reports**”) for the financial year ended 31 December 2021 (the “**Audited Financial Statements**”).

The extracts of the emphasis of matter in the Independent Auditor’s Reports and the related notes in the Audited Financial Statements of the Subsidiaries are set out in **Appendix A** of this announcement. Shareholders are advised to read this announcement in conjunction with the Company’s announcements dated 18 December 2021 and the Group’s audited financial statements which form part of the Annual Report 2021 of the Company published on 8 July 2022.

BY ORDER OF THE BOARD

Madan Mohan
Company Secretary

29 August 2022

APPENDIX A

3 MOBILE TELECOM PTE. LTD.

“Emphasis of matter

We draw attention to Note 30 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.”

Note 30:

30. Misappropriation of assets

On 18 December 2021, it was announced that the Company’s ultimate holding company, mDR Ltd, together with its subsidiaries, (collectively, 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 \$1,055,376. The total cost comprising of \$97,584 for 2020 and \$957,792 for 2021 have been charged to the Statement of Comprehensive Income as inventories written off (Note 13).

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.

A-MOBILE PTE. LTD.

“Emphasis of matter

We draw attention to Note 26 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.”

Note 26:

26. Misappropriation of assets

On 18 December 2021, it was announced that the Company’s ultimate holding company, mDR Ltd, together with its subsidiaries, (collectively, 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 \$212,491. The total cost comprising of \$132,700 for 2020 and \$79,791 for 2021 have been charged to the Statement of Comprehensive Income as inventories written off (Note 13).

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.

DISTRIBUTION MANAGEMENT SOLUTIONS PTE. LTD.

“Emphasis of matter

We draw attention to Note 33 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.”

Note 33:

33. Suspected misappropriation of assets

On 18 December 2021, it was announced that the Company’s immediate holding company, mDR Ltd, together with its subsidiaries, 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 \$2,084,000 comprising of \$261,000 for 2020 and \$1,823,000 for 2021 have been charged to the Statement of Comprehensive Income as inventories written off (Note 14).

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.

“Emphasis of matter

We draw attention to Note 29 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.”

Note 29:

29. Suspected misappropriation of assets

On 18 December 2021, it was announced that the Company’s ultimate holding company, mDR Limited, together with its subsidiaries, (collectively, 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 \$815,584. The total cost comprising of \$30,629 for 2020 and \$784,955 for 2021 have been charged to the Statement of Comprehensive Income as inventories written off (Note 13).

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.