



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: mDR Limited

Stock code: Y3D

Meeting details:

Date: 27 July 2022

Time: 1.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Distribution Management Solutions (“DMS”):** Revenue contribution from DMS decreased by \$4.15 million to \$160.90 million (FY2020: \$165.05 million). In the chairman’s statement, the decrease was mainly attributed to lower sales volume (page 6). However, in Note 4 (page 84; Revenue and interest income), it can be seen that sale of goods actually increased from \$127 million to \$137 million while the incentive income decreased from \$37.7 million to \$23.9 million. **Can management elaborate further on the practice of incentive income in the distribution business? What were the number of units sold in FY2020 and FY2021?** In addition, the DMS segment has been loss-making in the past 3 years (FY2019, FY2020 and FY2021). **What are management’s plans to turn around the DMS business? How dependent is the DMS business on the upgrade cycle/new model launches by the manufacturers?**
- (ii) **Inventories:** The group’s inventories have declined from \$25.0 million as at 31 December 2020 to \$13.9 million as at 31 December 2021. **Can management help shareholders better understand the reasons for the significant drop in inventories?**
- (iii) **ZYM Mobile:** What is the total amount invested to launch and operate the mobile virtual network operator (MVNO)? What is ZYM’s competitive advantage given that the mobile services space in Singapore is extremely competitive and crowded? Since the launch in September 2021, how many subscribers has ZYM signed up and what is the rate of growth of the subscriber base?
- (iv) **Equities:** The group’s investment portfolio in equities registered a total return of 34.46% in 2021 (page 6; chairman’s statement). **What are the 3-year and 5-year returns of the equities portfolio?**
- (v) **Debt securities:** Similarly, what are the 3-year and 5-year returns of the debt securities portfolio?
- (vi) **Tsinghua Unic Limited debt security:** The group had exposure of \$25.9 million in Tsinghua bonds and impaired \$19.0 million in FY2020. Following a restructuring by Tsinghua, the company recognised a reversal of loss allowance of \$10.5 million in FY2021. **Can management provide shareholders an update on the current status of the issuer and the price of the bonds? Does management expect Tsinghua Unic Limited to be able to redeem the bond in the next 6-12 months? What is management’s strategy to manage this potential risk of non-redemption?**

- (vii) **Investment framework: Has the board reviewed the group's investment and risk management frameworks following the default by Tsinghua Unic? For the purpose of risk management, has the board set a limit to the group's exposure to a single issuer or sector? Can management confirm that it has recognised another \$9.126 million in allowance for its debt securities? If so, please state the bond(s) in question and the impairment amount(s). Is it timely for the board to carry out a review of the group's track record in debt securities?**

Q2. As noted in the corporate governance report, the company has established an internal audit function that is independent of the activities it audits. The Principal Auditor ("IA") is a Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor and has a Certification in Risk Management Assurance and is also a member of the Institute of Internal Auditors, Singapore, the Association of Certified Fraud Examiners and ISACA.

- (i) **What is the number of staff engaged by the group for its in-house internal audit function? Is the principal auditor mentioned above the only staff?**
- (ii) **What was the scope of the internal audit in FY2021?**
- (iii) **What were the key findings by the internal auditor?**
- (iv) **What is the level of oversight by the board on the DMS operations, including the group's internal controls (which covers the financial, operational, compliance and information technology aspects)?**

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.

- (v) **What are the options available to the group to seek restitution from the two senior executives suspected of the misappropriation?**
- (vi) **Can the board help shareholders better understand the improvements made to the group's internal controls since December 2021?**

Q3. The profiles of the directors can be found on page 13 of the annual report. The group has 3 executive directors, namely Mr Edward Lee Ewe Ming, Mr Ong Ghim Choon (also CEO) and Ms Zhang Yanmin.

- (i) **Would the company help shareholders better understand the job scope and responsibilities of the executive directors, especially Ms Zhang Yanmin? Is**

there a significant overlap between the responsibilities of Ms Zhang Yanmin and the executive chairman?

- (ii) What are the key performance indicators used to assess the performance of the executive directors?
- (iii) In addition, given that all the three executive directors also have other principal commitments outside of the group (such as Managing Director of Edward Lee Apartment Private Ltd, Director of Pacific Organisation Pte Ltd and Advisor to Yann Investment Co., Ltd.), how much of the directors' time and attention are allocated to these other commitments?

The remuneration of the executive directors is shown in the diagram below.

Provisions 8.1, 8.2 and 8.3
Directors and KMP remuneration

The remuneration of the Directors for the financial year ended 31 December 2021 is as follows:

TABLE A

Remuneration & Name	Director's Fees	Salary	Bonus ⁽¹⁾	Other Benefits ⁽²⁾	Total
Executive Directors					
Edward Lee Ewe Ming	-	998,240	90,100	120,600	1,208,940
Ong Ghim Choon	-	661,860	60,150	84,600	806,610
Zhang Yanmin	-	661,840	61,100	83,400	806,340

The remuneration of the Directors for the financial year ended 31 December 2020 is as follows:

TABLE A

Remuneration Band & Name	Fees (%)	Salary (%)	Bonus ⁽¹⁾ (%)	Other Benefits ⁽²⁾ (%)	Total (%)
Executive Directors					
<u>\$S\$1,000,000 - \$S\$1,250,000</u>					
Edward Lee Ewe Ming	-	81.69	6.98	11.33	100
<u>\$S\$750,000 - \$S\$1,000,000</u>					
Ong Ghim Choon	-	80.79	6.90	12.31	100
Zhang Yanmin	-	80.70	6.90	12.40	100

The remuneration of the Directors for the financial year ended 31 December 2019 is as follows:

TABLE A

Remuneration Band & Name	Fees (%)	Salary (%)	Bonus ⁽¹⁾ (%)	Other Benefits ⁽²⁾ (%)	Total (%)
Executive Directors					
<u>\$S\$750,000 - \$S\$1,000,000</u>					
Edward Lee Ewe Ming	-	64.73	23.71	11.56	100
Ong Ghim Choon	-	67.15	22.69	10.16	100
<u>\$S\$500,000 - \$S\$750,000</u>					
Zhang Yanmin	-	82.97	9.80	7.23	100

(Source: company annual report)

The total remuneration of the executive directors in FY2020 ranged from \$2.5 million to \$3.25 million. In FY2021, the total remuneration of the executive directors was \$2.82 million. In particular, the salary of the executive chairman was \$998,240. In the past two years, the group has made significant losses in its debt securities and discovered two separate cases of suspected misappropriation (amounting to \$2.1 million) by employees.

The base salary of the executive chairman in FY2021 is as high as the total remuneration in FY2019.

- (iv) **Can the remuneration committee (RC) help shareholders understand the reasons for the increase in the base salary of executive chairman in FY2019? How was the remuneration of the executive chairman determined?**

The company has stated that “other benefits” include allowance and car benefits.

- (v) **What is the nature of such allowance and the basis for giving allowances to the executive directors?**
- (vi) **Did the RC benchmark the remuneration framework and remuneration practices to comparable companies? If so, how was the benchmarking carried out? Given that the annual remuneration of the executive directors is approximately 5% of the total market capitalisation of the company, is this in line with the market, especially after factoring in the financial performance/value creation of the group?**

As shown above, the total remuneration paid to the executive directors amount to \$7.07 million to \$8.57 million in the past three years while the cumulative loss attributable to owners of the company over the same period amounts to \$(8.04) million.

- (vii) **In view of the cumulative losses in the past three years, can the executive directors help shareholders better understand if they have been effective at creating long term value for shareholders?**
- (viii) **Can the RC help shareholders understand if the current remuneration framework results in remuneration practices that are aligned to shareholders’ interests? Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation to the group (Principle 7 of the Code of Corporate Governance 2018)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](https://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)