Development Limited

(Company Registration No. 200201764D)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES ON UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

The Board of Directors of M Development Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Group's unaudited financial results for the half year ended 30 June 2020 ("**1H2020**") released on the SGXNET on 14 August 2020. The Company would like to provide the following information in reply to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 September 2020:

SGX-ST's Query 1

On page 3 of the Company's 1H2020 financial statements for the period ended 30 June 2020, the Company disclosed that "As at 30 June 2020, the Group had total borrowings of S$1 million from a loan provided from a third party. The loan has an interest of 30% per annum, and is repayable on 31 December 2020." Please disclose the identity of the third party and beneficial owners of this lender who lent the money and provide a breakdown of the use of proceeds. Please also disclose how this third party is involved in the RTO. Please disclose the reasons for the high interest rate of 30%p.a. for the loan and when was the loan extended to the Company.

The Company's Response 1

The Company entered into a loan agreement with Neo Zee Ping for the purpose of utilising the funds for RTO expenses. At the point of time the loan agreement was entered into, the Company had won a lawsuit and was awarded S$2.3 million but the judgment for the appeal case was still pending. As a result, the Company had to obtain the loan in order to pay the RTO (as defined below) expenses. The Company also made the following considerations before entering into the loan agreement:

(a) the RTO will enable the Company to stay listed and hence keeps liquid the shares held by the Company's shareholders. Without the RTO, the Company faces the possibility of delisting that would have taken place in February 2020, being six (6) months from the completion of the cash distribution by the Company via capital reduction in August 2019. Given the time constraints to carry out the RTO, it was urgent that the Company commenced the RTO as soon as possible;

(b) at the time the loan agreement was discussed, negotiated and executed, the Company had insufficient funds to engage the necessary professionals to carry out the RTO;

(c) the Company had bank balances as at 31 March 2020 of about S$700,000 which is expected to be reduced to S$420,000 by the end of 2020 after making payment for operational expenses. This amount is insufficient to fund the cost of the RTO and thus the Company needed to raise additional funds; and

(d) while the Company had earlier won the lawsuit, as announced by the Company on 7 November 2018, and the sum of S$2.3 million was awarded, both the plaintiff and the defendants have appealed. The judgment in the appeal was not issued at the point of time when negotiating the loan agreement and the Company's counsel for the lawsuit had confirmed to the Company that there was no guarantee that the sum awarded in the earlier judgment will be awarded to the Company upon appeal or that the earlier judgment will prevail. The Company was also advised by the Company's counsel for the lawsuit that there was a possibility that the judgment from the Court of Appeal would only be issued in the later part of 2020.

The loan of S$1 million was disbursed to the Company on 6 and 8 April 2020.

As at the date of this announcement, S$676,000 has been utilised for payment of professional fees in relation to the reverse takeover exercise of Antai Mining International Holdings Company Limited ("**Antai**") as announced by the Company on 31 January 2020 ("**RTO**"). The proceeds from the loan have only been used for payment of the RTO expenses.

Neo Zee Ping is not involved in the RTO.

The parties to the loan agreement agreed on the interest rate of 30%p.a. after taking the following into consideration:

(a) as the loan is to be an unsecured loan, there was a risk to the lender that in the event the appeal for the lawsuit was allowed, the damages awarded to the Company in the court of first instance could be reduced to zero. In addition, as there was a counterclaim by the appellants, if the counterclaim was successful, it would have meant that the Company would have to pay damages to the appellants from its existing cash reserves;

(b) the Company commenced sourcing for lenders from mid-January 2020 with an interest rate of 12% per annum when there was a likelihood that the RTO would take place. However, the Company was not able to secure any lending based on this arrangement;

(c) at the time when the parties were discussing the loan, the economy was beginning to be affected by the Covid-19 pandemic and this made it more difficult for the Company to source for a willing lender; and

(d) the Company finally secured the loan from Neo Zee Ping as other prospective lenders were concerned with the Company's ability to repay the loan, taking into account the ongoing lawsuit at that time.

SGX-ST's Query 2

On page 4 of the Company's 1H2020 financial statements for the period ended 30 June 2020, the Company disclosed an increase in other receivables and deposits amounting to $1.24 million. Please disclose the reasons for the increase in other receivables and deposits amounting to $1.24 million when revenue amounted to only $16k for the 6 months ended 30 June 2020.

The Company's Response 2

As mentioned on page 8 of the 1H2020 financial statements, the Company was awarded S$1.74 million in damages, costs and disbursements from the Lawsuit ("**Damages**"). This was recognised in other income in the 1H2020 financial statements.

As at 30 June 2020, the Company received S$500,000 of the Damages and the balance outstanding Damages to be received was reflected as "other receivables and deposits" amounting to S$1.24 million.

SGX-ST's Query 3

The Company disclosed a decrease in cash held with Company's lawyer amounting to $2.275 million. Please provide details of where this amount of $2.275 million is currently held, or if utilised, please provide the breakdown for the use of this amount.

The Company's Response 3

The S$2.275 million is currently held in the Company's bank account. It has not been utilised since it was deposited into the account.

SGX-ST's Query 4

On page 8 of the Company's 1H2020 financial statements for the period ended 30 June 2020, the Company disclosed the disposal of subsidiaries M Strategic Investment Ltd and Ally Cypress (Xiamen) Limited. Please provide details as required under Listing Rule 1010 for each disposal. Please also disclose the details of the purchaser, including their beneficial shareholders.

The Company's Response 4

M Strategic Investment Ltd

The purchaser of M Strategic Investment Ltd is Huang Tzu Yen.

The details as required under Rule 1010 are as follows:

Rule	
Rule 1010(1) Particulars of the transaction, including the name of any company or business, where applicable	M Strategic Investment Ltd was sold to Mr Huang Tzu Yen pursuant to a sale and purchase agreement on 28 April 2020.
Rule 1010(2) A description of the trade carried on, if any	M Strategic Investment Ltd was not carrying out any business at the point of time of the sale.
Rule 1010(3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment. In the case of financial assistance, the aggregate value of the financial assistance and any interest payable on the financial assistance	The aggregate consideration payable by Mr Huang Tzu Yen on completion of the transaction is S$17,000 in cash. The consideration was arrived at taking into account the following factors: (a) the net asset value and the net tangible assets represented by the shares of M Strategic Investment Ltd; and (b) that Mr Huang Tzu Yen was willing to pay an additional premium of S$5,000 on top of the cash balance of M Strategic Investment Ltd, secretarial fees and administrative fees in connection with the

	transfer of the shares.
Rule 1010(4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof	Nil
Rule 1010(5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation	The book value of M Strategic Investment Ltd is a net liability value of S$29,000. No valuation was commissioned for this disposal.
Rule 1010(6) In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition	Excess proceeds over book value is S$46,000, of which S$41,000 was utilised to offset payables to the Company and the remaining S$5,000 was recognised as a gain on disposal. Sale proceeds will be used for M Development's operations.
Rule 1010(7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal	There was a gain on disposal of S$5,000.
Rule 1010(8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year	There is no change to the net tangible assets per share of the Company based on the transaction. The net tangible assets per share remains at S$0.0010 per share.
Rule 1010(9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year	There is no change to the earnings per share of the Company based on the transaction. The earnings per share remains at S$0.0008 per share.
Rule 1010(10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction	The transaction was part of an internal restructuring of the group to dispose of dormant companies in a cost-saving effort. The disposal of M Strategic Investment Ltd was part of this internal restructuring.

Rule 1010(11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests	Mr Huang Tzu Yen is the son of Mr Huang Wen Lai.
Rule 1010(12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction	Nil

The relative figures computed on the relevant bases set out in Rule 1006 for the disposal of M Strategic Investment Ltd and based on the 1H2020 financial statements are as follows:

Rule	**Relative Figures (%)**
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the group's net asset value	(1.00)[(1)]
Rule 1006(b) The net profits attributable to the assets disposed of, compared with the group's net profits[(2)]	Not applicable as M Strategic Investment Ltd is a dormant company
Rule 1006(c) The aggregate value of the consideration given or received, compared with the Company's market capitalisation[(3)] based on the total number of issued shares excluding treasury shares	0.44[(4)]
Rule 1006(d) The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable as the Company is disposing interest in its subsidiary
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable as the M Strategic Investment Ltd is not a mineral, oil and gas company

Notes:

(1) The net asset value of the assets to be disposed of is approximately S$(28,853) for 1H2020, as compared to the group's net asset value of approximately S$2,893,000 for 1H2020, based on the latest announced consolidated accounts, is approximately (1.00)%.

(2) For the purpose of computation of the net profit (or net loss) figures, in compliance with Rule 1002(3)(b) of the Rules, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) The Company's market capitalisation is approximately S$3,800,000 derived by multiplying the issued share

capital of the Company of 1,921,637,787 ordinary shares ("**Shares**") by the volume weighted average price of such Shares transacted on 11 September 2017 (being the last trading day prior to the suspension of trading of the Shares), of S$0.002 per Share. The Company does not have any treasury shares.

(4) The aggregate consideration of S$16,828 is approximately 0.44% of the Company's market capitalisation of approximately S$3,800,000.

Ally Cypress (Xiamen) Limited

The purchaser of Ally Cypress (Xiamen) Limited is Huang Tzu Yen.

The details as required under Rule 1010 are as follows:

Rule	
Rule 1010(1) Particulars of the transaction, including the name of any company or business, where applicable	Ally Cypress (Xiamen) Limited was sold to Mr Huang Tzu Yen pursuant to a sale and purchase agreement on 28 April 2020.
Rule 1010(2) A description of the trade carried on, if any	Ally Cypress (Xiamen) Limited was not carrying out any business at the point of time of the sale.
Rule 1010(3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment. In the case of financial assistance, the aggregate value of the financial assistance and any interest payable on the financial assistance	The aggregate consideration payable by Mr Huang Tzu Yen on completion of the transaction is S$2 in cash. The consideration was arrived at taking into account the following factors: (a) the net asset value and the net tangible assets represented by the shares of Ally Cypress (Xiamen) Limited; and (b) that Mr Huang Tzu Yen was willing to bear Ally Cypress (Xiamen) Limited's accumulated losses and takeover Ally Cypress (Xiamen) Limited on an as is where is basis.
Rule 1010(4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof	Nil
Rule 1010(5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation	The book value of Ally Cypress (Xiamen) Limited is a net liability value of S$31,000. No valuation was commissioned for this disposal.
Rule 1010(6)	Excess proceeds over book value is S$31,000.

In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition	Sale proceeds will be used for M Development's operations.
Rule 1010(7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal	There was a gain on disposal of S$31,000.
Rule 1010(8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year	There is no change to the net tangible assets per share of the Company based on the transaction. The net tangible assets per share remains at S$0.0010 per share.
Rule 1010(9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year	There is no change to the earnings per share of the Company based on the transaction. The earnings per share remains at S$0.0008 per share.
Rule 1010(10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction	The transaction was part of an internal restructuring of the group to dispose of dormant companies in a cost-saving effort. The disposal of Ally Cypress (Xiamen) Limited was part of this internal restructuring.
Rule 1010(11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests	Mr Huang Tzu Yen is the son of Mr Huang Wen Lai.
Rule 1010(12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction	Nil

The relative figures computed on the relevant bases set out in Rule 1006 for the disposal of Ally Cypress (Xiamen) Limited and based on the 1H2020 financial statements are as follows:

Rule	**Relative Figures (%)**
Rule 1006(a) The net asset value of the assets to be disposed of, compared with	(1.07)[(1)]

the group's net asset value	
Rule 1006(b) The net profits attributable to the assets disposed of, compared with the group's net profits[(2)]	Not applicable as Ally Cypress (Xiamen) Limited is a dormant company
Rule 1006(c) The aggregate value of the consideration given or received, compared with the Company's market capitalisation[(3)] based on the total number of issued shares excluding treasury shares	Not meaningful
Rule 1006(d) The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable as the Company is disposing interest in its subsidiary
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable as the Company is not a mineral, oil and gas company

Notes:

(1) The net asset value of the assets to be disposed of is approximately S$(30,840) for 1H2020, as compared to the group's net asset value of approximately S$2,893,000 for 1H2020, based on the latest announced consolidated accounts, is approximately (1.07)%.

(2) For the purpose of computation of the net profit (or net loss) figures, in compliance with Rule 1002(3)(b) of the Rules, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) The Company's market capitalisation is approximately S$3,800,000 derived by multiplying the issued share capital of the Company of 1,921,637,787 ordinary shares ("**Shares**") by the volume weighted average price of such Shares transacted on 11 September 2017 (being the last trading day prior to the suspension of trading of the Shares), of S$0.002 per Share. The Company does not have any treasury shares.

SGX-ST's Query 5

The Company disclosed Other professional fees amounting to $572,000. Please disclose what are these professional fees and explain why the fees are so significant.

The Company's Response 5

The "Other professional fees" are fees incurred in relation to the RTO. As announced by the Company on page 9 and 10 of the 1H2020 financial statements, the Company has appointed professionals in relation to the RTO and has estimated that the professional costs and expenses for the RTO will be in the region of S$2.5 million and S$3 million.

As at the date of this announcement, several milestone payments have been made to the various professionals for their work done on the RTO, and these payments are the "Other professional fees" mentioned.

BY ORDER OF THE BOARD
M DEVELOPMENT LIMITED

Chin Yew Choong David
Non-Executive Chairman and Director
4 September 2020