Development Limited

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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

In compliance with Rule 704(5) of the Listing Manual, the Board of Directors of M Development Ltd ("**Company**") would like to announce that the Company's Auditors, Ernst & Young LLP has issued their report on the financial statements of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2015 (the "**Financial Statements**") containing a disclaimer of opinion relating to the cash flows of the Group.

A copy of the Independent Auditors' Report together with the extract of the relevant notes to the Financial Statements are annexed to this announcement.

BY ORDER OF THE BOARD
M DEVELOPMENT LIMITED

Huang Wen-Lai
Executive Chairman and Director
6 April 2016

Independent Auditor's Report

For the financial year ended 31 December 2015
To the Members of M Development Ltd.

Report on the financial statements

We have audited the accompanying financial statements of M Development Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 32 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and changes in equity of the Group and the Company and financial performance of the Group. However, because of the matter described in the "Basis for Disclaimer of Opinion" paragraphs below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the cash flows of the Group and certain items in notes to the financial statements, included in notes on discontinued operations, property, plant and equipment, trade receivables, provisions and advances, related party transactions and segment reporting (collectively, the "Winsta Affected Notes").

Independent Auditor's Report

For the financial year ended 31 December 2015
To the Members of M Development Ltd.

Basis for Disclaimer of Opinion

The consolidated cash flow statement of the Group for the financial year ended 31 December 2015 includes the cash flows of Winsta Holding Pte Ltd and its subsidiaries from 1 January 2015 to 3 August 2015 or 4 August 2015, being the dates of liquidation of subsidiaries of Winsta Holding Pte Ltd ("Winsta's subsidiaries"). We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the cash flows of the Winsta's subsidiaries from 1 January 2015 to 3 August 2015 or 4 August 2015 are appropriate and proper for inclusion in the consolidated cash flow statement of the Group for the financial year ended 31 December 2015.

The Winsta Affected Notes include certain amounts attributable to the liquidated subsidiaries from 1 January 2015 to 3 August 2015 or 4 August 2015, which have been presented as "Amounts arising from liquidated subsidiaries". We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether these amounts are appropriate and proper for the preparation of Winsta Affected Notes.

Disclaimer of Opinion on consolidated cash flow statement and Winsta Affected Notes

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated cash flow statement for the year ended 31 December 2015 and Winsta Affected Notes. Accordingly, we do not express an opinion on cash flows of the Group and Winsta Affected Notes.

Opinion on financial performance, financial position and equity

In our opinion, the balance sheets and statement of changes in equity of the Group and the Company and the consolidated statement of comprehensive income of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

6 April 2016

13. Discontinued operations

During the financial year, the Group ceased its operation of hostel accommodation and other real estate activities. Subsidiaries involved in these activities were placed under creditors' voluntary liquidation on 3 August and 4 August 2015. As such, the results of the Subsidiaries have been reclassified as discontinued operations.

The results of discontinued operations from 1 January 2015 to 3 August and 4 August 2015 are as follows:

	2015	**2014**
	$'000	$'000
Revenue	9,373	23,597
Cost of sales	(8,944)	(19,436)
Other operating income	774	3,058
General & admin expenses	(1,761)	(5,608)
Other operating expenses	(3,491)	(2,656)
Interest expense	(28)	(101)
Gain arising from liquidated subsidiaries	1,808	-
Loss before tax from discontinued operations	**(2,269)**	**(1,146)**
Income tax credit	3	135
Loss from discontinued operation, net of tax	**(2,266)**	**(1,011)**

The major classes of assets and liabilities discontinued operations as at liquidation dates of 3 August and 4 August 2015 are as follows:

	Note	**2015**
		$'000
Assets		
Property, plant and equipment	11	2,748
Trade receivables	15	842
Other receivables and deposits	16	2,120
Prepayments		106
Income tax recoverable		3
Amounts due from related parties	17	774
Cash and cash equivalents		297
Total assets		**6,890**
Liabilities		
Trade payables	19	(4,026)
Other payables and accruals	20	(4,351)
Amount due to related parties	19	(37)
Income tax payable		(14)
Provisions and advances	21	(270)
Total liabilities		**(8,698)**
Net liabilities derecognised, representing gain arising from liquidated subsidiaries		(1,808)
Less: Attributable to non-controlling interests		886
Net liabilities derecognised representing gain arising from liquidated subsidiaries, attributable to owners of the Company		**(922)**

Notes to the Financial Statements

31 December 2015

13. Discontinued operations (cont'd)

The cash flows attributable to discontinued operations are as follows:

	2015
	$'000
Operating activities	
Loss from discontinued activities, before tax	(2,269)
Adjustments for:	
Depreciation of property, plant and equipment	367
Interest expense	28
Interest income	(11)
Gain arising from liquidated subsidiaries	(1,808)
Total adjustments	384
Operating cash flows before changes in working capital	(3,693)
Changes in working capital	
Increase in trade receivables	559
Increase in other receivables and deposits	109
Increase in prepayments	32
Decrease in amounts due from related companies	(128)
Increase in trade payables	3,519
Decrease in other payables and accruals	(1,901)
Increase in amounts due to related companies	434
Cash flows used in operations	(1,069)
Interest paid	(28)
Interest received	11
Tax refund	53
Net cash flows used in operating activities	(1,033)
Investing activity	
Purchase of property, plant and equipment, representing net cash flows used in investing activity	(6)
Financing activities	
Proceeds from loans and borrowings	665
Repayment of loans and borrowings	(1,118)
Advances from holding company	556
Net cash flows generated from financing activities	103
Net decrease in cash and cash equivalents	(936)
Cash and cash equivalents at beginning of the year	1,195
Cash and cash equivalents at end of the year	259

11. Property, plant and equipment

Group	Electrical and office equipment	Furniture and fittings	Renovations	Electrical installations	Computers	Air conditioners	Linens and consumables	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2014	873	3,401	6,053	1,376	131	352	137	–	12,323
Additions	8	28	56	24	4	–	84	225	429
Written off	(282)	(1,681)	(2,179)	(1,018)	(6)	–	(21)	–	(5,187)
At 31 December 2014 and 1 January 2015	599	1,748	3,930	382	129	352	200	225	7,565
Currency translation differences	–	–	1	–	–	–	–	–	1
Additions	–	–	–	–	5	–	–	–	5
Additions arising from liquidated subsidiaries	–	–	2	4	–	–	–	–	6
Written off	–	–	(19)	–	–	–	–	–	(19)
Attributable to discontinued operations arising from liquidated subsidiaries (Note 13)	(599)	(1,748)	(3,914)	(386)	(125)	(352)	(200)	(225)	(7,549)
At 31 December 2015	–	–	–	–	9	–	–	–	9

11. Property, plant and equipment (cont'd)

Group	Electrical and office equipment $'000	Furniture and fittings $'000	Renovations $'000	Electrical installations $'000	Computers $'000	Air conditioners $'000	Linens and consumables $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation and impairment losses									
At 1 January 2014	715	2,794	3,403	818	114	70	111	–	8,025
Charge for the year	84	293	766	203	19	120	101	11	1,597
Written off	(282)	(1,681)	(2,179)	(1,018)	(6)	–	(21)	–	(5,187)
Impairment losses	1	–	–	–	–	–	1	–	2
At 31 December 2014 and 1 January 2015	518	1,406	1,990	3	127	190	192	11	4,437
Charge for the year	19	76	172	40	6	18	33	13	377
Charge for the year arising from liquidated subsidiaries									
Written off	–	–	(6)	–	–	–	–	–	(6)
Attributable to discontinued operations arising from liquidated subsidiaries (Note 13)	(537)	(1,482)	(2,156)	(43)	(126)	(208)	(225)	(24)	(4,801)
At 31 December 2015	–	–	–	–	7	–	–	–	7
Net carrying amount									
At 31 December 2015	–	–	–	–	2	–	–	–	2
At 31 December 2014	81	342	1,940	379	2	162	8	214	3,128

15. Trade receivables

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Trade receivables	–	6,435	–	–
Less: Allowance for doubtful debts (trade)	–	(11)	–	–
	–	6,424	–	–
Other receivables and deposits (Note 16)	202	2,385	202	142
Amounts due from related companies (Note 17)	–	8,635	–	–
Amount due from a subsidiary (Note 17)	–	–	–	3,094
Total trade and other receivables	202	17,444	202	3,236
Add: Cash and cash equivalent (Note 18)	3,735	5,546	2,334	2,004
Add: Loan receivable (Note 14)	7,000	7,000	7,000	7,000
Total loans and receivables	10,937	29,990	9,536	12,240

15. Trade receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to Nil (2014: $5,953,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2015	**2014**
	$'000	$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	–	222
30 to 60 days	–	41
More than 60 days	–	5,690
	–	5,953

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2015	**2014**
	$'000	$'000
Trade receivables – nominal amounts	–	11
Less: Allowance for doubtful debts	–	(11)
	–	–
Movements in allowance accounts:		
At beginning of the year	11	11
Charge for the year	–	–
Written back	–	–
Amount arising from liquidated subsidiaries	(11)	–
At end of the year	–	11

Trade receivables that are individually determined to be impaired at the end of the reporting period relates to debtors that are in significant financial liabilities and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. Provisions and advances

	Group	
	2015	**2014**
	$'000	$'000
Current:		
Advance rental income received	–	1,662
Provision for reinstatement costs	–	98
Provision for onerous operating leases contract	–	927
	–	2,687
Non-current:		
Provision for reinstatement costs	–	60
Total provisions and advances	–	2,747

Advance rental income received

Advance rental income received refers to rental income received in advance of the commencement of rent. This is non-interest bearing and has an average term of 2 weeks to 6 months.

Provision for reinstatement costs

Provision for reinstatement costs refer to the estimated cost of reinstating the leased properties.

	Group	
	2015	**2014**
	$'000	$'000
Movements in provision for reinstatement costs:		
At beginning of the year	158	320
Additions arising from liquidated subsidiaries	112	10
Utilisation	–	(172)
Amount arising from liquidated subsidiaries	(270)	–
At end of the year	–	158

Provision for onerous operating leases contract

A provision was recognised as the Group expects the lease rental payable to the lessor exceeds the future economic benefits which is expected to receive over the remaining lease term of the contracts. The provision has been calculated based on the estimated future discounted cash outflows to complete the operating lease contract, after taken into consideration impairment of its property, plant and equipment amounting to Nil (2014: $2,000) (Note 11).

	Group	
	2015	**2014**
	$'000	$'000
Movements in provision for onerous operating leases contract		
At beginning of the year	927	2,040
Additions	–	150
Write–back	–	(1,263)
Amount arising from liquidated subsidiaries	(927)	–
At end of the year	–	927

25. Related party disclosures

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related party took place on terms agreed between the parties during the financial year.

	Group	
	2015	**2014**
	$'000	$'000
Related parties		
– Arising from liquidated subsidiaries:		
Commission paid	167	486
Administrative services paid	59	79
Rental expenses	870	2,113

(b) *Compensation of key management personnel*

	Group	
	2015	**2014** (Restated)
	$'000	$'000
Salaries and other short-term benefits	164	771
Central Provident Fund contributions	21	41
	185	812
Comprise amounts paid to:		
Directors of the Company	115	293
Directors of the subsidiaries	70	519
	185	812

32. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) The services segment is in the business of providing accommodation and lodging services as well as related facilities and multi-services from lodging and leasing.

(b) The trading segment is in the business of sales and purchase of electronic products (integrated circuits) within Hong Kong and People's Republic of China.

(c) The investment segment is in the business of providing loans within Hong Kong.

For the financial year ended 31 December 2015, the Group's continuing operations derives revenue from the business segments (b) and (c) as indicated above. In the prior year, the Group carried out operations in the services segment. However, this was discontinued in the current year after the liquidation of the subsidiaries under Winsta Holding Pte. Ltd on 3 August and 4 August 2015. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

	Provision of accom-modations and lodging*	**Sales and purchase of electronic products**	**Loan receivable**	**Corporate**	**Eliminations (Note A)**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Total revenue	9,373	–	700	–	–	10,073
Results						
(Loss)/profit from operations	(4,077)	10	(3,830)	(357)	3,213	(5,041)
Assets and liabilities						
Segment assets	6,890	1,270	9,695	145	(159)	17,841
Segment liabilities	(8,698)	9	194	1,755	(588)	(7,328)
2014						
Total revenue	23,607	13,193	–	–	(10)	36,790
Results						
(Loss)/profit from operations	(953)	1,217	–	(996)	813	81
Assets and liabilities						
Segment assets	9,205	14,869	–	13,510	(4,240)	33,344
Segment liabilities	9,906	13,700	–	104	(3,094)	20,616

(*) Discontinued operation in 2015 – Note 13

Note:

(A) Inter-segment sales, assets and liabilities are eliminated on consolidation.

32. Segment information (cont'd)

Geographical information

Revenue information based on the geographical location of customers is as follows:

	External sales	
	2015	**2014**
	$'000	$'000
Singapore	9,373	23,597
People's Republic of China	–	635
Hong Kong	700	12,558
Total	10,073	36,790

All non-current assets are located in Singapore.