M DEVELOPMENT LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200201764D)

THE PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

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1. INTRODUCTION

The Board of Directors ("**Board**") of M Development Ltd. ("**Company**") wishes to announce that subject to the approval of the shareholders of the Company ("**Shareholders**") being obtained at the forthcoming annual general meeting ("**AGM**") of the Company for the financial year ended 31 December 2018 ("**FY2018**"), the Company proposes to undertake a capital reduction exercise ("**Capital Reduction**") to return to Shareholders surplus capital of the Company in excess of its needs by way of a cash distribution ("**Cash Distribution**") by the Company to Shareholders of approximately 0.23 cents for each ordinary share of the Company ("**Share**") held by the Shareholders.

The books of the Company will be closed at a books closure date (the "**Books Closure Date**") to be determined by the Board to determine the entitlement of the Shareholders to the payment of the proposed Cash Distribution.

It is intended for the resolution relating to the Capital Reduction and Cash Distribution to be tabled at the AGM.

2. CAPITAL REDUCTION AND CASH DISTRIBUTION

2.1 Details of the Capital Reduction and Cash Distribution

The Company proposes to undertake the Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

In connection with the Capital Reduction, the Company intends to make a Cash Distribution to Shareholders of approximately 0.23 cents for each Share held as at the Books Closure Date.

The Capital Reduction and Cash Distribution will be effected in the following manner:

(a) reducing the issued and paid-up share capital of the Company by S$4,500,000 from S$46,226,000 (as at the date of this announcement) to S$41,726,000; and

(b) the Cash Distribution of the sum of S$4,500,000 (equal to approximately 0.23 cents per Share to Shareholders), based on the issued and paid-up share capital of the Company of S$46,226,000 comprising 1,921,637,787 Shares as at the date of this announcement, will be paid out to the Shareholders.

The Cash Distribution amount of S$4,500,000 comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

The Capital Reduction will not result in any change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Capital Reduction.

2.2 Rationale of the Capital Reduction and Cash Distribution

The Company refers to its announcements made on 21 May 2015, 18 September 2015, 30 October 2015, 15 January 2016, 11 October 2016, 22 September 2017, 7 November 2018 and 20 December 2018 regarding the litigation commenced against 13 defendants (including Ms Sim Pei Yee, a former director of the Company, as well as persons and entities related to Ms Sim), and the notices of appeal filed on the matter ("**Appeals**").

Pending the outcome of the Appeals, the Board is of the view that surplus cash capital should be returned to the Shareholders by way of the Capital Reduction and Cash Distribution.

In addition, by way of background, the Company has been a cash company pursuant to Rule 1018 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") since 8 September 2017. Trading in the Company's securities was suspended after 5.05 p.m. on 11 September 2017. Subsequently, the Company was granted an extension of time by SGX-ST to meet the requirements for a new listing under Rule 1018(2) of the Listing Manual until 7 March 2019 ("**Waiver**"). As announced on 7 December 2018, the Company was informed by the SGX-ST on 5 December 2018 that the Waiver was no longer effective due a failure to meet the Waiver conditions. Pursuant to Rule 1018(2) of the Listing Manual, no further extension will be granted and the Company will be removed from the Official List of SGX-ST, and a cash exit offer in accordance with Rule 1309 of the Listing Manual should be made to Shareholders within six (6) months.

Under Rule 1309 of the Listing Manual, if an issuer is seeking to delist from the SGX-ST, a reasonable exit alternative, which should normally be in cash, should be offered to its Shareholders. With reference to Rule 1306 of the Listing Manual, the Company notes that for the purposes of Rule 1309, a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to Shareholders.

In view of the foregoing, the Company will submit an exit offer to SGX-ST at the appropriate juncture. The timing and nature of the submission of the exit offer will depend on the outcome of the pending Appeals. As there is no certainty as to when the Appeals will be resolved, the Directors are of the view that the carrying out of the Capital Reduction in the interim would enable a significant portion of the surplus share capital to be returned to Shareholders, as opposed to being retained in the Company. The Board will update Shareholders with further details of the exit offer and Appeals in due course.

2.3 Financial Effects

For illustrative purposes only and based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2017 ("**FY2017**"), the pro forma financial effects of the Capital Reduction and Cash Distribution on the Company are set out below.

The pro forma financial effects are calculated based on the assumptions that:

(i) the computation does not take into account any expenses that may be incurred in relation to the Capital Reduction and Cash Distribution;

(ii) the Capital Reduction and Cash Distribution were completed on 31 December 2017, being the end of FY2017;

(iii) the NAV per Share is computed based on the 1,921,637,787 Shares in issue, as at 31 December 2017; and

(iv) the cash required for distribution will be generated through liquid cash resources on hand.

The Directors note that the pro forma financial effects have been prepared solely for illustrative purposes and do not purport to be indicative or a projection of the results and financial position of the Company after the Capital Reduction and Cash Distribution have been effected.

(a) Share Capital

The Capital Reduction and Cash Distribution will not have any impact on the number of Shares held by Shareholders after the Capital Reduction and Cash Distribution. The pro forma financial effects of the Capital Reduction and Cash Distribution on the share capital of the Company for FY2017 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Number of issued Shares	1,921,637,787	1,921,637,787
Number of issued Shares	1,921,637,787	1,921,637,787
Amount of share capital (S$)	46,226,000	41,726,000

(b) Earnings per Share ("**EPS**")

The Capital Reduction and Cash Distribution will have no impact on the EPS of the Company.

(c) Net Asset Value ("**NAV**")

The pro forma financial effects of the Capital Reduction and Cash Distribution on the NAV of the Company for FY2017 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Net asset (S$'000)	6,243	1,743
Number of issued Shares	1,921,637,787	1,921,637,787
NAV per Share (cents)	0.32	0.09

(d) Gearing

The pro forma financial effects of the Capital Reduction and Cash Distribution on the gearing ratio of the Company for FY2017 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Total borrowings (S$'000)	Nil	Nil
Net assets (S$'000)	6,243	1,743
Gearing (%)	Nil	Nil

(e) Return on Equity

The pro forma financial effects of the Capital Reduction and Cash Distribution on the return on equity of the Company for FY2017 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Loss attributable to Shareholders (S$'000)	(1,955)	(1,955)
Return on Equity (%)	-31.3	-112.2

2.4 Approvals and Conditions

The Capital Reduction and Cash Distribution are subject to, *inter alia*, the following conditions:

(a) the clearance of the letter to Shareholders on the Capital Reduction by SGX-ST;

(b) Shareholders' approval by way of a special resolution of the Capital Reduction at the AGM, to be approved by a majority of not less than three-fourths of the Shareholders present and voting at the AGM, of which not less than 21 days' notice of the AGM shall have been given;

(c) the Board making a solvency statement in relation to the Capital Reduction and compliance with other relevant solvency requirements as required by the Companies Act ("**Solvency Statements**");

(d) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;

(e) lodgment with the Accounting and Corporate Regulatory Authority ("**ACRA**") of copies of the Solvency Statements and the Capital Reduction resolution, within 15 days beginning with the date of the Capital Reduction resolution;

(f) no application being made for the cancellation of the Capital Reduction resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and

(g) lodgment of the relevant documents with ACRA after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction resolution.

3. LETTER TO SHAREHOLDERS

A Letter to Shareholders containing further details of the Capital Reduction and Cash Distribution shall be despatched to the Shareholders in due course together with the annual report of the Company for FY2018 and the notice of the AGM.

4. INTERESTS OF THE DIRECTORS OR CONTROLLING SHAREHOLDERS OF THE COMPANY

None of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Capital Reduction and Cash Distribution (other than through their shareholdings, if any, in the Company).

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Capital Reduction, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD
M DEVELOPMENT LIMITED

Huang Wen-Lai
Executive Chairman and Director
7 May 2019