Development Limited

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

ADDITIONAL INFORMATION TO THE UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of M Development Ltd (the "Company", or together with its subsidiaries the "Group") refers to the Group's full year results released to SGX-ST on 28 February 2015. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 13 March 2015:-

Question 1

In paragraph 8 of the Announcement, the Company disclosed that "trade receivables has increased substantially to S$14,027,000 (2013: S$849,000) primarily due to the trading business of UFT in 2014. This include S$7,602,000 due from a related party and S$5,043,000 from a third party customer. The sum of S$5,043,000 has since been recovered."

(a) Please disclose the identity of the related party and provide details on the nature of transaction. Please also confirm if this is an Interested Person under Chapter 9 rules of the Listing Manual.
(b) Please provide details of the sum of S$7,602,000, the credit terms and whether this has since been recovered.

Reply:

(a) The related party is Xiamen Xinyang Benma Technology Co., Ltd. ("Xinyang"). Xinyang is principally engaged in the business of manufacturing and/or assembling, inter alia, flash drives, LED products and other electrical products in their factory in Xiamen, the People's Republic of China. Our Company's Executive Chairman and Director, Mr Huang Wen-Lai, is a director of Xinyang and Mr Wang Mingliang, a controlling shareholder of the Company holds more than 30% of the shareholding interests in Xinyang. Accordingly, Xinyang is an associate of Mr Wang Mingliang and is therefore an Interested Person for the purposes of Chapter 9 of the Listing Manual, and any transactions entered into between the Group and Xinyang would be Interested Person Transactions (as defined in the Chapter 9 of the Listing Manual), and subject to the Listing Manual.

In FY2014, the Company's wholly owned subsidiary, United Force Trading Pte Ltd ("UFT"), had entered into an agency arrangement with Xinyang ("Agency Arrangement"), pursuant to which UFT had acted as the agent of Xinyang and had sourced for suppliers of electrical components, facilitated the negotiations between Xinyang and such supplies for the purchase of the electrical components and, after being put in funds by Xinyang, made payment for and on behalf of Xinyang to the suppliers for the purchase of the electrical components ("Purchase Cost"). As consideration for the services provided by UFT to Xinyang, UFT received a commission amounting to approximately between 3% and 8% of the Purchase Cost of the electrical goods ("Commission"). The Commission rate was determined with reference to the standard market commission rates and on arm's length basis.

(b) The outstanding sum of S$7,602,000 (USD5,790,672) has a 90 days term and has not been recovered as at the date of the announcement. The company expects to recover it in April 2015.

Question 2

In paragraph 9, the Company is required to disclose any variance between the prospects statement made in paragraph 10 of its 3Q2014 Results and its actual FY2014. Please disclose accordingly.

Reply:

The company disclosed the following prospect statement in the half-year financial results announcement released on 13 August 2014:

"The leases entered into by the subsidiaries of Winsta ("subsidiaries") for the rental of its premises were for a period of two to three years and usually with a corresponding two-year or three-year option for renewal. The performance of those subsidiaries would be dependent on their ability to renew the leases of their existing properties or securing of leases for new properties and the rental rate to secure the properties. Currently, the rental rate for renewal period is higher and there is a lack of new suitable properties to be used for student hostel operation."

In the full-year financial results announcement released on 28 February 2015, the company has added on the following statement.

"In 2015, the lease for another two will be expiring in the last quarter of 2015 if there is no further extension/renewal granted by the Landlord."

Question 3

In paragraph 13, it is noted that the Company entered into an IPT with Xiamen Xinyang Benna Tech Co Ltd amounting to S$460,654 during FY2014. This amount constitutes more than 3% of the latest audited NTA. In accordance to Listing Rule 905(2), the Company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during the financial year. Please disclose all necessary information required under Listing Rule 917.

Reply:

The Board of Directors wishes to inform shareholders of the Company ("Shareholders") that the Group has entered into transactions with the same Interested Person (as defined in Chapter 9 of the Listing Manual), Xinyang, amounting to an aggregate of USD359,052 (approximately S$460,654) in FY2014, which had exceeded 3% of the Group's latest audited net tangible assets ("NTA"), details of which are set out below.

A. INTERESTED PERSON TRANSACTIONS

Pursuant to the Chapter 9 of the Listing Manual, the aggregate value of all Interested Person Transactions between the Group and Xinyang amounted to USD359,052 (approximately S$460,654) in FY2014 (the "FY2014 Transactions"). The last Interested Person Transaction between the Group and Xinyang took place on 16 December 2014. The details of the Interested Person, its interests in the FY2014 Transactions and the bases and terms of the FY2014 Transactions are set out in the Reply to Question 1 above.

Based on the Group's latest audited consolidated financial statements (as at the date of the last Interested Person Transaction on 16 December 2014) for the financial year ended 31 December 2013, the Group's audited NTA ("FY2013 NTA") was S$12,610,000. The aggregate value of Interested Person Transactions entered into between the Group and Xinyang for FY2014 of approximately S$460,654 amounted to 3.65% of the Group's FY2013 NTA.

B. RATIONALE

The FY2014 Transactions were entered into by the Group in the ordinary course of business. The Company was of the view that the Agency Arrangement between UFT and Xinyang provided the Group with an additional revenue stream, the benefits which outweigh any potential detriments to the Group.

C. AUDIT COMMITTEE'S STATEMENT

The audit committee of the Company (the "Audit Committee") has reviewed the terms of the FY2014 Transactions. The Audit Committee is of the view that the FY2014 Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

D. INTERESTED PERSON TRANSACTIONS WITH XINYANG IN FY2014 AND THE CURRENT FINANCIAL YEAR ENDING 31 DECEMBER 2015 ("FY2015")

The total value of Interested Person Transactions between the Group and Xinyang in FY2014, in accordance with Rules 905 and 906 of the Listing Manual, amounts to S$460,654; and the total value of all Interested Person Transactions in FY2014, in accordance with Rules 905 and 906, amounts to S$2,791,654.

As at the date of this announcement, there are:

(i) no Interested Person Transactions between the Group and Xinyang in FY2015; and

(ii) no Interested Person Transactions between the Group and any Interested Person in FY2015.

As the Interested Person Transactions between the Group and Xinyang are expected to exceed the threshold of 5% prescribed under Rule 906(1) of the Listing Manual in FY2015, the Company intends to seek a general mandate from shareholders for such Interested Person Transactions that are recurrent transactions of revenue or trading nature. Further information on the general mandate will be provided to shareholders in due course.

E. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the Directors or Substantial Shareholders of the Company (other than in his capacity as Director or Shareholder of the Company) has any interest, direct or indirect, in the Interested Person Transactions.

BY ORDER OF THE BOARD
M DEVELOPMENT LIMITED

Huang Wen-Lai
Executive Chairman and Director
17 March 2015