Development Limited

Annual Report 2019

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Letter to Shareholders

Dear Shareholders:

The Board of Directors of M Development Ltd (the "Company") wishes to present its FY2019 Annual Report to the shareholders.

The Company refers to its various announcements made regarding the lawsuit 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), the notices of appeal filed on the matter ("Appeals"), the equitable compensation of S$2.2 million (the "High Court Judgement") and the additional compensation of S$1.5 million awarded by the Court of Appeal (the "Additional Judgement").

The Company wishes to inform Shareholders that the Court of Appeal has allowed the Company's appeal in part and increased the sum of compensation awarded to the Company by S$1.5 million, and has also maintained the High Court Judgement. The Court of Appeal also fully dismissed the various appeals filed by defendants.

The monies awarded under the High Court Judgement of S$2.2 million paid by the defendants to the Company's lawyer who held these sums on the Company's behalf until the resolution of the appeals have been recognised as other income and cash held with the Company's lawyer in FY2019. As such, the Group recorded a net gain of S$1,489,000 for FY2019 as compared to a net loss of S$1,645,000 for FY2018.

In view of the uncertainty in the recoverability of the Additional Judgement from the defendants, the Board of Directors has decided not to record the amount in the Company's books until payment is collected.

On 15 August 2019, the Company distributed S$4,420,000 to the shareholders pursuant to the capital reduction exercise approved at the last year annual general meeting. This reduced the Company's share capital from S$46,226,000 to S$41,806,000 with the number of ordinary shares remained the same at 1,921,637,787 ordinary shares.

For the year under review and the Company's various announcements made on 10 January 2020, 31 January 2020, 11 February 2020 and 11 March 2020, on the proposed acquisition of entire issued and paid-up share capital of Antai Mining International Holdings Company Limited (the "Proposed Acquisition").

The Proposed Acquisition if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Manual of the SGX-ST ("Listing Manual") and will be subject to the approval of shareholders of the Company.

The Board is of the view that the Proposed Acquisition is in the best interest of the Company as the Proposed Acquisition presents an opportunity for the Company to acquire a business in the marble mining industry and maintain its listing status, thereby enhancing shareholder value.

Following our announcement on 7 April 2020, the Company wishes to inform Shareholders that our FY2019 Annual Report will be published on the SGXNet on 15 April 2020. The printed copies of our FY2019 Annual Report together with the notice of annual general meeting will be dispatched to Shareholders at least 14 days before the date of annual general meeting to be announced later.

On behalf of the Board, we would like to express our deepest gratitude to our stakeholders for the support in the past year as well as the continuous support in the coming year.

From the Board of Directors

Board of Directors of M Development Ltd.

MR HUANG WEN-LAI
Executive Chairman and Director

Mr Huang was appointed as an Executive Director of the Company on 15 January 2011 and as Executive Chairman on 30 April 2011.

A self-made entrepreneur, Mr Huang has vast knowledge and more than 20 years of experience in running a number of successful business venture, including inter alia, businesses in IT & IT-related, chemical & pharmaceutical, international trading as well as real-estate development & investment sectors.

Currently, Mr Huang is Chairman of Pharmally International Holding Co., Ltd and an Independent Director of Gigabyte Technology Co., Ltd, both listed on the Taiwan Stock Exchange Corporation. Mr Huang also sits on the board of directors of a few other group companies in Pharmally International Holding Co., Ltd. Besides, Mr Huang is also the Chairman for three private companies in China, namely, Xiamen Sharing Group Co., Ltd, Xiamen Xinyang Benma Technology Co. Ltd. and Luan Benma Pioneer Technology Co. Ltd.

Mr Huang holds a Diploma in Digital System Section, Department of Electronic Engineering, Ming Hsin Institute of Technology and Commerce.

MR CHIN YEW CHOONG DAVID
Non-Executive Non-Independent Director

Mr Chin was re-designated as a Non-Executive Non-Independent Director for the Group on 20 December 2016. He has served as an Independent Director of the Company between 2 October 2009 to 20 December 2016. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr Chin is currently a Director in the Regional Desk Practice of Rajah & Tann Singapore LLP. He was previously with Drew & Napier since 1985 and became a partner in 1992. Upon incorporation in 2001, he was a director of Drew & Napier LLC until 2012. He became a Consultant with Drew & Napier LLC from 2012 until 2015 after which he joined Rajah & Tann Singapore LLP.

Mr Chin graduated with a Bachelor of Laws (Honours) degree from the National University of Singapore and was called to the Bar in 1985.

Mr Chin also serves on the board of Jackspeed Corporation Limited and Universal Resources and Services Limited, which are listed on the SGX-ST.

Board of Directors of M Development Ltd.

MR YAP KIAN PENG
Independent Director

Mr Yap Kian Peng was appointed as an Independent Director of the Company on 26 April 2013. He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

He is presently an Executive Deputy Chairman and Chief Executive Officer of Jackspeed Corporation Limited which is listed on the SGX-ST.

He was the Executive Director of CKG Chemicals Pte Ltd from 2004 to 2010. From 2001 to 2004, he was employed by Maybank, initially as a Senior Business Development Manager and subsequently as the Team Head of the Trade Finance Business Development Group. From 1998 to 2000, Mr Yap was a Director of You Yi Glass Contractor Pte Ltd, a company engaged in the business of trading glass sheets. He joined Oversea-Chinese Banking Corporation Limited in 1992 and when he left in 1998, he was an Assistant Manager at the bank.

Mr Yap graduated from RMIT University, Australia, with a Bachelor's degree in Business (Business Administration).

He is an independent director and the Chairman of the Audit Committee of Seroja Investment Ltd., listed on the SGX-ST. He is also an independent director of Soon Lian Holdings Limited listed on the SGX-Catalist.

Corporate Governance Report

M Development Ltd. (the "Company") is committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2018 (the "Code"). The Company firmly believes that practising high standards of corporate governance will enhance the effectiveness of the Group, protect the interests of all stakeholders and is key to the growth and continuing success of the Group.

This corporate governance report outlines the corporate governance processes and structures of the Group that were in place throughout the financial year ended 31 December 2019 ("FY2019") with specific reference made to the principles and guidelines of the Code, which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

The format of our report reflects the principles as set out in the Code in line with the amended Rule 710 of the SGX-ST Listing Manual that came into effect 1 January 2019.

The Company has generally adhered to the principles and provisions as set out in the Code and variations from any provision of the Code are explained in this report.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The Board is responsible for overall corporate governance, internal controls, strategic direction, formulation of policies and overseeing the investment and business of the Group. The Board supervises Management of the business and affairs of the Group and is accountable to shareholders for the long term performance of the Group. All directors exercise due diligence, and objectively make decisions and discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Group. Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict. Apart from its fiduciary duties and statutory responsibilities, the Board also:

(a) decides on matters in relation to the Group's activities which are of significant nature, including decisions on strategic directions and guidelines and approvals of annual budgets, major investments, capital expenditures and funding decisions;

(b) oversees risk management and internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions;

(c) reviews Management performance;

(d) approves the nominations to the Board and appointments to the various Board committees;

(e) approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee; and

(f) provides oversight in the proper conduct of the Group's business.

The Board has put in place financial authorisation limits for operating and capital budgets, procurement of goods and services, and cheque signatory arrangements. Approval sub-limits are also provided at the management level to facilitate operational efficiency. Matters that are specifically reserved for the Board's decision include interested person transactions, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances and dividend payments to shareholders, and other transactions of a material nature requiring announcement under the SGX-ST Listing Manual. The Board also reviews the financial statements, all

Corporate Governance Report

announcements and annual reports, and authorises announcements of financial results and any other announcements. The Board believes that a high standard of disclosure is the key to raising the level of corporate governance.

The Board meets at least two times a year and when necessary. The Board held one meeting during FY2019. In addition to regular or scheduled meetings, ad-hoc meetings may be held by way of conference calls to deliberate on urgent and substantive matters. The Company's Constitution provides for Board meetings to be conducted by teleconference, videoconference or other methods of simultaneous communication by electronic, telegraphic or other similar means. Apart from Board meetings, matters are also put to the Board for approval by way of circulating resolutions in writing.

Board members are periodically updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Group. The Board members are updated on a half -yearly basis by Management on business outlook, industry trends and critical success factors. The Company is supportive of Board members' participation in industry conferences and seminars, and will arrange programmes to meet directors' relevant training needs. The Company brings to the directors' attention, information on seminars or other training that may be of relevance to their duties as directors, and funds the directors' attendance for all such course or training programme.

A newly appointed director will be provided with a formal letter of appointment setting out the director's duties and obligations and copies of the Company's annual report, Constitution, organisational charts, corporate practices and policies such as the Whistle-Blowing Policy, and if applicable, terms of reference of each Board committee to which he/she is appointed. The orientation and training programmes for newly appointed directors include briefings on the Group's business and operations, and corporate governance practices. Where necessary, the Company will also provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.

The agenda and full set of Board papers for consideration are distributed to all members of the Board before the meetings of the Board to ensure that directors could study them and obtain further information and explanation, and where necessary, Board members have separate and independent access to senior management and the company secretary at all times. The Board as a whole or an individual Board member may also obtain independent professional advice, if necessary, at the Company's expense.

Management provides directors with half-yearly management accounts. In addition, information on salient developments and material transactions are also provided to directors as and when they arise.

The Board is supported by four Board committees: Audit Committee ("AC"), Nominating Committee ("NC"), and Remuneration Committee ("RC")"". Each Board committee is guided by specific written terms of reference.

The attendance of the directors and committee members at the meetings of the Board and various Board committees held during the financial year are as follows:

	Board Meetings		**AC Meetings**		**RC Meetings**		**NC Meetings**	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Huang Wen-Lai	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Chin Yew Choong David	1	1	1	1	1	1	1	1
Mr Yap Kian Peng	1	1	1	1	1	1	1	1

Corporate Governance Report

Principle 2: Board Composition and Guidance

Currently, the Board comprises one Executive Director, one Non-Executive Non-Independent Director and one Independent Director. Details of the directors' shareholdings in the Company are set out in the Directors' Statement.

The Board's adoption of the independence concept is in line with the definition of an "independent director" set out in the Code. An "independent" director[1] is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations[2], its substantial shareholder[3] or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company[4].

The directors contribute positively to the Company with their expertise and knowledge in business, accounting, finance, law and management. They also bring with them impartial judgement and independence in decision making at the Board level and every director shares equal responsibility on the Board. The Board is of the view that its current composition comprises persons who, as a group, provide the appropriate balance and diversity of skills, experience and knowledge of the Company, as well as complementary competencies in industry knowledge and customer-based experience, to meet the Group's current needs. The Company will continue to decide on appointments to the Board having regard to the merit of candidates and believes that doing so will be consistent with achieving a diversity of perspectives described above.

The NC is also of the view that the current Board size is adequate, taking into consideration the nature and scope of the Group's operations. The Board is currently preparing for a reverse takeover ("RTO") and will re-look at the composition of the Board after the RTO.

The Company's Constitution requires all directors to offer themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, if a director is appointed by the Board between annual general meetings ("AGMs"), that director is to offer himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation at least once every three years.

1 Rule 1207(10B) of the SGX-ST Listing Manual requires the Board to identify in the company's annual report each director it considers to be independent.

2 The term "related corporation", in relation to the company, has the same meaning as currently defined in the Companies Act (Chapter 50) of Singapore, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

3 A "substantial shareholder" is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

4 A director who falls under the circumstances described in Rule 210(5)(d) of the SGX-ST Listing Manual is not independent. These circumstances apply to the following:

(i) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;

(ii) a director who has an immediate family member who is, or has been in the past three financial years, employed by the company or any of its related corporations whose remuneration is determined by the Remuneration Committee;

(iii) a director who has been a director for an aggregate period of more than 9 years (whether before or after listing) and who continued appointment as an independent director has not been sought and approved in separate resolutions by

(A) all shareholders; and

(B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officers.

Rule 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual come into effect from 1 January 2019.

Rule 201(5)(d)(iii) of the SGX-ST Listing Manual will come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.4 in the 2012 Code of Corporate Governance will continue to apply.

The director standing for re-election at the forthcoming AGM under Article 107 of the Company's Constitution is Mr Yap Kian Peng. The NC recommended the re-election of Mr Yap Kian Peng after assessing his contribution and performance (including attendance, preparedness and participation) and his effectiveness as a director. The Board has accepted the NC's recommendation. Mr Yap Kian Peng, will upon re-election, remains as the Chairman of the AC, a member of the NC and the RC of the Company. Key information on Mr Yap Kian Peng can be found on page 6 in this annual report. Mr Yap had abstained from deliberating on his own re-nomination as a director of the Company.

In the course of FY2019, the NC assessed the independence of Board members in light of Provision 2.1 of the Code and Practice Guidance 2 on criteria for director and also Guideline 2.4 of the 2012 Code of Corporate Governance (appointment of an independent director who has served beyond nine years from the date of his appointment, be subject to rigorous review). For FY2019, there are no Independent Directors who have served on the Board for a period exceeding nine years.

Principle 3: Chairman and Chief Executive Officer

The primary function of the Executive Chairman, Mr Huang Wen-Lai, is to manage the business of the Board and the Board Committees, and to promote harmonious relations with the shareholders of the Company.

The Board does not have a lead independent director. The NC and the Board are of the view that the appointment of a lead independent director is not necessary as the Board has sufficient independence given that two-third of the Board are non-executive directors.

Principle 4: Board Membership
Principle 5: Board Performance

The Board established the NC with written terms of reference. The NC is made up of two members, all of whom are non-executive directors and they are:

Mr Yap Kian Peng (Member, Independent Director)
Mr Chin Yew Choong David (Member, Non-Executive Director Non-Independent Director)

The NC is entrusted with the specific task of recommending to the Board all Board appointments. This function extends to recommendations by the NC on re-nominations having regard to the director's contribution and performance. Factors taken into account include the director's attendance and participation at Board meetings and Board committee meetings in the financial year under review, whether the Board and Management have benefited from an open and healthy exchange of views and ideas and the director's competencies and contributions.

Periodic reviews of the Board composition, including selection of candidates for new appointments to the Board, are made by the NC as part of the Board's renewal process. In considering candidates for new appointments to the Board, the NC takes into account various factors including the current and mid-term needs and goals of the Company, as well as the relevant expertise of the candidates and their potential contributions to the Board. Candidates would be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The NC determines annually, and as and when circumstances require, whether a director is independent having regard to the circumstances set forth in Provision 2.1 of the Code. In determining the independence of directors annually, the NC has assessed the independence of each Director and considers that each of Mr Yap Kian Peng and Mr Chin Yew Choong David is, and continues to be, independent except for Mr Chin Yew Choong David who is Non-Executive Non-Independent Director. The NC also reviewed and is satisfied that the non-executive directors who sit on multiple boards have been able to devote time and attention to the affairs of the Company to fulfil their duties as directors of the Company.

The NC is also mandated to undertake reviews on the performance of the Board as a whole, its Board committees, the contribution by each director to the effectiveness of the Board and training and professional development programmes for the Board. The NC assesses the performance and effectiveness of the Board as a whole and the contribution of each director on an annual basis. To do so, the NC has put in place a process whereby directors are requested to complete an evaluation questionnaire. The performance criteria in respect of the performance of the Board and Board committees include assessment of the Board's size and composition, access to information, processes and accountability and Board committees' performance in relation to discharging their responsibilities set out in their respective terms of reference. Individual directors are assessed on the director's attendance record, preparedness for meetings, participation level and contribution at meetings, analytical skills, knowledge as well as overall contribution to the Board and the Board committees, as appropriate. Each member of the NC abstains from voting on any resolution in respect of the assessment of his own performance or re-nomination as a director.

The number of meetings held by the NC and the attendance of its members are set out in the table of meetings on page 8 in this annual report.

Consistent with the Code, the Chairman of the NC is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgement in the best interests of the Company. The NC and the Board are of the view that the appointment of the Chairman of NC is not necessary as the Board has only one Independent Director who is also the Chairman of AC. Given that each member of the NC is required to abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the NC in respect of his own re-nomination as a Director.respect of the assessment on his own nomination. The Board concurs with the views of the NC.

While the Code recommends stipulating a maximum number of listed company board representations for directors, the NC is of the view that in assessing the performance of the Directors in carrying out their duties and whether they are able to devote sufficient time in discharging the same, the contributions of the Directors to the Board and relevant Board Committees as well as their attendance at meetings of the Board and such committees should be taken into account. The NC is of the view that determining the capacity of the Directors should not be restricted only to a consideration of the number of listed company board representations of each Director. Rather, factors such as whether the Director is able to devote sufficient time and attention to the affairs of the Company will also be taken into consideration. As such, the Board has not prescribed a maximum number of listed company board representations for the Directors. The NC has evaluated the time the Directors are able to devote to the Company in light of their other commitments, and is of the view that each Director has been able to carry out his duties adequately.

All Board members have also confirmed that they are able to commit sufficient time for the scheduled meetings and other ad-hoc meetings, and devote appropriate time for such meetings. Such confirmations are taken into account in the NC's assessment of directors' contributions.

The Board does not encourage the appointment of alternate directors, and currently none of the Board members has an alternate director.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board established the RC with written terms of reference. The RC is made up of two members, all of whom are non-executive directors and they are:

Mr Yap Kian Peng (Member, Independent Director)
Mr Chin Yew Choong David (Member, Non-Executive Non-Independent Director)

The RC recommends to the Board a framework of remuneration for the Board and key management personnel and determines the remuneration packages for directors, chief executive officer and key management personnel of the Group. In its review, the RC's objective is to establish a remuneration policy that would be appropriate to attract, retain and motivate a pool of executive talent by ensuring that individual performance and reward are reflective of the business objectives of the Group. The RC also reviews the Company's obligations arising in the event of termination of the chief executive officer's and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC will have access to expert advice in the field of executive compensation, when required.

The fees to be paid to the directors are subject to shareholders' approval at the Company's AGM every year. The proposed fees are determined after considering factors such as effort and time spent, contribution from the directors and market practice.

The number of meetings held by the RC and the attendance of its members are set out in the table of meetings on page 8 in this annual report.

The RC and the Board are of the view that the appointment of the Chairman of RC is not necessary as the Board has only one Independent Director who is also the Chairman of AC. In order to ensure a transparent procedure and that each RC member exercises his independent judgment when making recommendations, the members of the RC are not allowed to participate in any decision concerning their own remuneration. No Director is involved in determining his own remuneration. The Board concurs with the views of the RC.

Principle 7: Level and Mix of Remuneration

The current framework for non-executive directors' fee on a per annum basis is as follows:

Role	Member	Chairman
Board of Directors	$30,000	N/A
Audit Committee	$7,500	$15,000
Nominating Committee	$3,750	$7,500
Remuneration Committee	$3,750	$7,500

Principle 8: Disclosure of Remuneration

The remuneration paid to each of the directors, the top five key management personnel (including the Executive Chairman) for the year ended 31 December 2019 are set out below:

Name of Directors	Salary	Variable or Performance-Related Income, Bonus, Benefits in Kind	Directors' Fee
Remuneration band: Below S$250,000			
Mr Huang Wen-Lai	100%	-	-
Ms Li Liping (resigned on 17 June 2019)	100%	-	-
Mr Chin Yew Choong David	-	-	100%
Mr Yap Kian Peng	-	-	100%
Mr Dali Kumar Bin Sardar (resigned on 19 June 2019)	-	-	100%

For FY2019, the Company did not have any key management personnel (who are not directors or the CEO).

The Company adopts a remuneration policy for staff that is primarily performance based. Remuneration comprises a fixed and a variable component. The fixed component consists of a base salary, fixed allowance and an annual wage supplement. The variable component is in the form of a variable bonus that is linked to the Company's and the individual's performance.

The directors' fees paid to the Independent Directors and Non-Executive Director each year are subject to the shareholders' approval at the forthcoming AGM. The RC has recommended to the Board a total amount of up to S$112,500 as directors' fees for the financial year ending 31 December 2020 and that payment shall be made quarterly in arrears. This recommendation has been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval. No Director was involved in deciding his own remuneration.

For FY2019, there is no other employee of the Company who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$100,000.

Due to competitive reasons and confidentiality and sensitivity of remuneration matters, the Company has disclosed only the remuneration mix and remuneration band of each individual director and the top five key management personnel (including the Executive Chairman) on a named basis.

The Company is of the view that the information disclosed in this annual report should be sufficient for shareholders of the Company to form an adequate understanding of the Company's remuneration policies and practice. The Company believes that full disclosure of remuneration of each individual director and the top key management personnel (including the Executive Chairman) on a named basis could be disadvantageous to the Group's business interests, given the highly competitive industry conditions.

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ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board recognises the importance of maintaining a sound system of internal controls, covering not only the financial, but also operational, compliance and information technology controls, including risk management, to safeguard shareholders' interests and the Group's assets. Procedures are in place to identify and manage major business risks and evaluate potential financial effects.

The Board, assisted by the AC, conducts an annual review of the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems). Management assists the Board in this regard by reviewing the Group's business and operational activities on a regular basis so as to identify areas of significant business risks and appropriate measures to control and mitigate these risks. Currently, the Board has not established a separate risk management committee and is not assisted by an external advisor for this purpose. The Board would look into the setting up of a separate risk management committee or otherwise assess appropriate means to assess it in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The Board is continuously looking into the adequacy and improvement of its system of internal controls.

The Board has received assurance from the Executive Chairman and the Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the system of risk management and internal controls in place is adequate and effective in addressing the material risks in the Group in its current business environment. During the financial year under review, the AC has reviewed the adequacy and effectiveness of the Group's internal controls and risk management systems. Based on reviews conducted by Management, work performed by the internal and external auditors, assurances from the Executive Chairman and the Financial Controller on the financial records and effectiveness of the Company's internal controls and risk management systems, the Board, with the concurrence of the AC, is satisfied that the internal controls and risk management systems in place are adequate and effective in addressing material risks relating to the Group's financial, operational, compliance and information technology controls as at 31 December 2019.

Principle 10: Audit Committee

The AC comprises two members, all of whom are non-executive directors and one of whom is independent director. The members of the AC at the date of this report are:

Mr Yap Kian Peng (Chairman, Independent Director)
Mr Chin Yew Choong David (Member, Non-Executive Non-Independent Director)

The AC has written terms of reference and the key terms of reference of the AC include the following duties:

- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.

- Reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems.

- Reviewing the assurance from the Executive Chairman and the Financial Controller on the financial records and financial statements.

Corporate Governance Report

- Making recommendations to the Board on (i) the proposals to the shareholders on the appointment and removal of external auditor; and (ii) the remuneration and terms of engagement of the external auditor.

- Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function.

- Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

- Reviewing interested person transactions and related party transactions to ensure that they are on normal commercial terms, and that they do not prejudice the interests of the Company or its minority shareholders.

The AC held one meeting during the financial year ended 31 December 2019. The AC reviews issues of accounting policy and presentation of external financial reporting as well as the internal financial control, for which the directors are responsible.

The Board would re-look at the composition of the Board and board committees after the proposed RTO.

The AC reviewed and considered the significant issues and judgements in relation to the financial statements and the details of how these matters were addressed are set out on pages 22 to 23 of the annual report on key audit matters.

The Company has a Whistle-Blowing Policy in place and it covers employees (both permanent and temporary) of the Group and all external parties who have a business relationship with the Group, by providing them with well-defined and accessible channels for them to report in good faith and confidence, their concerns about possible improprieties in financial reporting or other matters, and to ensure independent investigation of such matters and appropriate follow-up action. External parties include, but are not limited to, customers, suppliers and contractors.

External Audit and Auditor Independence

The AC has reviewed and is satisfied with the external auditor's independence and objectivity. For FY2019, the amount of audit fees paid to the external auditor was S$41,000. No further non-audit fees were paid to the external auditor for FY2019. The AC has recommended to the Board, the nomination of Ernst & Young LLP for re-appointment as external auditor of the Company. The aggregate amount of audit and non-audit fees paid to the external auditor in the year under review can be found on note 5 to the financial statements, on page 43 of this annual report.

The Company confirms that it has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal Audit and Compliance

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The AC has the responsibility to review the adequacy of the internal audit function annually.

Based on the audit reports and management controls in place, and having regard to the scope and nature of the Company's current operations, the AC is satisfied that the internal control systems (including financial, operational, compliance and information technology controls) provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholders Rights and Conduct of General Meetings
Principle 12: Engagement with Shareholders
Principle 13: Engagement with Stakeholders

Management updated the shareholders at AGM on the Company's business.

The Board believes in regular, timely and effective communications with shareholders. In addition to the mandatory public announcements made through the SGXNet, timely release of the financial results provides shareholders with an overview of the Group's performances and operations. The principal forum for dialogue with shareholders remains the AGM, during which shareholders are encouraged to raise questions and participate in discussions pertaining to the operations and financials of the Group. The shareholders are given the opportunity to share their thoughts and ideas relating to matters which are the subject of the resolutions to be passed. The Executive Chairman (together with the rest of the Board who are present), the Financial Controller and external auditor address questions raised by shareholders at the AGM.

The Board ensures that issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions at general meetings on each distinct issue. Explanatory notes are included in the notice of AGM to provide further information on the agenda items of the AGM. Resolutions tabled at general meetings are voted by poll and the number of votes cast for and against each resolution and the respective percentage will be disclosed. The Company will appoint an independent external party as scrutineer for the poll voting process. Prior to the commencement of the general meeting, the scrutineer would review the proxies and proxy process. Shareholders are informed of the voting process at each general meeting. Detailed results of the poll votes for each resolution will be promptly disclosed on the SGXNet after the general meetings.

The Constitution of the Company currently does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead. Minutes of general meetings are prepared and available to shareholders upon their request in accordance with applicable laws.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not. The Company did not declare and pay any dividends for FY 2019.

More information on how the Group met its responsibilities with its key stakeholders can be found in the inaugural sustainability report for the financial year ended 31 December 2018, which was issued on 30 May 2019. In accordance with Rule 771A of the SGX-ST Listing Manual, the sustainability report for the financial year ended 31 December 2019 will be issued by 31 May 2020. The sustainability report covers the sustainability performance, activities and initiatives of the Group.

The Company did not have an investor relations policy at the moment.

Corporate Governance Report

The Company is fully committed in maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made via SGXNET in accordance with the requirements of the SGX-ST Listing Manual, the Group has issued additional announcements and press releases to update shareholders on the activities of the Company so as to ensure that all shareholders have access to material information at the same time. The Group provides descriptive and detailed disclosure whenever possible and avoids boilerplate disclosure.

The Group does not practise selective disclosure. Price-sensitive information is first publicly released before the Group meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules). Subsequent to the release of the results, investor relations personnel are available by e-mail or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure. In the event where there is inadvertent disclosure made to a select group, the Company endeavours to made the same disclosure publicly to all others as promptly as possible.

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting. The Company maintains a current corporate website to communicate and engage with stakeholders.

ADDITIONAL INFORMATION

DEALING IN SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Group has adopted the Code of Best Practices on Securities Dealings, which is an internal code of conduct regulating dealings in the Company's securities for its Directors, officers and staff. Each Director is issued with a copy of the Company's Code of Best Practices on Securities Dealings, as they are privy to price sensitive information.

Directors, officers and staff of the Group are not allowed to deal in the Company's shares during the periods commencing one month before the announcement of the Group's half yearly and full year results, and ending on the date of the announcement of such results, or when they are in possession of material unpublished price-sensitive information of the Group.

The Directors, officers and staff are also expected to observe insider-trading laws at all times and even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

Corporate Governance Report

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC and that the transactions are on an arm's length basis. All interested transactions are subject to review by the AC to ensure compliance with the established procedures.

For FY2019, the Company did not enter into any interested person transaction and hence, no announcement is required under the rules of the SGX-ST Listing Manual.

Corporate Information of M Development Ltd.

FULL NAME OF COMPANY	:	M Development Ltd.
COMPANY REGISTRATION NUMBER	:	200201764D
PLACE OF INCORPORATION	:	Singapore
DATE OF INCORPORATION	:	6 March 2002
REGISTERED ADDRESS	:	4 Shenton Way #17-01 SGX Centre 2 Singapore 068807
BOARD OF DIRECTORS	:	Mr. Huang Wen-Lai (Executive Chairman and Director) Mr. Chin Yew Choong David (Non-executive Non Independent Director) Mr. Yap Kian Peng (Independent Director)
AUDIT COMMITTEE	:	Mr Yap Kian Peng (Chairman) Mr Chin Yew Choong David
REMUNERATION COMMITTEE	:	Mr Chin Yew Choong David Mr Yap Kian Peng
NOMINATING COMMITTEE	:	Mr Chin Yew Choong David Mr Yap Kian Peng
COMPANY SECRETARY	:	Ms. Claudia Teo Kwee Yee
COMPANY AUDITOR	:	ERNST & YOUNG LLP Chartered Accountants One Raffles Quay North Tower Level 18 Singapore 048583 Partner-in-charge: Ms. Teo Li Ling Appointed with effect from financial year ended 31 December 2018
SHARE REGISTRAR	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
PRINCIPAL BANKERS	:	Malayan Banking Berhad 2 Battery Road #16-01 Maybank Tower Singapore 049907 DBS Bank Limited 6 Shenton Way DBS Building Singapore 068809 United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624

Directors' Statement

For the financial year ended 31 December 2019

The directors hereby present their statement to the members together with the audited consolidated financial statements of M Development Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Huang Wen-Lai
Chin Yew Choong David
Yap Kian Peng

Arrangements to enable directors to acquire shares and debentures

The Company was not at any time during the financial year a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest	
Name of director	**At the beginning of the financial year**	**At the end of the financial year**
Ordinary shares of the Company		
Huang Wen-Lai	27,269,818	27,269,818

Directors' Statement

For the financial year ended 31 December 2019

Directors' interests in shares and debentures (cont'd)

There was no change in the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company (other than emoluments paid or payable by a related corporation), or of related corporations, either at the beginning or at the end of the financial year.

Options

There is presently no option scheme on unissued shares of the Company.

Audit committee

The audit committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Huang Wen-Lai
Director

Chin Yew Choong David
Director

Singapore
9 April 2020

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of M Development Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of M Development Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (cont'd)

Effects of the lawsuit

The Company is involved in the lawsuit as disclosed in Note 19(b) to the financial statements. Based on the Court of Appeal judgement released on 9 April 2020, the Company was successful in its claim against the various defendants in the Court of Appeal to increase the sum of compensation by $1,487,754 ("Additional Judgement"). The Court of Appeal has maintained the other sums previously awarded by the High Court of $1,404,334 and cost of $870,261 ("High Court Judgement") as disclosed in Note 19(b) to the financial statements. The counter claims by the Sim Family were also dismissed.

Management has treated this as an adjusting subsequent event, and accordingly recognised the monies awarded under the High Court Judgement of $2,274,595 as other income and cash held with the Company's lawyer. As stated in Note 3.1, management has assessed that no asset or income is to be recognised for the Additional Judgement as at 31 December 2019 as the inflow of cash is contingent on the defendants' ability to pay, which management has determined to be uncertain. The assessment process involved significant management judgement and is subject to future developments relating to the monies to be received. Accordingly, we have identified this as a key audit matter.

Our audit procedures included, amongst others, meetings with management and their legal counsel to understand the recent developments of the legal proceeding and management's assessment of the possible outcome. In evaluating the reasonableness of management's assessment, we read the judgements from the High Court and Court of Appeal, legal correspondences and board meeting.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I), 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the financial statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Teo Li Ling.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

9 April 2020

Consolidated Income Statement

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	4	6	1,952
Cost of sales		–	(1,967)
Gross profit/(loss)		6	(15)
Other income	5	2,275	3
General and administrative expenses		(792)	(1,633)
Profit/(Loss) before tax	5	1,489	(1,645)
Income tax expense	6	–	–
Profit/(Loss) for the year		1,489	(1,645)
Profit/(Loss) for the year attributable to:			
Owners of the Company		1,491	(1,643)
Non-controlling interests		(2)	(2)
		1,489	(1,645)
Earnings/(Loss) per share attributable to owners of the Company (cents per share):			
Basic and diluted	7	0.08	(0.09)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	2019	2018
	$'000	$'000
Profit/(Loss) for the year	1,489	(1,645)
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences arising from consolidation	(3)	25
Total comprehensive income for the year	1,486	(1,620)
Total comprehensive income attributable to:		
Owners of the Company	1,488	(1,618)
Non-controlling interests	(2)	(2)
	1,486	(1,620)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Investments in subsidiaries	8	–	–	142	142
Plant and equipment	9	–	–	–	–
		–	–	142	142
Current assets					
Right-of-use asset	10	28	–	28	–
Trade receivables	11	–	116	–	–
Deposits		10	7	6	7
Prepayments		3	3	3	3
Cash held with the Company's lawyer	12	2,275	–	2,275	–
Cash and cash equivalents	13	934	6,077	730	4,673
		3,250	6,203	3,042	4,683
Total assets		3,250	6,203	3,184	4,825
Current liabilities					
Lease liability	14	27	–	27	–
Trade payables		–	116	–	–
Other payables and accruals	15	1,222	1,069	332	182
Loan from a director	17(b)	37	120	–	–
		1,286	1,305	359	182
Net current assets		1,964	4,898	2,683	4,501
Net assets		1,964	4,898	2,825	4,643
Equity attributable to owners of the Company					
Share capital	16	41,806	46,226	41,806	46,226
Accumulated losses		(38,299)	(39,790)	(38,981)	(41,583)
Foreign currency translation reserve		43	46	–	–
		3,550	6,482	2,825	4,643
Non-controlling interests		(1,586)	(1,584)	–	–
Total equity		1,964	4,898	2,825	4,643
Total equity and liabilities		3,250	6,203	3,184	4,825

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital (Note 16)	Accumulated losses	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2019						
Balance at 1 January 2019	46,226	(39,790)	46	6,482	(1,584)	4,898
Profit for the year	–	1,491	–	1,491	(2)	1,489
Other comprehensive income, net of tax						
Foreign currency translation reserve	–	–	(3)	(3)	–	(3)
Total comprehensive income for the year	–	1,491	(3)	1,488	(2)	1,486
Capital reduction	(4,420)	–	–	(4,420)	–	(4,420)
Balance at 31 December 2019	41,806	(38,299)	43	3,550	(1,586)	1,964
2018						
Balance at 1 January 2018	46,226	(38,147)	21	8,100	(1,582)	6,518
Loss for the year	–	(1,643)	–	(1,643)	(2)	(1,645)
Other comprehensive income, net of tax						
Foreign currency translation reserve	–	–	25	25	–	25
Total comprehensive income for the year	–	(1,643)	25	(1,618)	(2)	(1,620)
Balance at 31 December 2018	46,226	(39,790)	46	6,482	(1,584)	4,898

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2019

	Share capital (Note 16) $'000	Accumulated losses $'000	Total $'000
Company			
2019			
Balance at 1 January 2019	46,226	(41,583)	4,643
Profit for the year, representing total comprehensive income for the year	–	2,602	2,602
Capital reduction	(4,420)	–	(4,420)
Balance at 31 December 2019	41,806	(38,981)	2,825
2018			
Balance at 1 January 2018	46,226	(39,983)	6,243
Loss for the year, representing total comprehensive income for the year	–	(1,600)	(1,600)
Balance at 31 December 2018	46,226	(41,583)	4,643

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Operating activities			
Profit/(Loss) before tax		1,489	(1,645)
Adjustments for:			
Other income	5	(2,275)	–
Interest income	4	(6)	(10)
Deprecation of right-of-use asset	10	37	–
Interest expense		2	–
Operating cash flows before changes in working capital		(753)	(1,655)
Changes in working capital			
Decrease in trade receivables		116	254
(Increase)/decrease in deposits		(3)	375
Decrease in prepayments		–	4
(Decrease)/increase in trade payables		(116)	116
Increase in other payables and accruals		153	86
Cash flows used in operations		(603)	(820)
Interest received		6	10
Interest paid		(2)	–
Net cash flows used in operating activities		(599)	(810)
Financing activities			
(Repayment of)/proceeds from loan from a director	17(b)	(83)	120
Cash distribution to shareholders	16	(4,420)	–
Payment of principal portion of lease liability	10	(38)	–
Net cash flows (used in)/from financing activities		(4,541)	120
Net decrease in cash and cash equivalents		(5,140)	(690)
Effect of exchange rate changes		(3)	25
Cash and cash equivalents at 1 January		6,077	6,742
Cash and cash equivalents at 31 December	13	934	6,077

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

M Development Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807.

The principal activity of the Company is investment holding company. The principal activities of its subsidiaries are disclosed in Note 8.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Adoption of new standards*

On 1 January 2019, the Group adopted SFRS(I) 16 *Leases*, which is effective for annual periods beginning on or after 1 January 2019. The adoption of SFRS(I) 16 did not have any material effect on the financial performance or position of the Group and the Company.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying FRS 17 at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Increase
	$'000
Right-of use asset	65
Borrowing	65

2. Summary of significant accounting policies (cont'd)

2.2 *Adoption of new standards (cont'd)*

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitment as of 31 December 2018 as follows:

Assets	**2019**
	$'000
Operating lease commitments as at 31 December 2018	70
Incremental borrowing rate as at 1 January 2019	5.25%
Discounted operating lease commitments as at 1 January 2019	65

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 3: *Definition of a business*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS (I) 7: *Interest Rate Benchmark Reform*	1 January 2020
SFRS(I) 17 *Insurance Contracts*	1 January 2021

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

2.5 ***Transactions with non-controlling interests***

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computers	–	1 year

The carrying amounts of plant and equipment are reviewed for impairment when event or changes in circumstances indicate that the carrying amounts may not be recovered.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2. Summary of significant accounting policies (cont'd)

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

Subsequent measurement

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Trade receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.11 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

2.13 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.14 *Employee benefits*

Defined contribution plans

The Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.15 *Leases*

The Group assess at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

(i) *Right-of-use assets*

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space – 2 years

Depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in balance sheet.

2. Summary of significant accounting policies (cont'd)

2.16 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Interest income

Interest income is recognised using the effective interest method over the period of time the deposits are placed with the financial institution.

2.17 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.17 ***Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.19 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments which has the most significant effect on the amounts recognised in the consolidated financial statements.

Effects of lawsuit

The Company was successful in its claim against the various defendants in the Court of Appeal to increase the sum of compensation by $1,487,754 ("Additional Judgement") and has also maintained the other sums previously awarded by the High Court of $1,404,334 and cost of $870,261 ("High Court Judgement").

Management has assessed that no asset or income is required to be recognised in relation to the Additional Judgement as at 31 December 2019 as the inflow of cash is contingent on the defendants' ability to pay, which management has determined to be uncertain. The assessment process involved significant management judgement and is subject to future developments relating to the monies to be received.

3.2 *Key sources of estimation uncertainty*

Management is of opinion that there is no estimation uncertainties that have a significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next financial year.

4. Revenue

	2019 $'000	2018 $'000
Trading sales	–	1,942
Interest income	6	10
	6	1,952
Timing of transfer of goods or services		
At a point in time	–	1,942
Over time	6	10
	6	1,952

5. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2019 $'000	2018 $'000
Other income (Note A)	2,275	3
Provision of audit fees	41	44
Employees' benefits expense (Note B)	385	532
Professional fees relating to lawsuit (Note C)	129	811

Note A: ***Other income***

Other income in current year refers to the recognition of all the monies awarded under the High Court Judgement paid by the defendants to the Company's lawyer who held these sums on the Company's behalf until the resolution of the appeals as disclosed in Note 19(b) to the financial statements.

Note B: ***Employees' benefits expense***

Salaries and bonuses	135	145
Directors' remuneration	129	212
Directors' fees	99	150
Central Provident Fund contributions	22	24
Staff allowance and welfare	–	1
	385	532

Note C: ***Professional fees relating to lawsuit***

Lawsuit refers to the lawsuit and appeals as disclosed in Note 19(b) to the financial statements.

6. Income tax expense

There is no tax expense for the current financial year as the other income recognised is not subject to tax. There is no tax expense for the previous financial year as the Company is in a tax loss position.

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	**2018**
	$'000	$'000
Profit/(loss) before tax	1,489	(1,645)
Tax expense/(credit) at the domestic rates applicable to profits in the countries where the Group operates	253	(282)
Adjustments:		
Non-deductible expenses	134	275
Deferred tax assets not recognised	–	7
Income not subject to tax	(387)	–
Income tax expense/(credit) recognised in the profit or loss	–	–

At the end of the reporting period, the Group has unabsorbed tax losses amounting to approximately $6,000 equivalent to RMB30,000(2018: $7,000 (equivalent to RMB30,000)) available for offset against future taxable profits subject to compliance with the relevant sections of the tax legislation and to agreement with the tax authorities of the People's Republic of China. The tax losses will expire in 2022.

7. Earnings/(loss) per share

Basic earnings per share are calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share are calculated by dividing earnings/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the financial performance and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 31 December:

	Group	
	2019	**2018**
	$'000	$'000
Earnings/(loss) for the year attributable to owners of the Company	1,491	(1,643)
	Number of shares	**Number of shares**
	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share computation	1,921,638	1,921,638
Basic and diluted profit/(loss) per share (cents)	0.08	(0.09)

Notes to the Financial Statements

For the financial year ended 31 December 2019

8. Investments in subsidiaries

	Company 2019 $'000	Company 2018 $'000
Unquoted shares, at cost	1,911	1,911
Less: Impairment losses	(1,769)	(1,769)
	142	142

Composition of the Group

Details of the subsidiaries at 31 December are as follows:

	Name of company	Country of incorporation	Principal activities	Cost of investment 2019 $'000	Cost of investment 2018 $'000	Percentage of equity held by the Company 2019 %	Percentage of equity held by the Company 2018 %
	Held by the Company						
#	M Strategic Investment Ltd.	British Virgin Islands	Investment holding	1	1	100	100
#	Winsta Holding Pte. Ltd.	Singapore	Investment holding	1,734	1,734	51	51
# (1)	United Force Development (S) Pte. Ltd.	Singapore	Investment holding	76	76	76	76
#	United Force Trading Pte. Ltd. ("UFT")	Singapore	Trading of electronic products	100	100	100	100
	Held by UFT						
# (2)	Ally Cypress (Xiamen) Limited	Republic of China	Trading of electronic products	–	–	100	100
				1,911	1,911		

\# Not material to the group and not required to be audited under the laws of country of incorporation.

(1) During the financial year, the Company had recognised an impairment loss of $nil (2018: $5,000).

(2) The subsidiary was incorporated on 22 June 2018 with registered share capital of RMB 1 million that was not paid by the Company during the financial year as this amount is payable only within five years from date of incorporation, according to the Articles of Association. Thus, cost of investment is recognised as $nil (2018: $nil).

8. Investments in subsidiaries (cont'd)

Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that have NCI that are material to the Group.

Name of subsidiary	Principal activity	Proportion of ownership interest held by NCI		Loss allocated to NCI during the reporting period		Accumulated NCI at the end of the reporting period	
		2019	2018	2019	2018	2019	2018
		%	%	$'000	$'000	$'000	$'000
Winsta Holding Pte. Ltd.	Investment holding	49	49	(1)	(1)	(1,600)	(1,599)

Summarised financial information about subsidiary with material NCI

Summarised financial information before intercompany eliminations of its subsidiary with material non-controlling interests are as follows:

Summarised balance sheet

	2019	2018
	$'000	$'000
Current		
Assets	16	16
Liabilities	(1,662)	(1,661)
Net liabilities	(1,646)	(1,645)

Summarised statement of comprehensive income

	2019	2018
	$'000	$'000
Revenue	–	–
Loss before tax	(3)	(3)
Loss for the year, representing total comprehensive income for the year	(3)	(3)

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. Plant and equipment

	Computers, representing total $'000
Group and Company	
Cost	
At 1 January 2018, 31 December 2018	10
Additions	–
At 31 December 2019	10
Accumulated depreciation	
At 1 January 2018 and 31 December 2018	10
Charge for the year	–
At 31 December 2019	10
Net carrying amount	
At 31 December 2019	–
At 31 December 2018	–

10. Right-of-use asset

Group as a lessee

The Group has lease contracts for office space used in its operations. Lease of office space generally have lease terms for 3 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the period:

	Property $'000
As at 1 January 2019	65
Additions	–
Depreciation of right-of-use asset	(37)
As at 31 December 2019	28

10. Right-of-use asset (cont'd)

Group as a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities recognised and the movement during the period:

	2019
	$'000
As at 1 January 2019	65
Additions	–
Payment	(38)
As at 31 December 2019	27
Current	27

The following are the amounts recognised in profit and loss:

	2019
	$'000
Depreciation expense of right-of-use assets	37
Interest expense on lease liabilities	2
Total amount recognised in profit and loss	39

The Group has total cash outflow for leases of $38,000 in 2019.

11. Trade receivables

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Trade receivables	–	116	–	–

Trade receivables are non-interest bearing and are normally settled on 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition and have been collected.

<u>Expected credit losses</u>

No allowance for expected credit losses of trade receivables computed based on lifetime ECL was recognised during the financial year.

12. Cash held with the Company's lawyer

Cash held with the Company's lawyer relates to monies awarded under the High Court Judgement of $2,274,595 paid by the defendants to the Company's lawyer who held these sums on the Company's behalf.

13. Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Cash on hand	12	12	–	–
Cash at banks	922	6,065	730	4,673
Cash and cash equivalents	934	6,077	730	4,673

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currency as at 31 December are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollars	26	213	10	209

14. Lease liability

	Incremental borrowing rate	Maturity	2019
			$'000
Current and total lease liability	5.25%	2020	27

15. Other payables and accruals

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Other payables	811	811	–	–
Accruals	411	258	332	182
	1,222	1,069	332	182

Other payables pertain to amounts due to former subsidiaries of Winsta Holding Pte Ltd which had been placed under voluntary liquidation. Please refer to Note 19(b) for details of the subsidiaries.

16. Share capital

	Group and Company			
	2019		2018	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning of the year	1,921,638	46,226	1,921,638	46,226
Capital reduction	–	(4,420)	–	–
At end of the year	1,921,638	41,806	1,921,638	46,226

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

17. Related party transactions

(a) ***Compensation of key management personnel***

	Group	
	2019	2018
	$'000	$'000
Salaries and other short-term benefits	121	202
Central Provident Fund contributions	8	10
	129	212
Comprise amounts paid to:		
Directors of the Company	129	212

(b) ***Transactions with related parties***

	Group	
	2019	2018
	$'000	$'000
Loan from a director	37	120

The loan from a director is unsecured, interest-free, repayable on demand and is to be settled in cash. During the year, the Group has repaid $83,000 (2018 : $nil).

18. Commitments

Operating lease commitments – as lessee

The Group has entered into commercial lease on office. The lease has a remaining lease term of nine months (2018: two years).

Future minimum rental payable under the non-cancellable operating leases as at 31 December 2018 is as follows:

	2018
	$'000
Not later than one year	40
Later than one year but not later than five years	30
	70

19. Contingencies

(a) Deed of indemnity executed by the Company against claims by Liberty Insurance Pte Ltd ("Liberty Insurance")

Prior to their liquidation, Katong Hostel Pte Ltd and Evan Hostel Pte Ltd had entered into tenancy agreements with the Government of the Republic of Singapore ("the Government") and were required to furnish 3 months' rental as security deposits. These deposits were given by way of insurance bonds issued by Liberty Insurance. The aggregate insured sum under the Insurance Bonds was approximately $2.1 million.

Counter-Guarantees for the bonds were provided to Liberty Insurance by the directors of the Company and from Ms Sim Pei Yee, Ms Sim Pei San and Mr Sim Poh Ping ("the Sim Family") on a joint and severally basis and in proportion to their respective shareholdings in the companies. The directors of the Company were indemnified by the Company under a Deed of Indemnity. Upon a breach of their obligations by Katong Hostel Pte Ltd and Evan Hostel Pte Ltd under their respective tenancies, the Government called on the insurance bonds resulting in a claim by Liberty Insurance against all the guarantors. A total of $1,063,305 (50% of the insured amount) has been paid by the Company to Liberty Insurance with the remaining 50% to be recovered from the Sim Family.

As the guarantees provided to Liberty Insurance were on a joint and several basis, in the event the Sim Family defaults on the payment, the Company will be liable to settle the outstanding balance.

Subsequently the Sim Family negotiated with Liberty Insurance to repay their share by monthly installments and the total outstanding owing to Liberty Insurance as at the end of the financial year is $90,000 (2018: $210,000).

The Company has not been informed or made aware of any default in payment by the Sim Family in relation to the outstanding sums owing. Accordingly, the Company is of the view that it is unlikely a liability will arise from the nonpayment by the Sim Family and accordingly no provision for any liability has been made in these financial statements.

19. Contingencies (cont'd)

(b) Lawsuit between the Company, the Sim Family and other third parties (collectively the "Defendants")

On 20 May 2015, the Group commenced legal proceedings against the Defendants in the High Court in Singapore on the basis *inter alia* of a report from an independent internal auditor appointed by the Group (the "Lawsuit"). Subsequently the Group removed the Sim Family from the management of Winsta Holding Pte. Ltd. ("Winsta") and its subsidiaries ("Subsidiaries" and together with Winsta the "Winsta Group") and appointed a professional firm to assist in the management of the Winsta Group. Based on the advice and reports from the appointed professional firm, the Board then decided not to continue with the Winsta Group's business and accordingly placed the Subsidiaries into liquidation pursuant to a creditors' voluntary liquidation on the 3 August 2015 and 4 August 2015. The liquidation process is subject to the outcome of the pending appeals mentioned below.

On 21 August 2015, the Company received a letter from Mr Sim Poh Ping, a shareholder of the Company, alleging that the affairs of the Winsta Group had been conducted in a manner oppressive to and in disregard of his interest as a shareholder of the Company and Winsta, and stating that he intended to commence legal action against the Company and certain of its directors. To-date, the Company and its directors are not aware that any such action has been commenced against it or them in relation to this matter. For the avoidance of doubt, the Company and the Board of Directors categorically deny and refute any such allegation.

On 29 October 2015, the Company obtained from the liquidators of the Subsidiaries all the Subsidiaries' interest in the Lawsuit. The Company was accordingly substituted as a party in the Lawsuit as plaintiff in place of the Subsidiaries.

On 5 November 2018, the Company was successful in its claim against the various defendants in the Lawsuit and was awarded by the High Court equitable compensation assessed at $1,404,334 and costs of $870,261 ("High Court Judgement"). On 3 December 2018 and 4 December 2018, some of the defendants namely Mr Sim Poh Ping, Ms Sim Pei Yee, Ms Sim Pei San and the Company respectively, filed appeals against the Judgement ("Appeals").

On 9 April 2020, the Court of Appeal has allowed the Company's appeal in part and increased the sum of compensation awarded to the Company by $1,487,754 ("Additional Judgement") and has also maintained the High Court Judgement of $2,274,595. These monies awarded under the High Court Judgement of $2,274,595 were paid by the defendants to the Company's lawyer who held these sums on the Company's behalf until the resolution of the appeals. The Group has recognised $2,274,595 as other income as disclosed in Note 5 to the financial statements and the corresponding amount as cash held with the Company's lawyer as disclosed in Note 12 to the financial statements.

Contingent asset

At the date of this report, management has assessed that no asset or income is to be recognised for the Additional Judgement as the inflow of cash relating to the Additional Judgement is contingent on the defendants' ability to pay, which management has determined to be uncertain.

it is not possible for the Company to reasonably determine the timing and extent of possible inflow of economic benefits. This Additional Judgement is therefore not recognised in the financial statements.

20. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and process for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables and deposits. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

20. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

No provision for lifetime expected credit losses for all trade receivables was recognised during the financial year.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuation in cash flows.

20. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less			
	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets:				
Trade receivables	–	116	–	–
Deposits	10	7	6	7
Cash held with the Company's lawyer	2,275	–	2,275	–
Cash and cash equivalents	934	6,077	730	4,673
Total undiscounted financial assets	3,219	6,200	3,011	4,680
Financial liabilities:				
Trade payables	–	116	–	–
Other payables and accruals	1,222	1,069	332	182
Loan from a director	37	120	–	–
Total undiscounted financial liabilities	1,259	1,305	332	182
Total net undiscounted financial assets	1,960	4,895	2,679	4,498

21. Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade receivables	–	116	–	–
Deposits	10	7	6	7
Cash held with the Company's lawyer	2,275	–	2,275	–
Cash and cash equivalents	934	6,077	730	4,673
Total undiscounted financial assets	3,219	6,200	3,011	4,680
Financial liabilities at amortised cost				
Trade payables	–	116	–	–
Other payables and accruals	1,222	1,069	332	182
Loan from a director	37	120	–	–
Total undiscounted financial liabilities	1,259	1,305	332	182

21. Financial instruments by category (cont'd)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade receivables, deposits and cash and cash equivalents, trade payable, other payables and accruals and loan from a director

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature.

22. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. The Group is not subject to any externally imposed capital requirement and the capital of the Group comprises all components of shareholders' equity.

23. Segment information

The Group mainly derived its revenue from interest income.

In the previous financial year, the Group solely derived its revenue from the business of sales and purchase of iron ore and LED products.

Geographical information

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

	External sales	
	2019	**2018**
	$'000	$'000
People's Republic of China	–	1,657
Indonesia	–	285
Singapore	6	10
Total	6	1,952

24. Subsequent events

(a) Proposed acquisition

On 31 January 2020, the Company entered into a sale and purchase agreement with Jovial Bridge Limited, Cypress Top Limited and Prime Kirin Limited ("Vendors") for the acquisition of the entire issued and paid-up share capital of Antai Mining International Holdings Company Limited ("Proposed Acquisition").

The Proposed Acquisition is still ongoing at the time these financial statements have been authorised for issue as the Company requires more time to finalise information relating to the Vendors, Antai Group and the Proposed Acquisition.

(b) Lawsuit between the Company, the Sim Family and other third parties (collectively the "Defendants")

On 9 April 2020, the Court of Appeal has allowed the Company's appeal in part and increased the sum of compensation awarded to the Company by $1,487,754 and has also maintained the High Court Judgement. The Court of Appeal also fully dismissed the various appeals filed by the Sim Family.

The monies awarded under the High Court Judgement of $2,274,595 paid by the defendants to the Company's lawyer who held these sums on the Company's behalf until the resolution of the appeals have been recognised as other income as disclosed in Note 5 to the financial statements and cash held with the Company's lawyer as disclosed in Note 12 to the financial statements.

However, there is no asset or income recognised on the Additional Judgement of $1,487,754 because of the uncertainty in the recoverability of the Additional Judgement from the defendants as disclosed in Note 19(b) to the financial statements.

25. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 9 April 2020.

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