Development Limited

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

RESPONSE TO SGX QUERIES ON UNAUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2019

The Board of Directors of M Development Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Group's unaudited financial results for the full year ended 31 December 2019 ("**FY2019**") released on the SGXNET on 17 February 2020. The Company would like to provide the following information in reply to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 February 2020:

SGX-ST's Query 1

We refer to the Company's SGXNet announcement on 17 February 2020 titled "Full Yearly Results". We noted that there was no trading revenue earned in FY2019. Please elaborate further on the reasons for a lack of trading activities in the Company in FY2019.

The Company's Response 1

The Company decided to reduce its trading activities in FY2019 because:

a. trading activities are seasonal and risky. For the financial year ended 31 December 2018 ("**FY2018**"), the Company recorded a higher revenue of S$1,952,000 as compared to revenue of S$388,000 in FY2017 due to higher trading activities. However, the Group reported a gross loss of S$15,000 in FY2018 mainly due to higher storage costs;

b. the Company was informed by SGX-ST on 5 December 2018 that pursuant to Rule 1018(2) of the listing manual, no further extension will be granted and the Company will be removed from the Official List of SGX-ST and a cash exit offer in accordance with Rule 1309 of the listing manual should be made to Shareholders within 6 months;

c. after being so informed, the Company considered all available options and decided not to continue any trading activities which are seasonal and risky and decided, as a matter of prudence, that surplus cash capital should be returned to the Shareholders by way of the capital reduction exercise. Consequently, on 15 August 2019, the Company distributed S$4.4 million to the Shareholder pursuant to the capital reduction exercise approved at the annual general meeting.

SGX-ST's Query 2

Please provide the breakdown of "Other expenses" of $70k, "Other professional fees" of $57k and "Staff expenses" of $157k and elaborate on why these expenses did not materially decrease between 2018 and 2019 despite having no trading activities during the year.

The Company's Response 2

As set out in various announcements including paragraph 10 of its FY2019 Full Year Results Announcement, the Company has commenced litigation proceedings against 13 defendants ("**Lawsuit**") and therefore continues to maintain an appropriate level of staffing to handle matters related to the Lawsuit and other regulatory and compliance matters.

Other expenses are set out below:

Other expenses	**FY2019 S$'000**	**FY2018 S$'000**	**Elaborate on why these expenses did not materially decrease between 2018 and 2019 despite having no trading revenue earned during the year**
Office rental	41	74	Office space
Printing & courier & postage	12	6	Additional cost for circular and wordings for the advertisement
Telephone and faxes	4	4	Mobile plans and overseas calls
Subscriptions	4	4	Bluehost email, Dropbox and Singapore Business Federation
Tax fee	3	4	Tax agent fee
Transport & travelling	3	10	Travelling expenses
Exchange loss	3	1	Bank balance in US dollars
TOTAL	**70**	**103**	

Other professional fees	**FY2019 S$'000**	**FY2018 S$'000**	**Elaborate on why these expenses did not materially decrease between 2018 and 2019 despite having no trading revenue earned during the year**
Legal fees	45	—	Capital reduction and cash distribution
Accrued legal fees	12	3	Due diligence on transactions
Legal fees	—	31	General corporate advice from Sep'17 to Nov'18
TOTAL	**57**	**34**	

Staff expenses	**FY2019 S$'000**	**FY2018 S$'000**	**Elaborate on why these expenses did not materially decrease between 2018 and 2019 despite having no trading revenue earned during the year**
Salaries and CPF contributions	157	170	Payment to Financial Controller and PA to Executive Chairman
TOTAL	**157**	**170**	

SGX-ST's Query 3

Please provide the breakdown of "Other payables and accruals" of $1.2 million by nature, including the comparative period figure, and explain the nature of material balances.

The Company's Response 3

Other payables and accruals (GROUP)	FY2019 S$'000	FY2018 S$'000	Nature of material balances
Amounts due to Katong Hostel	366	366	These pertain to amounts due to former subsidiaries of Winsta Holding Pte Ltd ("Winsta") which had been placed under voluntary liquidation.
Amounts due to Pearl Hill Hostel	445	445	
Other payables	51	51	Amounts owed by Winsta to third party creditors which will be written off when Winsta is liquidated
Other payables	203	—	Legal fees for the Lawsuit
Accrued legal fees	56	108	Legal fees mainly for the Lawsuit
Accrued audit fee	50	53	
Accrued secretarial fees	26	23	
Accrued printing cost	10	9	Annual report
Accrued tax fees	12	12	
Accrued office rental	3	2	
TOTAL	**1,222**	**1,069**	

Note1:
The Lawsuit refers to litigation and appeal which was previously announced by the Company.

BY ORDER OF THE BOARD
M DEVELOPMENT LIMITED

Huang Wen-Lai
Executive Chairman and Director
24 February 2020