Development Limited

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

ADDITIONAL INFORMATION TO THE UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors of M Development Ltd (the "Company", or together with its subsidiaries the "Group") refers to the Group's full year results released to SGX-ST on 28 February 2014. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 5 March 2014:-

Question 1

The Company explained that "Other operating expenses have increased by S$3,528,000 mainly due to impairment of property, plant and equipment of S$1,332,000 and provision for onerous contracts of S$2,040,000". Please explain (i) the nature of the onerous contracts; and (ii) the reasons for the impairment of property, plant and equipment and provision for onerous contracts.

Answer:

Certain subsidiaries of the Group are making losses and based on the forecasts prepared by the management, the subsidiaries are expected to continue with operating outflows as they were either unable to generate sufficient rental income to pay its new lease rental to SLA, which has increased by more than 4 times as compared to earlier rent rate and/or do not intend to renew the lease when it expires. Management had evaluated and is of the view that the cost of fulfilling the existing leases would be the best option rather than terminating those leases prematurely.

FRS 37 requires a provision to be recorded when a contract is considered onerous, ie when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In addition, before a separate provision for an onerous contract is established, FRS 36 requires an entity to recognise impairment loss that has occurred on assets dedicated to that contract.

In view of the forecast and pursuant to FRS 36 and FRS 37, the subsidiaries have made provision for onerous contract which is accounted for based on the estimated future discounted outflows to completion of the contract, after impairing the assets in FY 2013.

By Order of the Board

Huang Wen-Lai
Executive Chairman and Director
10 March 2014