Development Limited



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# Letter to Shareholders

Dear Shareholders:

The Board of Directors of M Development Ltd ("the Company") is pleased to present its FY2014 Annual Report to the shareholders.

In FY2014, the Group's revenue increased by S$13.8 million from S$23.0 million in FY2013 to S$36.8 million following the contribution of the trading business from its newly incorporated, wholly owned subsidiary, United Force Trading Pte Ltd. Consequently, gross profit has also increased by S$1.1 million from S$4.2 million in FY2013 to S$5.3 million mainly due to the trading business.

Administrative expenses have decreased by S$2.8 million from S$8.9 million in FY2013 to S$6.1 million mainly due to lower depreciation charge of S$1,537,000. The assets of Winsta Group are depreciated over the lease period and some of the leases for the hostels were expired during the year. As such, the depreciation charges for the assets used by those hostels were lower. In addition, depreciation charge was also lower in FY2014 as a result of the impairment of property, plant and equipment in FY2013. Winsta Group has also undergone a series of costs cutting measures such as reduction of staff salaries and bonus as well as directors' remuneration which have also contributed to the reduction of administrative expenses.

Other operating expenses have also decreased by S$2.7 million from S$5.5 million in FY2013 to S$2.8 million. This is mainly due to impairment of property, plant and equipment and provision for onerous contracts in FY2013.

As a result of the above, the Company is pleased to report a profit of S$81,000 from its operating activities.

The management will continue to source and explore other business opportunities for expansion or to complement the business of the Group.

We would like to take this opportunity 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 the Board Chairman of 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.

**MS. SIM PEI YEE**
**Executive Director**

Ms. Sim was appointed as the Executive Director of the Company on 1 September 2010, after the completion of the acquisition of 51% of the issued share capital of Winsta Holding Pte. Ltd. by the Company on 23 August 2010. Ms. Sim was appointed to oversee the daily operations of Winsta Holdings and subsidiaries.

Ms. Sim has over 10 years of working experience in the field of Finance and Operations.

From 2002 to 2008, Ms. Sim was working in Hartawan Holding Limited from an Accounts Executive to Senior Operations Manager, where she was involved in the daily operations, which oversee project evaluations, new project management and property leasing matters.

From July 2008, Ms. Sim joined Katong Hostel as a Finance Manager and subsequently became a Director of Winsta Holding Pte. Ltd. in 2009.

Ms. Sim holds a Bachelor of Commerce (Accounting and Finance) from the University of Queensland, Australia.

# Board of Directors of M Development Ltd.

**MR. CHIN YEW CHOONG DAVID**
**Independent Director**

Mr. Chin was appointed as an Independent Director of the Company on 2 October 2009. Mr. Chin is also the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee and Special Committee.

Mr. Chin is a Director in the Corporate and Finance Department and was the Director in charge of Drew & Napier's Shanghai Office from 2003 to 2008. He joined Drew & Napier in 1985 and became a partner in 1992. He became a director since Drew & Napier LLC corporatized on 1 May 2001. For 8 consecutive years, Mr. Chin has been named by Asia Pacific Legal 500, an international legal publication, as a leading Real Estate lawyer.

He graduated with an honours degree in law from the National University of Singapore and was called to the Bar in 1985.

**MR. DALI KUMAR BIN SARDAR**
**Independent Director**

Mr. Sardar was appointed as a Non-Executive Director of the Company on 29 August 2003. Mr. Sardar has been re-designated from Non-Executive Director to Executive Director of the Company on 1 October 2009 to assume an executive role to oversee the management of the Group. Subsequently with the appointment of Mr. Huang Wen-Lai as an Executive Director of the Company on 15 January 2011, Mr. Sardar was re-designated from Executive Director to Non-Executive Director.

Mr. Sardar is currently a member of the Nominating Committee, Remuneration Committee, Audit Committee and Special Committee.

With a background in banking and finance, he brings to the board over 27 years of valuable experience having spent 14 years in Citibank. He is now Director of DTA Capital Partners Sdn Bhd, a boutique corporate finance company involved mainly in venture capital, equity and debt raising, mergers and acquisitions, IPO planning and various forms of corporate restructuring. Previously, Mr. Sardar was CEO of Utama Merchant Bank Bhd. Between 1991 and 1996, he was with Citicorp Capital - first as Executive Director, then as Managing Director from 1994. Mr. Sardar was also the previous Chairman and Treasurer of the Malaysian Venture Capital Association.

Currently, he sits on the board of directors of several other companies: Chuan Huat Resources Bhd, DTA Ventures Management Sdn Bhd, DTA Ventures II Sdn. Bhd., DTA Growth Fund Sdn. Bhd., XCT Sdn Bhd and MAVCAP ICT Sdn Bhd.

Mr. Sardar holds a BA (Economics) degree from Knox College, USA and a MBA in International Management from the American Graduate School of International Management.

# 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 Director and Chairman 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 of Travelite Holdings Ltd and an independent director and the Chairman of the Audit Committee of Seroja Investment Ltd., both of which are listed on the SGX-ST. He is also an independent director of Soon Lian Holdings Limited and an independent director and the Chairman of the Audit Committee of Sincap Group Limited, both of which are listed on the SGX-Catalist.

**MR. WU BINGQING**
**Independent Director**

Mr. Wu BingQing was appointed as an Independent Director of the Company on 1 April 2014.

Mr. Wu graduated with a bachelor degree from Fujian Agriculture and Forestry University.

In 1983 to 1985, he was the Deputy Director, Planning and Finance Division, Fujian Provincial Forestry Department. From 1985 to 1987, he was the Vice Mayor of Yong An Municipal People's Government.

From 1988 to 2003, he held several positions like Deputy General Manager and Director, Treasury Division in Fujian Provincial Forestry Development Corporation and Fujian Provincial Forestry Investment Corporation.

In 2000 to 2003, he was appointed the Deputy Party Secretary & Deputy Director of the Fujian Provincial Forestry Department.

In 2004 to 2008, he was appointed Deputy Party Secretary & Deputy Executive Director of Fujian Provincial State owned Assets Supervision and Administration Commission (SASAC).

In 2008, Mr. Wu was elected a member of the Eleventh Fujian Provincial People's Congress Standing Committee; Deputy Director, the Fujian Provincial Judiciary Committee. In May 2010, he retired from all government posts.

# Corporate Governance

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 2012 (the "*Code*"). The Company firmly believes that a strong foundation of good corporate governance serves to protect the interest of all stakeholders and is key to its growth and continuing success.

This report sets out the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code.

## BOARD MATTERS
## PRINCIPLE 1*:* THE BOARD'S CONDUCT OF AFFAIRS

*Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the success of the company. The board works with the management to achieve this and the management remains accountable to the board.*

Currently, our Board of Directors (the "*Board*") comprises two Executive Directors, and four Independent Directors. The Board has the appropriate mix of core competencies and diversity in experience and an appropriate size for effective decision making.

The Board oversees Management and ensures that long-term interests of shareholders are served.

The Board's role is to:

(1) set the Group's values and standards and provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;

(2) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; and

(3) review Management performance.

The Board has adopted internal policies and procedures, which set out approval limits for capital expenditure, bank facilities and cheque signatories and material transactions that require prior approval of the Board. The entry into joint ventures, mergers, acquisitions and divestments would be examples of transactions that would require the Board's approval under such policies and procedures.

The Board also makes decisions in matters specifically involving conflict of interest situations relating to a substantial shareholder or Director, material acquisitions and disposal of assets, corporate and financial restructuring and share issuances, dividends and other returns to shareholders and other matters which require Board approval as specified under the Company's interested person transaction policy.

Upon appointment of a new Director, the Company would issue a formal letter of appointment setting out the statutory and other duties and obligations of the Director.

The Board as a whole is updated regularly on risks management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards.

During the financial year (''*FY*") in review, the Board conducted regular meetings at least twice a year. Board's approval is specifically sought for major financial and investments prospects. Board meetings are held in Singapore and the Company's Articles of Association allows for meetings to be held via telephone and video conferencing.

# Corporate Governance

The Board met 5 times in FY2014.

To assist the Board in the execution of its responsibilities, various Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee have been constituted with clearly defined terms of reference. Minutes of the Board Committee meetings are available to all Board members.

Details of Directors' attendance at Board and Board committees meetings held in FY2014 are summarized in the table below:

| | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|
| **Name of Directors** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Huang Wen-Lai | 5 | 5 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Sim Pei Yee | 5 | 5 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Dali Kumar Bin Sadar | 5 | 4 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chin Yew Choong David | 5 | 4 | 2 | 2 | 1 | 1 | 1 | 1 |
| Yap Kian Peng | 5 | 4 | 2 | 2 | 1 | 1 | 1 | 1 |
| Wu BingQing (1) | 3 | 3 | 1 | 1 | N.A. | N.A. | N.A. | N.A. |

Note:

(1) Mr Wu BingQing is appointed a Director of the Company on 1 April 2014 and appointed as a member of the Audit, Remuneration and Nominating Committees on 1 August 2014.

**PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE**

*There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board comprises the following Directors:-

***Executive Directors***
Mr. Huang Wen-Lai (Chairman)
Ms. Sim Pei Yee

***Independent Directors***
Mr. Chin Yew Choong David
Mr. Yap Kian Peng
Mr. Dali Kumar Bin Sardar
Mr. Wu BingQing[1]

[1] *Mr. Wu BingQing is appointed a Director of the Company on 1 April 2014.*

There is a good balance between the executive and non-executive Directors and a strong and independent element on the Board. Each Director has been appointed on the strength of his expertise, experience and potential contributions to the Company. Key information on the Directors can be found in the "Board of Directors" section of this annual report.

# Corporate Governance

The independence of each Director is reviewed annually by the Nominating Committee. Each independent Director is required to complete a Director's Independent Checklist annually to confirm his independence based on the guidelines as set out in the Code. The board has adopted the definition in the Code of what constitutes an Independent Director in its review of the independence of each Director.

The Board has considered its current composition of four Independent Directors and is satisfied that it provides an abundant pool of resources and a good balance, such that strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the group.

The Independent Directors communicate regularly to discuss matters such as the Group's financial performance and corporate governance initiatives.

The Nominating Committee is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

**PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

*There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The Chairman's primarily function is to manage the business of the Board and the Board committees, and to promote harmonious relations with the shareholders. In respect of the Chairman's role with regard to Board's proceedings, the Chairman:

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- sets guidelines on and ensure quality, quantity, accurateness and timeliness of information flow between the Board, management and shareholders of the Company; and
- prepares meeting agenda.

The Board also believes that as major decisions made by the Executive Directors, Ms. Sim Pei Yee and Mr. Huang Wen-Lai are being reviewed by the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") which are chaired by Independent Directors, there are adequate safeguards against uneven concentration of power and authority in the Company.

**PRINCIPLE 4: BOARD MEMBERSHIP**

*There should be a formal and transparent process for the appointment and re-appointment of Directors to the board.*

We believe that Board's renewal must be an on-going process to ensure good governance and maintain relevance to a changing business environment. In accordance with Article 107 of the Company's Articles of Association, one third of our Directors must retire and subject themselves to re-election by shareholders at every Annual General Meeting ("*AGM*") of the Company, starting with the Directors who have been longest in office.

In accordance with Article 117 of the Company's Articles of Association, the Board has power from time to time and at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. Any new Directors appointed during the year shall only hold office until the next AGM and submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

# Corporate Governance

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skill critical to the Group's business to enable the Board to make sound and well-considered decisions.

**Nominating Committee**

The NC, regulated by a set of written terms of reference, comprises four independent Directors, as follows:

Mr. Chin Yew Choong David (Chairman)
Mr. Yap Kian Peng
Mr. Dali Kumar Bin Sardar
Mr. Wu BingQing[1]

[1] *Mr. Wu BingQing is appointed a member of the NC on 1 August 2014.*

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

(1) to make recommendations to the Board on all board appointments and re-nomination having regard to the Director's contribution and performance;

(2) to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(3) to determine annually whether a Director is independent, in accordance with the independence guidelines contained in the Code;

(4) to review whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple board representations; and

(5) to consider how the Board's performance may be evaluated and to propose objective performance criteria.

The NC conducts an annual review of Directors' independence and based on the Code's criteria for independence, the NC is of the view that Mr. Chin Yew Choong David, Mr. Yap Kian Peng, Mr. Dali Kumar Bin Sardar and Mr. Wu BingQing are deemed independent and that, no individual or small group of individual dominates the Board's decision making process.

The NC has reviewed and is satisfied that the Directors have been able to devote adequate time and effort to the matters of the Company to fulfil their duties as Director of the Company, in addition to their multiple board commitments.

When the need of a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC meets with the shortlisted potential candidates before nominating the most suitable candidate to the Board for appointment as Director.

The NC has recommended Mr. David Chin Yew Choong and Ms. Sim Pei Yee, who are retiring at the forthcoming AGM, for re-election as Directors of the Company.

The NC met once in FY2014.

# Corporate Governance

**PRINCIPLE 5: BOARD PERFORMANCE**

*There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The Board, through the NC, has used its best effort to ensure that Directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors.

The NC in conducting the appraisal process to assess the performance and effectiveness of the Board as a whole, it focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct.

During the financial year under review, all Directors are requested to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board. The results of the exercise are reviewed by the NC before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board's effectiveness.

Although the Directors are not evaluated individually, the factors taken into considerations for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The Board has taken the view that the financial indicators, as set out in the Code as a guide for the evaluation of the Board and its Directors, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors.

**PRINCIPLE 6: ACCESS TO INFORMATION**

*In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

All Directors have independent access to the Group's senior management, the Company Secretary and Internal and External Auditors at all times. All Directors are provided with adequate and timely information prior to Board meetings and on an on-going basis.

However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed.

All Directors also have unrestricted access to the Company's records and information. From time to time they are furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Company's executive management.

The Company Secretary provides secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations, which are applicable to the Company. The Company Secretary or her representative attends all Board and Board committees meetings. Should Directors, whether as a group or individually, need independent professional advice to fulfill their duties, such advice will be obtained from a professional firm of the Director's choice, the cost of which will be borne by the Company.

# Corporate Governance

## REMUNERATION MATTERS
## PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

### Remuneration Committee

The RC, regulated by a set of written terms of reference, comprises four independent Directors, as follows:

Mr. Chin Yew Choong David (Chairman)
Mr. Yap Kian Peng
Mr. Dali Kumar Bin Sardar
Mr. Wu BingQing[1]

[1] *Mr. Wu BingQing is appointed a member of the NC on 1 August 2014.*

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and senior management. The RC is independent of Management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgment.

The RC reviews and recommends to the Board, in consultation with the management, a framework of all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director. No Director is involved in deciding his own remuneration.

The RC also has access to external professional advice on remuneration matters, if required.

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

*The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and senior management. The annual review of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and senior management commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Company.

The RC determines the specific remuneration packages and terms of employment of the Executive Directors of the Company including those employees related to the Executive Directors and controlling shareholders of the Company as well as the senior executives.

The RC recommends the Directors' fees of Independent Directors and Non-Executive Directors to the Board based on their level of contribution taking into account factors such as efforts, time spent, as well as the responsibilities and obligations of the Directors. The Company recognizes the need to pay competitive fees to attract, motivate and retain the Directors without being excessive and thereby maximize shareholder value. The Independent Directors and Non-Executive Director are paid a fixed Directors' fee component and additional fees for appointment as Chairman or member of a particular board committee. Directors' fees are recommended by the Board for approval at the Company's AGM.

As agreed with the Management of Winsta Holding Pte. Ltd., a subsidiary of the Company, Ms. Sim Pei Yee is not drawing any salary or fees from the Company. She will be paid in accordance to her Service Contract with Winsta Holding Pte. Ltd., of which she is currently a Director.

The Service Contract with Mr. Huang Wen-Lai, the Executive Chairman of the Company, has been renewed on the same terms and conditions and will be reviewed annually by the RC. The Service Contract provide for termination by either party upon giving not less than 2 months' notice in writing.

The RC met once in FY2014. Should the RC have informal discussions on matters requiring urgent decisions, it would then be formally confirmed and approved by circulating resolutions in writing.

Currently, the Company did not have a long-term incentive scheme for Directors and employees of the Company.

**PRINCIPLE 9: DISCLOSURE ON REMUNERATION**

*Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.*

Our Executive Directors' remuneration, save for the case of Ms. Sim Pei Yee, consists of her basic salary and bonuses. The detail of her remuneration package is given below.

Our Independent Directors have remuneration packages which consist of a Directors' fee component. The Directors' fees are based on a scale of fees divided into basic retainer fees as a Director and additional fees for serving on any Board Committees. The Board recommends payment of Directors' fees to be approved by shareholders at the AGM.

The Board recommends payment of Directors' fees for FY2015 to be paid quarterly in arrears in FY2015 to the Non-Executive Directors. The payment of such fees shall be subject to the shareholders' approval at the forthcoming AGM.

The breakdown of remuneration of the Directors of the Company for the financial year ended 31 December 2014 is as follows:

| Name of Directors | Salary & Bonus | Directors' Fee |
|---|---|---|
| ***Remuneration band: Below S$250,000*** | | |
| Dali Kumar Bin Sadar | - | 100% |
| Yap Kian Peng | - | 100% |
| Chin Yew Choong David | - | 100% |
| Huang Wen-Lai | 100% | - |
| Sim Pei Yee | 100% | - |

| Name of Key Management Personnel | Salary & Bonus |
|---|---|
| ***Remuneration band: Below S$250,000*** | |
| Huang Tzu-Ting * | 100% |
| Lim Moi Hong | 100% |
| Sim Pei San ** | 100% |
| Sim Poh Ping *** | 100% |

* Daughter of Mr Huang Wen-Lai

** Sister of Ms Sim Pei Yee

*** Father of Ms Sim Pei Yee

The Board is of the view that given the confidentiality and commercial sensitivity attached to remuneration matters, the aggregate remuneration for each director and for the only three key executives would not be disclosed.

As disclosed above, Mr Sim Poh Ping and Ms Sim Pei San are related to Ms Sim Pei Yee (Executive Director). In addition, Ms Huang Tzu-Ting is related to Mr Huang Wen-Lai (Executive Director). Their respective remuneration exceeds S$50,000 during the year. The breakdown of the remuneration of the 3 key management personnel who are related to an Executive Director is as follows:

| Remuneration Band & Name of Key Management Personnel | Salary & Bonus |
|---|---|
| *S$50,000 to S$100,000*<br>Huang Tzu-Ting [1] | 100% |
| *S$100,000 to S$150,000*<br>- | - |
| *S$150,000 to S$200,000*<br>Sim Pei San [2] | 100% |
| *S$200,000 to S$250,000*<br>Sim Poh Ping [3] | 100% |

[1] Ms Huang Tzu-Ting is the daughter of Mr Huang Wen-Lai.

[2] Ms Sim Pei San is the sister of Ms Sim Pei Yee.

[3] Mr Sim Poh Ping is the father of Ms Sim Pei Yee.

**ACCOUNTABILITY AND AUDIT**
**PRINCIPLE 10: ACCOUNTABILITY**

*The board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of the Company through half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information on a timely basis for the effective discharge of its duties. On a regular basis, the Board are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

Our Audit Committee in its report to the Board further supplements the accountability aspect. The Directors also have separate and independent access to the Company's key management. The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with the statutory reporting requirements and the SGX-ST listing rules. Price sensitive information is first publicly released either before the Company meets with any groups of investors or analysts simultaneously with such meetings.

**PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS**

*The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board recognises the importance of sound internal controls and risk management practices. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management. In this regard, the Board:

- ensures that Management maintains a sound systems of risk management to safeguard shareholders' interests and the Group's assets;
- determines the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;
- determines the Company's levels of risk tolerance and risk policies;
- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and
- reviews annually the adequacy and effectiveness of the risk management and internal control systems.

The AC has met with the management, internal and external auditors once during the financial year to review the internal and external auditors' audit plans. Also, as part of the annual statutory audit on financial statements, the external auditors report to the AC and the appropriate level of management any material weaknesses in financial internal controls over the areas which are significant to the audit. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather that eliminate the risk of failure to achieve business objectives, and can provide only reasonable and no absolute assurance against material misstatement or loss.

The AC has assisted the Board to conduct periodic reviews on the adequacy of the system of internal controls of the Group, which reviews the areas of financial, operational and compliance risks.

Relying on the reports from the internal and external auditors and management representation letters, the AC carries out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

Based on the various management controls put in place and the reports from the internal and external auditors, and reviews by the management and the Management representation letters, the Board with the concurrence of the AC is of the opinion that the system of internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide reasonable assurance against material financial misstatements or material loss and to safeguard the Group's assets.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

For FY2014, the Board has received assurance from the Executive Chairman and the Executive Director of the Company that:

(a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

The Board will be looking into the setting up of a Risk Management Committee with the assistance of the Internal Auditors.

# Corporate Governance

**PRINCIPLE 12: AUDIT COMMITTEE**

*The board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.*

The Company has adopted and has complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The AC, regulated by a set of written terms of reference, comprises four Independent Directors. The members of the AC, which as at the date of this report are:

Mr. Yap Kian Peng (Chairman)
Mr. Chin Yew Choong David
Mr. Dali Kumar Bin Sardar
Mr. Wu BingQing[1]

[1] *Mr. Wu BingQing is appointed a member of the NC on 1 August 2014.*

The AC met twice in FY2014 and should the AC have informal discussions on matters requiring urgent attention, it would then be formally confirmed and approved by circulating resolutions in writing.

Under its TOR, the AC reviews the scope and results of the audit and its cost effectiveness. The AC also ensures the independence and objectivity of the external auditors. Likewise, it reviews the non-audit services provided by the Company's external auditors. In the year in review, the AC had reviewed the audit and non-audit services of the external auditors and was satisfied that the auditors continue to be independent.

The AC also reviews significant financial reporting issues so as to ensure the integrity of the Company's financial statements and any announcements relating to the Company's financial performance. The AC further conducts periodic reviews of all interested persons transactions.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of Management and has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to enable it to discharge its functions properly.

The AC monitors the adequacy and effectiveness of the Group's internal controls system and internal audit function. It has set in place arrangements to ensure independent investigation of matters such as improprieties in financial reporting.

The AC, having reviewed the scope and value of non-audit services provided to the Group and Company by the external auditors, is satisfied that the nature and extent of the services has not prejudiced the independence and objectivity of the external auditors in their conduct of the statutory audit. The AC recognizes the need to maintain balance between the independence and objectivity of the external auditors and the work carried out based on value-for-money considerations. For FY2014, the amount of audit fees paid to the external auditors was S$121,000 and non-audit fees was S$8,000.

The AC, with the concurrence of the Board, has recommended the re-appointment of Ernst & Young LLP as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the audit firm for the Group, the AC is satisfied that the Group has complied with the Listing Rules 712 and 715.

The AC meets with the external and internal auditors without the presence of Management, at least once annually.

The Group has implemented a whistle-blowing policy. The AC reviews arrangements by which staff and third parties may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The objective of the whistle-blowing policy is to ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action.

**PRINCIPLE 13: INTERNAL AUDIT**

*The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Group has outsourced its internal audit function to BDO LLP during the year. During the financial year, the Group's Internal Auditors ("IA") had conducted a review based on the plan approved by the AC. The external auditors, during the conduct of their normal audit procedures, may also report on matters relating to internal controls. Any material non-compliance and recommendation for improvement will be reported to the AC. Procedures are in place for IA to report independently their findings to the AC on internal audit matters, and to the Management on administrative matters. Management will update the AC on the status of the remedial action plans.

The Board of Directors and the Audit Committee have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks.

The Board of Directors and the Audit Committee are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate.

The AC is satisfied that the Group's internal audit function is adequately outsourced, resourced and has appropriate standing within the Group. The AC is also satisfied that the IA meet the standards set by internationally recognized professional bodies including the standards for the Professional Practice of internal Auditing set out by the Institute of Internal Auditors Singapore and that there are adequate internal controls in the Group, including financial, operational and compliance controls and risk management.

**PRINCIPLE 14: SHAREHOLDER RIGHTS**

*Companies should treat all shareholders fairly and equitable, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

The Company believes in timely, fair and adequate disclosure of relevant information to the Shareholders and investors so that they will be apprised of developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects in its announcements, including quarterly, half-year and full-year results and reports to regulators, if any, all of which are released through SGX-ST's website at SGXNet (www.sgx.com).

All Shareholders will receive the annual report and notice of AGM. At general meetings of shareholders, the Shareholders will be given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs.

# Corporate Governance

A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or two proxies (who can either be named individuals nominated by the Shareholder to attend the meeting or the Chairman of the meeting as the Shareholder may select).

**PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS**

*Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

The Company strives to be as descriptive, detailed and forthcoming as possible. The Company does not practise selective disclosure of material information. In line with continuous obligations of the company to the SGX-ST listing rules and the Singapore Companies Act (Chapter 50), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group or the Company.

All material information on the performance and development of the Group and of the Company is disclosed in a timely manner. Shareholders are provided with half yearly and annual financial reports announced promptly through the SGXNET in accordance with the requirements under the SGX-ST listing rules. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publically to all others as soon as practicable.

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.

**PRINCIPLE 16: GREATER SHAREHOLDER PARTICIPATION**

*Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET. If the shareholders cannot attend the meeting, the Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. At the moment, the Company has not provided in their Articles of Association to allow for voting in absentia and electronic voting methods such as by mail, email, fax etc.

The Board welcomes questions from shareholders before or at our AGM. We have also adopted the practice of separate resolutions at general meetings on each issue. Thus far, the chairpersons of the various committees have been present and available to address questions at general meetings.

The Company's external auditors are also invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management.

For greater transparency, the Company will put all resolutions to vote by poll for general meetings to be held on and after 1 August 2015 and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentage will be made on the same day.

# Corporate Governance

## ADDITIONAL INFORMATION

### DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group has adopted an internal code of conduct regulating dealings in the Company's securities for its Directors, officers and staff.

Directors, officers and staff of the Group are not allowed to deal in the Company's shares during the periods commencing two weeks before the announcement of the Group's half yearly results and one month before the announcement of the Group's 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 and key officers are also expected to observe insider-trading laws at all times 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 Listing Manual of the SGX-ST.

### INTERESTED PERSON TRANSACTIONS ("IPTs") AND SHAREHOLDERS' MANDATE

The Company has adopted an internal policy in respect of any transaction with interested person within the definition of Chapter 9 of the Listing Manual and has set out procedures to review and approve all interested person transactions.

In order to ensure that the Company complies with Chapter 9 of the Listing Manual on interested person transactions, the Audit Committee meets semi-annually to review all interested party transactions of the Company.

However, if the Company enters into an interested person transaction, the Audit Committee ensures compliance with the relevant rules under Chapter 9.

The aggregate value of interested person transactions entered in FY2014 was as follows:

| **Name of interested person** | **Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)** | **Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)** |
|---|---|---|
| Uni-House Pte Ltd | Not applicable | S$809,000 |
| Bian Bee Co Pte Ltd | Not applicable | S$23,000 |
| St Thomas Investment Pte Ltd | Not applicable | S$663,000 |
| Devonshire Properties Development Pte Ltd | Not applicable | S$37,000 |
| Overseas Student Placement Centre Pte Ltd | Not applicable | S$565,000 |
| Pegasus International Preschool Pte Ltd | Not applicable | S$234,000 |
| Xiamen Xinyang Benna Tech Co Ltd | S$460,654 | Not applicable |

# Corporate Governance

## MATERIAL CONTRACTS

Save as disclosed in the financial statements and the services agreement, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of any Director or controlling shareholders subsisted at the end of the current or previous financial year.

## UTILIZATION OF PROCEEDS

As at 31 December 2014, the Company has issued S$16,000,000 of convertible notes, of which S$15,950,000 has been converted to shares. As announced in September 2013, the Company has entered into a deed of Termination and Release on 9 September 2013 with Value Capital Asset Management Ltd. Due to early termination, the Company paid a termination fee of S$1,300,000. In addition the Company redeemed and cancelled the remaining Notes of S$50,000.

The status in terms of utilization of the net proceeds from the issuance of convertible notes was as follows:

| Purpose | Proposed utilization (S$) | Actual utilization (S$) |
|---|---|---|
| Working capital (10%) | 1,520,000 | 3,119,000 * |
| Fund future investments and acquisitions (90%) | 13,680,000 | 10,077,000 ** |
| Total | 15,200,000 | 13,196,000 |

* included termination fee of S$1,300,000
** As announced in October 2014, the Company entered into a loan agreement with Visualedge Technology Co., Ltd to provide a loan of S$7,500,000 in tranches. As at 31 December 2014, S$7,000,000 has been disbursed to them.

The Board will continue to make periodic announcements on the utilization of the balance of the convertible notes proceeds until the whole of the Proceeds has been fully disbursed.

## RISK MANAGEMENT POLICIES AND PROCESSES

The Company regularly reviews and improves its business and operational activities to take in to account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC.

# Corporate Information of M Development Ltd.

| | | |
|---|---|---|
| **FULL NAME OF COMPANY** | : | M Development Ltd. |
| **COMPANY REGISTRATION NUMBER** | : | 200201764D |
| **PLACE OF INCORPORATION** | : | Singapore |
| **DATE OF INCORPORATION** | : | 29 April 2013 |
| **REGISTERED ADDRESS** | : | 4 Shenton Way<br>#17-01 SGX Centre 2<br>Singapore 068807 |
| **BOARD OF DIRECTORS** | : | Mr. Huang Wen-Lai (Executive Chairman and Director)<br>Ms Sim Pei Yee (Executive Director)<br>Mr. Dali Kumar Bin Sardar (Independent Director)<br>Mr. Chin Yew Choong David (Independent Director)<br>Mr. Yap Kian Peng (Independent Director)<br>Mr. Wu BingQing (Independent Director) |
| **AUDIT COMMITTEE** | : | Mr. Yap Kian Peng (Chairman)<br>Mr. Chin Yew Choong David<br>Mr. Dali Kumar Bin Sardar<br>Mr. Wu BingQing |
| **REMUNERATION COMMITTEE** | : | Mr. Chin Yew Choong David (Chairman)<br>Mr. Dali Kumar Bin Sardar<br>Mr. Yap Kian Peng<br>Mr. Wu BingQing |
| **NOMINATING COMMITTEE** | : | Mr. Chin Yew Choong David (Chairman)<br>Mr. Dali Kumar Bin Sardar<br>Mr. Yap Kian Peng<br>Mr. Wu BingQing |
| **COMPANY SECRETARY** | : | Ms. Claudia Teo Kwee Yee |
| **COMPANY AUDITOR** | : | ERNST & YOUNG LLP<br>Chartered Accountants<br>1 Raffles Quay #18-01<br>Singapore 048583<br><br>Partner-in-charge: Mr. Low Bek Teng<br>Appointed with effect from financial year ended 26 April 2011 |
| **SHARE REGISTRARS** | : | Boardroom Corporate & Advisory Services Pte. Ltd.<br>50 Raffles Place #32-01<br>Singapore Land Tower<br>Singapore 048623 |
| **PRINCIPAL BANKERS** | : | Malayan Banking Berhad<br>2 Battery Road<br>#16-01 Maybank Tower<br>Singapore 049907<br><br>DBS Bank Limited<br>6 Shenton Way<br>DBS Building<br>Singapore 068809 |

# Directors' Report

The directors are pleased to present their report 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 2014.

**Directors**

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

Chin Yew Choong David
Dali Kumar Bin Sardar
Huang Wen-Lai
Sim Pei Yee
Yap Kian Peng
Wu BingQing

**Arrangements to enable directors to acquire shares and debentures**

Neither at the end of nor at any time during the financial year was the Company 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 director, 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 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, 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 of the financial year, or at the end of the financial year.

# Directors' Report

**Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**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 reappointment as auditor.

On behalf of the board of directors:

Huang Wen-Lai
Director

Sim Pei Yee
Director

Singapore
13 April 2015

# Statement by Directors

We, Huang Wen-Lai and Sim Pei Yee, being two of the directors of M Development Ltd., do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) 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.

On behalf of the board of directors:

Huang Wen-Lai
Director

Sim Pei Yee
Director

Singapore
13 April 2015

# Independent Auditor's Report

For the financial year ended 31 December 2014
To the Members of M Development Ltd.

**Report on the financial statements**

We have audited the accompanying financial statements of M Development Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 28 to 76, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditor's Report

For the financial year ended 31 December 2014
To the Members of M Development Ltd.

***Opinion***

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

**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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

13 April 2015

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Revenue** | 4 | 36,790 | 23,014 |
| Cost of sales | 5 | (31,528) | (18,796) |
| **Gross profit** | | 5,262 | 4,218 |
| Other income | 6 | 3,821 | 2,050 |
| General and administrative expenses | | (6,122) | (8,893) |
| Other expenses | | (2,779) | (5,548) |
| Interest expense | | (101) | (123) |
| **Profit/(loss) from operating activities** | 7 | 81 | (8,296) |
| Gain on de-recognition of financial instruments | | – | 11,205 |
| **Profit before tax** | | 81 | 2,909 |
| Income tax credit | 9 | 13 | 97 |
| **Profit for the year, representing total comprehensive income for the year** | | 94 | 3,006 |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Profit for the year attributable to owners of the Company | | 485 | 6,534 |
| **Non-controlling interests** | | | |
| Loss for the year attributable to non-controlling interests | | (391) | (3,528) |
| **Total comprehensive income for the year** | | 94 | 3,006 |
| **Earnings per share attributable to owners of the Company (cents)** | | | |
| Basic | 10 | 0.03 | 0.34 |
| Diluted | 10 | 0.03 | 0.34 |

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

# Balance Sheets

As at 31 December 2014

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 3,128 | 4,298 | – | – |
| Investments in subsidiaries | 12 | – | – | 1,146 | 1,735 |
| Loan receivable | 13 | 7,000 | – | 7,000 | – |
| Other receivables and deposits | 15 | 652 | 1,726 | – | – |
| | | 10,780 | 6,024 | 8,146 | 1,735 |
| **Current assets** | | | | | |
| Trade receivables | 14 | 6,424 | 849 | – | – |
| Other receivables and deposits | 15 | 1,733 | 938 | 142 | 200 |
| Prepayments | | 180 | 324 | – | – |
| Income tax recoverable | | 46 | 48 | – | – |
| Amounts due from related companies | 16 | 8,635 | 890 | – | – |
| Amount due from a subsidiary | 16 | – | – | 3,094 | 19 |
| Cash and short-term deposits | 17 | 5,546 | 18,156 | 2,004 | 12,418 |
| | | 22,564 | 21,205 | 5,240 | 12,637 |
| **Total assets** | | 33,344 | 27,229 | 13,386 | 14,372 |
| **Current liabilities** | | | | | |
| Trade payables | 18 | 10,998 | 423 | – | – |
| Other payables and accruals | 19 | 4,954 | 5,896 | 55 | 60 |
| Provisions and advances | 20 | 2,687 | 4,828 | – | – |
| Amounts due to related companies | 16 | 393 | 287 | – | – |
| Loans and borrowings | 21 | 907 | 1,098 | – | – |
| Income tax payable | | 148 | 119 | – | – |
| | | 20,087 | 12,651 | 55 | 60 |
| **Net current assets** | | 2,477 | 8,554 | 5,185 | 12,577 |
| **Non-current liabilities** | | | | | |
| Other payables and accruals | 19 | 97 | 574 | – | – |
| Provisions and advances | 20 | 60 | 180 | – | – |
| Loans and borrowings | 21 | 372 | 1,091 | – | – |
| Deferred tax liability | 22 | – | 123 | – | – |
| | | 529 | 1,968 | – | – |
| **Total liabilities** | | 20,616 | 14,619 | 55 | 60 |
| **Net assets** | | 12,728 | 12,610 | 13,331 | 14,312 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 23 | 46,226 | 46,226 | 46,226 | 46,226 |
| Accumulated losses | | (33,184) | (33,669) | (32,895) | (31,914) |
| Foreign currency translation reserve | | (1) | (1) | – | – |
| | | 13,041 | 12,556 | 13,331 | 14,312 |
| Non-controlling interests | | (313) | 54 | – | – |
| **Total equity** | | 12,728 | 12,610 | 13,331 | 14,312 |
| **Total equity and liabilities** | | 33,344 | 27,229 | 13,386 | 14,372 |

*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 2014

| | Attributable to owners of the Company | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | Share capital (Note 23) | Accumulated losses | Foreign currency translation reserve | Total | | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Balance as at 1 January 2013 | 46,226 | (40,203) | (1) | 6,022 | 3,582 | 9,604 |
| Profit/(loss) for the year, representing total comprehensive income for the year | – | 6,534 | – | 6,534 | (3,528) | 3,006 |
| Balance as at 31 December 2013 and 1 January 2014 | 46,226 | (33,669) | (1) | 12,556 | 54 | 12,610 |
| Profit/(loss) for the year, representing total comprehensive income for the year | – | 485 | – | 485 | (391) | 94 |
| Disposal of non-controlling interest without a change in control | – | – | – | – | 24 | 24 |
| Balance as at 31 December 2014 | 46,226 | (33,184) | (1) | 13,041 | (313) | 12,728 |

*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 2014

| | Share capital (Note 23) | Accumulated losses | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Company** | | | |
| Balance as at 1 January 2013 | 46,226 | (42,076) | 4,150 |
| Profit for the year, representing total comprehensive income for the year | – | 10,162 | 10,162 |
| Balance as at 31 December 2013 and 1 January 2014 | 46,226 | (31,914) | 14,312 |
| Loss for the year, representing total comprehensive income for the year | – | (981) | (981) |
| Balance as at 31 December 2014 | 46,226 | (32,895) | 13,331 |

*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 2014

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| **Cash flows from operating activities** | | |
| Profit before tax | 81 | 2,909 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,597 | 3,290 |
| Impairment loss of property, plant and equipment | 2 | 1,332 |
| Gain on de-recognition on derivatives of financial instruments | – | (11,205) |
| Interest expense | 101 | 123 |
| Interest income | (157) | (21) |
| Allowance for doubtful debts (trade) | – | 4 |
| Bad debts written off (trade) | – | 2 |
| (Write-back)/allowance for impairment loss of deposit | (400) | 400 |
| Provision for reinstatement costs | 10 | 60 |
| Provision for onerous operating leases contract | 150 | 2,040 |
| Write-back of provision for onerous operating leases contract | (1,263) | – |
| Total adjustments | 40 | (3,975) |
| **Operating cash flows before changes in working capital** | 121 | (1,066) |
| Changes in working capital | | |
| Increase in trade receivables | (5,575) | (16) |
| Decrease in other receivables and deposits | 743 | 73 |
| Decrease in prepayments | 144 | 11 |
| Increase in amounts due from related companies | (7,745) | (83) |
| Increase in trade payables | 8,612 | 951 |
| Increase in other payables and accruals | 459 | 622 |
| (Decrease)/increase in provisions and advances | (1,071) | 65 |
| Increase in amounts due to related companies | 106 | 185 |
| **Cash flows (used in)/generated from operations** | (4,206) | 742 |
| Interest paid | (7) | (35) |
| Interest received | 14 | 21 |
| Tax paid | (11) | (109) |
| **Net cash flows (used in)/generated operating activities** | (4,210) | 619 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (214) | (4,109) |
| Proceeds from disposal of non-controlling interest in a subsidiary | 24 | – |
| Loans disbursed | (7,000) | – |
| **Net cash flows used in investing activities** | (7,190) | (4,109) |
| **Financing activities** | | |
| Proceeds from loans and borrowings | – | 2,500 |
| Repayment of loans and borrowings | (1,116) | (993) |
| Payment for termination of convertible notes | – | (1,300) |
| Redemption of convertible notes | – | (50) |
| Interest paid | (94) | (88) |
| **Net cash flows (used in)/generated from financing activities** | (1,210) | 69 |
| **Net decrease in cash and cash equivalents** | (12,610) | (3,421) |
| Cash and cash equivalents at beginning of the year | 18,156 | 21,577 |
| **Cash and cash equivalents at end of the year (Note 17)** | 5,546 | 18,156 |

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

# Notes to the Financial Statements

31 December 2014

## 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 12.

## 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 ("FRS").

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 where otherwise indicated.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

### 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 FRS 19 *Defined Benefit Plans: Employee Contributions* | 1 July 2014 |
| Improvements to FRSs (January 2014) | |
| (a) Amendments to FRS 102 *Share Based Payment* | 1 July 2014 |
| (b) Amendments to FRS 103 *Business Combinations* | 1 July 2014 |
| (c) Amendments to FRS 108 *Operating Segments* | |
| (d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets* | 1 July 2014 |
| (e) Amendments to FRS 24 *Related Party Disclosures* | 1 July 2014 |
| Improvements to FRSs (February 2014) | |
| (a) Amendments to FRS 103 *Business Combinations* | 1 July 2014 |
| (b) Amendments to FRS 113 *Fair Value Measurement* | 1 July 2014 |
| (c) Amendments to FRS 40 *Investment Property* | 1 July 2014 |
| FRS 114 *Regulatory Deferral Accounts* | 1 January 2016 |
| Amendments to FRS 27 *Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants* | 1 January 2016 |
| Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| Improvements to FRSs (November 2014) | |
| (a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2016 |
| (b) Amendments to FRS 107 *Financial Instruments: Disclosures* | 1 January 2016 |
| (c) Amendments to FRS 19 *Employee Benefits* | 1 January 2016 |
| (d) Amendments to FRS 34 *Interim Financial Reporting* | 1 January 2016 |
| Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | 1 January 2016 |
| Amendments to FRS 1 *Disclosure Initiative* | 1 January 2016 |
| Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2017 |
| FRS 109 *Financial Instruments* | 1 January 2018 |

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

2.3 ***Standards issued but not yet effective (cont'd)***

With the exception of FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

*FRS 115 Revenue from Contracts with Customers*

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

*FRS 109 Financial Instruments*

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption.

The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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)***

(a) *Basis of consolidation (cont'd)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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.

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

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

(b) *Business combinations (cont'd)*

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.

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

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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.

2.6 ***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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

2.6 ***Foreign currency (cont'd)***

(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 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

| | | |
|---|---|---|
| Electrical and office equipment | – | Lower of 5 years or remaining lease term including option to renew (2 to 4 years) |
| Furniture and fittings | – | Lower of 5 years or remaining lease term including option to renew (2 to 4 years) |
| Renovations | – | Remaining lease term including option to renew (2 to 6 years) |
| Electrical installations | – | Remaining lease term including option to renew (2 to 6 years) |
| Computers | – | 1 year |
| Air conditioners | – | Lower of 5 years or remaining lease term including option to renew (2 to 4 years) |
| Linens and consumables | – | 2 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 property, 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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 financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised 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

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

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

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

(b) *Financial liabilities (cont'd)*

Subsequent measurement

(ii) Financial liabilities at amortised cost

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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 ***Impairment of financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

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

2.11 ***Impairment of financial assets (cont'd)***

*Financial assets carried at amortised cost (cont'd)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 ***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.

(a) *Provision for reinstatement costs*

The Group recognised a provision for reinstatement cost when there is obligation to restore the property, plant and equipment to its original condition upon termination of the contract leases. The reinstatement cost is estimated when modification are performed on the properties, based on quotations from contractors and management's experience. The provision for reinstatement cost is reviewed annually and adjusted as appropriate. The estimated reinstatement cost is included as part of cost of property, plant and equipment as stated in Note 2.7.

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

2.14 ***Provisions (cont'd)***

(b) *Provision for onerous contracts*

The Group recognises a provision for onerous contracts when it expects the lease rental payable to the lessor exceeds the future economic benefits, which is expected to receive over the remaining lease term of the contracts. The provision has been calculated based on the estimated future discounted cash outflows to complete the operating lease contract.

In addition, before a separate provision for an onerous contract is established, the Group recognised impairment loss that has occurred on property, plant and equipment dedicated to that contract which is in accordance with FRS 36 *Impairments.*

2.15 ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.16 ***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.

2.17 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) *As lessee*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.17 ***Leases (cont'd)***

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.18(a). Contingent rents are recognised as revenue in the period in which they are earned.

2.18 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) *Rendering of services*

Revenue from rendering of services is recognised when services are rendered.

(c) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(d) *Interest income*

Interest income is recognised using the effective interest method.

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

2.19 ***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.

Deferred tax assets are recognised for all deductible temporary differences, 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.

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

2.19 ***Taxes (cont'd)***

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

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 ***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)

2.21 ***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.

2.22 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

## 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. Significant accounting judgments and estimates (cont'd)

### 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 financial statements.

*Impairment of investments in subsidiaries*

Investments in subsidiaries are tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such evidence or indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, management assesses the recoverable amount of the investments in subsidiaries to the extent of the net assets held by the subsidiaries or value in use at the end of the reporting period. If the recoverable amount of the investments in subsidiaries is less than its carrying amount, an impairment loss is recognised in profit or loss to reduce the carrying amount of the investments in subsidiaries to its recoverable amount. For the financial year ended 31 December 2014, impairment losses of $765,000 (2013: Nil) were recognised, as disclosed in Note 12.

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2014, the Group has trade receivables that are past due but not impaired which amounted to $5,953,000 (2013: $392,000) and the carrying amount of the loans and receivables at the end of the reporting period is disclosed in Note 14.

(b) *Provision for reinstatement costs*

The Group has operating leases which include terms that require the Group to restore the properties to their original condition upon termination of the leases. The Group estimated reinstatement cost when modifications are performed on the properties. The management will review the provisioning of reinstatement cost annually based on the quotations and prior years' experience as their best estimates. The estimated reinstatement costs are recorded as part of renovation cost and are depreciated over the lease period. The provision for reinstatement is reviewed annually and any change in the estimate will be adjusted as additional renovation cost and will be depreciated over the remaining lease period. At 31 December 2014, the provision for reinstatement costs of the Group was $158,000 (2013: $320,000).

## 3. Significant accounting judgments and estimates (cont'd)

### 3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Impairment of property, plant and equipment and provision for onerous contracts*

The Group recognises a provision for onerous contracts when it expects the lease rental payable to the lessor exceeds the future economic benefits, which is expected to receive over the remaining lease term of the contracts. The provision has been calculated based on the estimated future discounted cash outflows to complete the operating lease contract, after taken into consideration impairment of its property, plant and equipment. For the financial year ended 31 December 2014, the Group recognised a provision for onerous contracts of $150,000 (2013: $2,040,000), after taken into account the impairment loss on its property, plant and equipment amounting to $2,000 (2013: $1,332,000).

## 4. Revenue

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Lodging and leasing income | 23,178 | 22,594 |
| Multi-services and provision of facilities income from lodging and leasing | 419 | 420 |
| Trading of electronic products | 13,193 | – |
| | 36,790 | 23,014 |

## 5. Cost of sales

The following item has been included in arriving at cost of sales:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Operating lease expenses | 17,207 | 16,469 |

## 6. Other income

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Administrative and service income | 1,034 | 1,236 |
| Miscellaneous income | 844 | 741 |
| Government grants | 123 | 52 |
| Interest income | 157 | 21 |
| Write-back of allowance for impairment loss on deposit | 400 | – |
| Write-back of provision for onerous operating leases contract | 1,263 | – |
| | 3,821 | 2,050 |

## 7. Profit/(loss) from operating activities

The following items have been included in arriving at profit/(loss) from operating activities:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Audit fees: | | |
| - auditors of the Company | 121 | 92 |
| Non-audit service fees: | | |
| - auditors of the Company | 8 | 20 |
| Employee benefits expense (Note 8) | 2,799 | 3,221 |
| Directors' fees | 179 | 145 |
| Depreciation of property, plant and equipment | 1,597 | 3,290 |
| Impairment losses of property, plant and equipment | 2 | 1,332 |
| Allowance for doubtful debts (trade) | – | 4 |
| Bad debts written off (trade) | – | 2 |
| Allowance for impairment loss of deposit | – | 400 |
| Provision for onerous operating leases contract | 150 | 2,040 |
| Provision for reinstatement costs | 10 | 60 |
| Rental of equipment | 24 | 28 |

## 8. Employee benefits expense

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Salaries and bonuses | 1,707 | 1,830 |
| Directors' remuneration (including directors' fees) | 729 | 953 |
| Central Provident Fund and other contributions | 335 | 386 |
| Staff allowance and welfare | 28 | 52 |
| | 2,799 | 3,221 |

## 9. Income tax credit

### (a) *Major components of income tax credit*

The major components of income tax credit for the financial years ended 31 December 2014 and 2013 are:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| *Consolidated statement of comprehensive income* | | |
| Current income tax: | | |
| - Current income tax | 194 | 99 |
| - Overprovision in respect of previous years | (84) | (16) |
| | 110 | 83 |
| Deferred income tax: | | |
| - Origination and reversal of temporary differences | (56) | (180) |
| - Overprovision in respect of previous years | (67) | – |
| | (123) | (180) |
| Income tax credit recognised in profit or loss | (13) | (97) |

### (b) *Relationship between tax credit and accounting profit*

A reconciliation between the tax credit and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2014 and 2013 is as follows:

| | | |
|---|---|---|
| Profit before tax | 81 | 2,909 |
| Tax expense at statutory rate of 17% | 14 | 495 |
| *Adjustments:* | | |
| Non-deductible expenses | 131 | 500 |
| Income not subject to taxation | (1) | (1,908) |
| Effect on partial tax exemption | (87) | (164) |
| Utilisation of previously unrecognised tax losses | (115) | – |
| Deferred tax assets not recognised | 196 | 996 |
| Overprovision in respect of previous years: | | |
| - Current income tax | (84) | (16) |
| - Deferred income tax | (67) | – |
| | (13) | (97) |

At the end of the reporting period, the Group has tax losses of approximately $3,067,000 (2013: $3,769,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

## 10. Earnings per share

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

Diluted earnings per share are calculated by dividing profit 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 profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Profit for the year attributable to owners of the Company | 485 | 6,534 |
| | **No of shares** | **No of shares** |
| | '000 | '000 |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | 1,921,638 | 1,921,638 |
| Basic and diluted earnings per share (cents) | 0.03 | 0.34 |

## 11. Property, plant and equipment

| Group | Electrical and office equipment $'000 | Furniture and fittings $'000 | Renovations $'000 | Electrical installations $'000 | Computers $'000 | Air conditioners $'000 | Linens and consumables $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | | |
| At 1 January 2013 | 459 | 2,523 | 3,843 | 834 | 64 | 352 | 79 | – | 8,154 |
| Additions | 403 | 889 | 2,210 | 542 | 67 | – | 58 | – | 4,169 |
| Reclassification | 11 | (11) | – | – | – | – | – | – | – |
| At 31 December 2013 and 1 January 2014 | 873 | 3,401 | 6,053 | 1,376 | 131 | 352 | 137 | – | 12,323 |
| Additions | 8 | 28 | 56 | 24 | 4 | – | 84 | 225 | 429 |
| Written off | (282) | (1,681) | (2,179) | (1,018) | (6) | – | (21) | – | (5,187) |
| At 31 December 2014 | 599 | 1,748 | 3,930 | 382 | 129 | 352 | 200 | 225 | 7,565 |
| ***Accumulated depreciation and impairment losses*** | | | | | | | | | |
| At 1 January 2013 | 227 | 972 | 1,596 | 486 | 61 | 24 | 37 | – | 3,403 |
| Charge for the year | 290 | 949 | 1,592 | 328 | 44 | 46 | 41 | – | 3,290 |
| Impairment losses | 198 | 873 | 215 | 4 | 9 | – | 33 | – | 1,332 |
| At 31 December 2013 and 1 January 2014 | 715 | 2,794 | 3,403 | 818 | 114 | 70 | 111 | – | 8,025 |
| Charge for the year | 84 | 293 | 766 | 203 | 19 | 120 | 101 | 11 | 1,597 |
| Written off | (282) | (1,681) | (2,179) | (1,018) | (6) | – | (21) | – | (5,187) |
| Impairment losses | 1 | – | – | – | – | – | 1 | – | 2 |
| At 31 December 2014 | 518 | 1,406 | 1,990 | 3 | 127 | 190 | 192 | 11 | 4,437 |
| ***Net carrying amount*** | | | | | | | | | |
| At 31 December 2014 | 81 | 342 | 1,940 | 379 | 2 | 162 | 8 | 214 | 3,128 |
| At 31 December 2013 | 158 | 607 | 2,650 | 558 | 17 | 282 | 26 | – | 4,298 |

**11. Property, plant and equipment (cont'd)**

*Assets held under finance lease*

During the year, the Group acquired motor vehicle by means of hire purchase payables (Note 21). The cash outflow for the acquisition amounts to $205,000 (2013: Nil). The carrying amount of the motor vehicle under finance lease amounted to $214,000 (2013: Nil).

*Capitalisation of provision for reinstatement costs*

The Group's total additions of renovations during the year includes estimated reinstatement costs of $10,000 (2013: $60,000) (Note 20).

*Impairment of assets*

During the financial year, the Group had recognised an impairment loss of $2,000 (2013: $1,332,000) (Note 7), representing the write-down of the recoverable amounts as the expected lease rental payable to the lessor under the operating leases contracts exceeds the future economic benefits of which these assets are used to generate, as disclosed in Note 25.

**12. Investments in subsidiaries**

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Unquoted shares, at cost | 1,735 | 1,735 |
| Acquisition of subsidiaries | 200 | – |
| Disposal of non-controlling interest in a subsidiary | (24) | – |
| | 1,911 | 1,735 |
| Less: Impairment losses | (765) | – |
| | 1,146 | 1,735 |

**12. Investments in subsidiaries (cont'd)**

***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 2014 $'000 | Cost of investment 2013 $'000 | Percentage of equity held by the Company 2014 % | Percentage of equity held by the Company 2013 % |
|---|---|---|---|---|---|---|---|
| | ***Held by the Company*** | | | | | | |
| # | M Strategic Investment Ltd. | British Virgin Islands | Investment holding | 1 | 1 | 100 | 100 |
| * [(1)] | Winsta Holding Pte. Ltd. | Singapore | Investment holding | 1,734 | 1,734 | 51 | 51 |
| * | United Force Development (S) Pte. Ltd. (Note A) | Singapore | Investment holding | 76 | – | 76 | – |
| * | United Force Trading Pte. Ltd. (Note B) | Singapore | Trading of electronic products | 100 | – | 100 | – |
| | | | | 1,911 | 1,735 | | |

| | Name of company | Country of incorporation | Principal activities | Percentage of equity held by the Company 2014 % | Percentage of equity held by the Company 2013 % |
|---|---|---|---|---|---|
| | ***Held by Winsta Holding Pte. Ltd.*** | | | | |
| * | Evan Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |
| * | Global Residence Pte. Ltd. | Singapore | To provide lodging and board houses, and hostel and real estate activities | 51 | 51 |
| * | Pearl Hill Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |

**12. Investments in subsidiaries (cont'd)**

***Composition of the Group (cont'd)***

Details of the subsidiaries at 31 December are as follows (cont'd):

| | Name of company | Country of incorporation | Principal activities | Percentage of equity held by the Company 2014 % | 2013 % |
|---|---|---|---|---|---|
| | ***Held by Winsta Holding Pte. Ltd.*** | | | | |
| * | Evan Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |
| * | Global Residence Pte. Ltd. | Singapore | To provide lodging and board houses, and hostel and real estate activities | 51 | 51 |
| * | Pearl Hill Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |
| * | The Hill Lodge @ Mount Vernon Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |
| * | Carlisle Hostel Management Pte. Ltd. | Singapore | To provide lodging and board houses, real estate activities and building management services | 51 | 51 |
| * | Katong Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |
| * | Queensway Student Hostel Pte. Ltd. | Singapore | To provide hostel accommodation and services | 51 | 51 |

* Audited by Ernst & Young LLP, Singapore.

\# Not required to be audited under the laws of country of incorporation.

(1) During the year, the Company had recognised an impairment loss of $765,000 (2013: Nil).

**12. Investments in subsidiaries (cont'd)**

***Composition of the Group (cont'd)***

*Acquisition of subsidiaries and disposal of non-controlling interest in a subsidiary*

A On 11 April 2014, the Company had incorporated a wholly-owned subsidiary, United Force Development (S) Pte. Ltd. comprising of one ordinary share for $1 each for a cash consideration of $1.

On 26 August 2014, the Company had further increased its investment by subscribing an additional 99,999 ordinary shares of $1 each for a total cash consideration of $99,999.

On 12 September 2014, the Company disposed off 24% equity interest to a third party for a total cash consideration of $24,000.

B On 7 March 2014, the Company incorporated a wholly-owned subsidiary, United Force Trading Pte. Ltd., comprising of one ordinary share for $1 each for a cash consideration of $1.

On 30 May 2014, the Company had further increased its investment by subscribing an additional 99,999 ordinary shares of $1 each for a total cash consideration of $99,999.

***Interest in subsidiaries with material non-controlling interest (NCI)***

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

| Name of subsidiary | Principal activities | Proportion of ownership interest held by NCI | Loss allocated to NCI during the reporting period | Accumulated NCI at the end of the reporting period |
|---|---|---|---|---|
| | | | $'000 | $'000 |
| **2014** | | | | |
| Winsta Holding Pte. Ltd. and its subsidiaries | Investment holding | 49% | (388) | (343) |
| **2013** | | | | |
| Winsta Holding Pte. Ltd. and its subsidiaries | Investment holding | 49% | (3,553) | 669 |

**12. Investments in subsidiaries (cont'd)**

***Summarised financial information about subsidiary with material NCI***

Summarised statement of financial position

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of its subsidiaries with material non-controlling interests are as follows:

| | Winsta Holding Pte. Ltd. and its subsidiaries | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| **Current** | | |
| Assets | 5,444 | 8,551 |
| Liabilities | 9,377 | 12,562 |
| Net current liabilities | (3,933) | (4,011) |
| **Non-current** | | |
| Assets | 3,761 | 7,373 |
| Liabilities | 528 | 1,997 |
| Net non-current assets | 3,233 | 5,376 |
| Net (liabilities)/assets | (700) | 1,365 |

Summarised statement of comprehensive income

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of its subsidiaries with material non-controlling interests are as follows:

| | Winsta Holding Pte. Ltd. and its subsidiaries | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Revenue | 23,607 | 23,014 |
| Loss before tax | (953) | (7,298) |
| Income tax credit | 161 | 97 |
| Loss for the year, representing total comprehensive income for the year | (792) | (7,201) |

## 12. Investments in subsidiaries (cont'd)

***Summarised financial information about subsidiary with material NCI (cont'd)***

Cash flow statement

| | Winsta Holding Pte. Ltd. and its subsidiaries | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Net cash flows (used in)/generated from operations | (3,259) | 1,716 |

## 13. Loan receivable

On 7 October 2014, the Company had entered into a loan agreement with a third party, Visualedge Technology Co. Ltd. ("Visualedge"), to provide a secured loan in multiple tranches up to an aggregate of $7,500,000. On 8 October 2014 and 31 October 2014, the Company had disbursed out an amount of $4,000,000 and $3,000,000, respectively.

The loan receivable stated at amortised cost, bears an interest rate of 10% per annum and is payable quarterly. The loan is secured by an assignment of Visualedge's rights, title and interest of the following:

(i) assignment of receivables of Visualedge's convertible loan issued to another third party;

(ii) assignment of conversion option note to convert the indebtedness into equity interest of the other third party; and

(iii) proceeds from the enforcement of the deed of share pledge entered into between the shareholders of the other third party and Visualedge.

The loan receivable matures on 24 August 2016.

## 14. Trade receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 6,435 | 860 | – | – |
| Less: Allowance for doubtful debts (trade) | (11) | (11) | – | – |
| | 6,424 | 849 | – | – |
| Other receivables and deposits (Note 15) | 2,385 | 2,664 | 142 | 200 |
| Amounts due from related companies (Note 16) | 8,635 | 890 | – | – |
| Amount due from a subsidiary (Note 16) | – | – | 3,094 | 19 |
| Total trade and other receivables | 17,444 | 4,403 | 3,236 | 219 |
| Add: Cash and bank balances (Note 17) | 5,546 | 18,156 | 2,004 | 12,418 |
| Add: Loan receivable (Note 13) | 7,000 | – | 7,000 | – |
| Total loans and receivables | 29,990 | 22,559 | 12,240 | 12,637 |

*Trade receivables*

Trade receivables are non-interest bearing and are generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

*Receivables that are past due but not impaired*

The Group has trade receivables amounting to $5,953,000 (2013: $392,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| *Trade receivables past due but not impaired:* | | |
| Lesser than 30 days | 222 | 117 |
| 30 to 60 days | 41 | 49 |
| More than 60 days | 5,690 | 226 |
| | 5,953 | 392 |

## 14. Trade receivables (cont'd)

*Receivables that are impaired*

The Group's trade receivables that are impaired at the end of the reporting period and the movement of allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | Individually impaired | |
| | 2014 | 2013 |
| | $'000 | $'000 |
| Trade receivables – nominal amounts | 11 | 11 |
| Less: Allowance for doubtful debts | (11) | (11) |
| | – | – |
| *Movements in allowance accounts:* | | |
| At beginning of the year | 11 | 3 |
| Charge for the year | – | 4 |
| Written back | – | 4 |
| At end of the year | 11 | 11 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relates to debtors that are in significant financial liabilities and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 15. Other receivables and deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Current:*** | | | | |
| Deposits | 1,507 | 1,244 | – | 600 |
| Less: Allowance for impairment loss | – | (400) | – | (400) |
| | 1,507 | 844 | – | 200 |
| Other receivables | 175 | 38 | 142 | – |
| Lease receivables | 51 | 56 | – | – |
| | 1,733 | 938 | 142 | 200 |
| ***Non-current:*** | | | | |
| Lease receivables | – | 42 | – | – |
| Deposits | 652 | 1,684 | – | – |
| | 652 | 1,726 | – | – |
| Total other receivables and deposits | 2,385 | 2,664 | 142 | 200 |

**15. Other receivables and deposits (cont'd)**

*Other receivables that are impaired*

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| *Movements in allowance accounts:* | | |
| At beginning of the year | – | 6 |
| Written off | – | (6) |
| At end of the year | – | – |

*Deposits that are impaired*

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| *Movements in allowance accounts:* | | |
| At beginning of the year | 400 | – |
| Additions | – | 400 |
| Write-back | (400) | – |
| At end of the year | – | 400 |

**16. Amounts due from/(to) related companies and a subsidiary**

The amounts due from/(to) related companies and a subsidiary are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Amounts due from related companies are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Trade | 7,603 | – |
| Non-trade | 1,032 | 890 |
| | 8,635 | 890 |

Amounts due to related companies and a subsidiary are non-trade in nature.

## 17. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at banks and on hand | 5,546 | 4,930 | 2,004 | 194 |
| Short-term deposits | – | 13,226 | – | 12,224 |
| Cash and cash equivalents | 5,546 | 18,156 | 2,004 | 12,418 |

As at 31 December 2014, all short-term deposits have been withdrawn. The short-term deposits for the financial year ended 31 December 2013 bore interest rate at a range from 0.16% to 0.28% per annum and had a maturity of 3 months.

## 18. Trade payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 10,998 | 423 | – | – |
| Other payables and accruals (Note 19) | 5,051 | 6,470 | 55 | 60 |
| Amounts due to related companies (Note 16) | 393 | 287 | – | – |
| Total trade and other payables | 16,442 | 7,180 | 55 | 60 |
| Add: Loans and borrowings (Note 21) | 1,279 | 2,189 | – | – |
| Total financial liabilities carried at amortised cost | 17,721 | 9,369 | 55 | 60 |

Trade payables are non-interest bearing and are normally settled on 30 to 120 days terms.

## 19. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Current:*** | | | | |
| Other payables | 1,783 | 2,062 | – | – |
| Deposits received | 2,143 | 2,231 | – | – |
| Accruals | 382 | 780 | 55 | 60 |
| Lease payables | 646 | 823 | – | – |
| | 4,954 | 5,896 | 55 | 60 |
| ***Non-current:*** | | | | |
| Lease payables | 97 | 574 | – | – |
| Total other payables and accruals | 5,051 | 6,470 | 55 | 60 |

*Deposits received*

Deposits received refer to the security deposits placed by the tenants with the Group for entering into operating leases with the Group's leased property.

## 20. Provisions and advances

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| ***Current:*** | | |
| Advance rental income received | 1,662 | 2,648 |
| Provision for reinstatement costs | 98 | 140 |
| Provision for onerous operating leases contract | 927 | 2,040 |
| | 2,687 | 4,828 |
| ***Non-current:*** | | |
| Provision for reinstatement costs | 60 | 180 |
| Total provisions and advances | 2,747 | 5,008 |

*Advance rental income received*

Advance rental income received refers to rental income received in advance of the commencement of rent. This is non-interest bearing and has an average term of 2 weeks to 6 months.

*Provision for reinstatement costs*

Provision for reinstatement costs refer to the estimated cost of reinstating the leased properties.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| *Movements in provision for reinstatement costs:* | | |
| At beginning of the year | 320 | 260 |
| Additions | 10 | 60 |
| Utilisation | (172) | – |
| At end of the year | 158 | 320 |

*Provision for onerous operating leases contract*

A provision was recognised as the Group expects the lease rental payable to the lessor exceeds the future economic benefits which is expected to receive over the remaining lease term of the contracts. The provision has been calculated based on the estimated future discounted cash outflows to complete the operating lease contract, after taken into consideration impairment of its property, plant and equipment amounting to $2,000 (2013: $1,332,000) (Note 11).

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| *Movements in provision for onerous operating leases contract* | | |
| At beginning of the year | 2,040 | – |
| Additions | 150 | 2,040 |
| Write-back | (1,263) | – |
| At end of the year | 927 | 2,040 |

## 21. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Current:*** | | | | |
| Term loan | 866 | 1,098 | – | – |
| Hire purchase payable (Note 25) | 41 | – | – | – |
| | 907 | 1,098 | – | – |
| ***Non-current:*** | | | | |
| Term loan | 225 | 1,091 | – | – |
| Hire purchase payable (Note 25) | 147 | – | – | – |
| | 372 | 1,091 | – | – |
| Total loans and borrowings | 1,279 | 2,189 | – | – |

(i) *Term loan*

The term loan is secured by way of joint and several personal guarantees of certain directors of one of the subsidiaries. The term loan bears an interest rate of 6.0% (2013: 6.0%) per annum and is repayable over 30 monthly instalments commencing from 23 April 2013.

(ii) *Hire purchasing payable*

The hire purchase is obtained to finance the purchase of motor vehicle (Note 11). It bears an interest rate of 2.4% per annum and is repayable over 60 commencing from 13 August 2014.

## 22. Deferred taxation

Deferred tax as at 31 December relates to the following:

| | Group | | | |
|---|---|---|---|---|
| | Balance sheet | | Statement of comprehensive income | |
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Deferred tax liability:*** | | | | |
| Differences in depreciation for tax purposes | – | 123 | (123) | (180) |

## 23. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of ordinary shares '000 | $'000 | Number of ordinary shares '000 | $'000 |
| ***Issued and fully paid ordinary shares:*** | | | | |
| At beginning and end of the year | 1,921,638 | 46,226 | 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.

## 24. Related party disclosures

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related party took place on terms agreed between the parties during the financial year.

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| ***Related parties:*** | | |
| Commission paid | 486 | 584 |
| Administrative services paid | 79 | 53 |
| Rental expenses | 2,113 | 1,091 |

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

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Salaries and other short-term benefits | 720 | 832 |
| Central Provident Fund contributions | 179 | 36 |
| | 899 | 868 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | 293 | 249 |
| Directors of the subsidiaries | 606 | 619 |
| | 899 | 868 |

## 25. Commitments

(a) ***Operating lease commitments – as lessor***

The Group has entered into commercial property leases on its leased properties. These leases have remaining lease term of less than one year with no renewal option or contingent rent provision included in the contract.

Future minimum rental income receivable under the non-cancellable leases as at 31 December 2014 and 2013 are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Within one year | 3,227 | 3,671 |
| Later than one year but not later than five years | – | 2,483 |
| | 3,227 | 6,154 |

(b) ***Operating lease commitments – as lessee***

The Group has entered into commercial property leases mainly for the purpose of subletting it as part of the property leasing business. These leases have a remaining lease term of up to three years with a renewal option of up to two years included in the contract.

Future minimum lease payments payable under the non-cancellable operating leases as at 31 December 2014 and 2013 are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Not later than one year | 11,271 | 14,938 |
| Later than one year but not later than five years | 426 | 8,811 |
| | 11,697 | 23,749 |

## 25. Commitments (cont'd)

(c) ***Finance lease commitments***

The Group has finance lease for its motor vehicle. The lease has a lease term of 3 years. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | | |
|---|---|---|---|---|
| | **Minimum lease payments 2014** | **Present value of payments (Note 21) 2014** | **Minimum lease payments 2013** | **Present value of payments (Note 21) 2013** |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 46 | 41 | – | – |
| Later than one year but not later than five years | 161 | 147 | – | – |
| Total minimum lease payments | 207 | 188 | – | – |
| *Less:* Amounts representing finance charges | (19) | – | – | – |
| Present value of minimum lease payments | 188 | 188 | – | – |

## 26. Fair value of financial instruments

A. ***Financial instruments whose carrying amounts approximate fair value***

*Trade and other receivables/payables, cash and short-term deposits, amounts due from/to related companies and a subsidiary*

The carrying amounts of these financial assets and liabilities, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

## 26. Fair value of financial instruments (cont'd)

B. ***Fair value of financial instrument that are not carried at fair value and whose carrying amount is not reasonable approximation of fair value***

The fair value of financial liability that is not carried at fair value and whose carrying amount is not reasonable approximation of fair value is as follows:

| | Group | | | |
|---|---|---|---|---|
| | **Carrying amount 2014** | **Fair value 2014** | **Carrying amount 2013** | **Fair value 2013** |
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| ***Financial asset:*** | | | | |
| Loan receivable (Note 13) | 7,000 | 7,000 | – | – |
| ***Financial liability:*** | | | | |
| Loans and borrowings (Note 21) | 1,279 | 1,279 | 2,189 | 2,189 |
| **Company** | | | | |
| ***Financial asset:*** | | | | |
| Loan receivable (Note 13) | 7,000 | 7,000 | – | – |

Determination of fair value

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market lending rate for similar types of borrowing arrangement at the end of the reporting period.

## 27. 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, liquidity risk and interest rate 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 and the Company's policy that no derivatives 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 and the Company's exposure to the above mentioned financial risks and the objectives, policies and process for the management of these risks.

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

(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 exposure to credit risk arises primarily from trade and other receivables, loan receivable and amounts due from related companies. For other financial assets (including cash and short-term deposits), 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, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk before taking into account any collateral held is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

In addition, the Group's loan receivable (Note 13) holds a security in respect of a loan agreement entered into with a third party.

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring long past due trade and other receivables on an on-going basis.

The credit risk concentration profile of the Group's trade and other receivables at the end of the reporting period, approximately, is as follows:

- 36% (2013: 20%) of the Group's trade and other receivables were due from related parties.
- 60% (2013: Nil) of the Group's trade and other receivables were due from two main debtor.
- 33% (2013: Nil) of the Group's trade and other receivables relates to a loan given to a third party.

*Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Notes 14 and 15.

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

(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.

The Group manages its liquidity risk by placing its cash and cash equivalents with reputable banks and financing its trading activities through the use of bank borrowings and leasing arrangements.

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

| | One year or less | One to five years | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| **2014** | | | |
| ***Financial assets:*** | | | |
| Loan receivable | – | 8,297 | 8,297 |
| Trade receivables | 6,424 | – | 6,424 |
| Other receivables and deposits | 1,733 | 652 | 2,385 |
| Amounts due from related companies | 8,635 | – | 8,635 |
| Cash and short-term deposits | 5,546 | – | 5,546 |
| Total undiscounted financial assets | 22,338 | 8,949 | 31,287 |
| ***Financial liabilities:*** | | | |
| Trade payables | 10,998 | – | 10,998 |
| Other payables and accruals | 4,954 | 97 | 5,051 |
| Amounts due to related companies | 393 | – | 393 |
| Loans and borrowings | 954 | 388 | 1,342 |
| Total undiscounted financial liabilities | 17,299 | 485 | 17,784 |
| Total net undiscounted financial assets | 5,039 | 8,464 | 13,503 |

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

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

| | One year or less | One to five years | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| **2013** | | | |
| ***Financial assets:*** | | | |
| Trade receivables | 849 | – | 849 |
| Other receivables and deposits | 938 | 1,726 | 2,664 |
| Amounts due from related companies | 890 | – | 890 |
| Cash and short-term deposits | 18,156 | – | 18,156 |
| Total undiscounted financial assets | 20,833 | 1,726 | 22,559 |
| ***Financial liabilities:*** | | | |
| Trade payables | 423 | – | 423 |
| Other payables and accruals | 5,896 | 574 | 6,470 |
| Amounts due to related companies | 287 | – | 287 |
| Loans and borrowings | 1,198 | 1,135 | 2,333 |
| Total undiscounted financial liabilities | 7,804 | 1,709 | 9,513 |
| Total net undiscounted financial assets | 13,029 | 17 | 13,046 |
| **Company** | | | |
| **2014** | | | |
| ***Financial assets:*** | | | |
| Loan receivable | – | 8,297 | 8,297 |
| Other receivables and deposits | 142 | – | 142 |
| Amount due from a subsidiary | 3,094 | – | 3,094 |
| Cash and short-term deposits | 2,004 | – | 2,004 |
| Total undiscounted financial assets | 5,240 | 8,297 | 13,537 |
| ***Financial liability:*** | | | |
| Other payables and accruals | 55 | – | 55 |
| Total undiscounted financial liability | 55 | – | 55 |
| Total net undiscounted financial assets | 5,185 | 8,297 | 13,482 |

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

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

| | One year or less | One to five years | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Company** | | | |
| **2013** | | | |
| ***Financial assets:*** | | | |
| Other receivables and deposits | 200 | – | 200 |
| Amount due from a subsidiary | 19 | – | 19 |
| Cash and short-term deposits | 12,418 | – | 12,418 |
| Total undiscounted financial assets | 12,637 | – | 12,637 |
| ***Financial liability:*** | | | |
| Other payables and accruals | 60 | – | 60 |
| Total undiscounted financial liability | 60 | – | 60 |
| Total net undiscounted financial assets | 12,577 | – | 12,577 |

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

*Sensitivity analysis for interest rate risk*

The Group's exposure to interest rate risk is minimal. The sensitivity analysis for changes in interest rate is not disclosed as the effect on profit or loss is considered not to be significant.

## 28. 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 2014. The Group is not subject to any externally imposed capital requirement and the capital of the Group comprises all components of shareholders' equity.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Share capital | 46,226 | 46,226 |
| Accumulated losses | (33,184) | (33,669) |
| Foreign currency translation reserve | (1) | (1) |
| Total capital | 13,041 | 12,556 |

## 29. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(a) The services segment is in the business of providing accommodation and lodging services as well as related facilities and multi-services from lodging and leasing.

(b) The trading segment is in the business of sales and purchase of electronic products (integrated circuits) within Hong Kong and People's Republic of China.

For financial year ended 31 December 2014, the Group's continuing operations derives revenue from the two business segments as indicated above. No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

**29. Segment information (cont'd)**

| | Provision of accommodations and lodging $'000 | Sales and purchase of electronic products $'000 | Corporate $'000 | Eliminations (Note A) $'000 | Group $'000 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **Total revenue** | 23,607 | 13,193 | – | (10) | 36,790 |
| **Results** | | | | | |
| (Loss)/profit from operations | (953) | 1,217 | (996) | 813 | 81 |
| **Assets and liabilities** | | | | | |
| Segment assets | 9,205 | 14,869 | 13,510 | (4,240) | 33,344 |
| Segment liabilities | 9,906 | 13,700 | 104 | (3,094) | 20,616 |
| **2013** | | | | | |
| **Total revenue** | 23,014 | – | – | – | 23,014 |
| **Results** | | | | | |
| (Loss)/profit from operations | (7,298) | – | (1,046) | 48 | (8,296) |
| **Assets and liabilities** | | | | | |
| Segment assets | 15,924 | – | 14,382 | (3,077) | 27,229 |
| Segment liabilities | 14,559 | – | 79 | (19) | 14,619 |

**Note:**

(A) Inter-segment sales, assets and liabilities are eliminated on consolidation.

**29. Segment information (cont'd)**

***Geographical information***

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

| | External sales | |
|---|---|---|
| | **2014** | **2013** |
| | $'000 | $'000 |
| Singapore | 23,597 | 23,013 |
| People's Republic of China | 635 | – |
| Hong Kong | 12,558 | – |
| Total | 13,193 | 23,013 |

All non-current assets are located in Singapore.

**30. Authorisation of financial statements for issue**

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on

# Statistics of Shareholdings

As at 20 March 2015

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | S$41,204,105.34935 |
| Number of shares in issue | : | 1,921,637,787 |
| Class of shares | : | Ordinary |
| Voting rights | : | One vote per share |
| Number of treasury shares held | : | Nil |
| Number of ordinary shares excluding treasury shares | : | 1,921,637,787 |
| Percentage of treasury shares | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 41 | 3.43 | 821 | 0.00 |
| 100 - 1,000 | 45 | 3.76 | 35,777 | 0.00 |
| 1,001 - 10,000 | 231 | 19.31 | 1,313,806 | 0.07 |
| 10,001 - 1,000,000 | 758 | 63.38 | 207,753,752 | 10.81 |
| 1,000,001 AND ABOVE | 121 | 10.12 | 1,712,533,631 | 89.12 |
| **TOTAL** | **1,196** | **100.00** | **1,921,637,787** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | WANG MINGLIANG | 420,500,000 | 21.88 |
| 2 | LI LIPING | 231,000,000 | 12.02 |
| 3 | CHONG THIM PHENG | 152,500,000 | 7.94 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 98,930,925 | 5.15 |
| 5 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 98,342,000 | 5.12 |
| 6 | ONG TIONG YUN | 85,000,124 | 4.42 |
| 7 | LIN CHUNG-MING | 57,546,652 | 2.99 |
| 8 | CHUA LEONG HAI @CHUA LEANG HAI | 35,901,000 | 1.87 |
| 9 | PHILLIP SECURITIES PTE LTD | 27,583,584 | 1.44 |
| 10 | CHING WILSON TAN | 26,890,000 | 1.40 |
| 11 | YEAP PENG LEONG | 25,000,000 | 1.30 |
| 12 | KGI FRASER SECURITIES PTE LTD | 24,010,000 | 1.25 |
| 13 | CHOW BON TONG | 23,804,219 | 1.24 |
| 14 | RAFFLES NOMINEES (PTE) LIMITED | 16,554,000 | 0.86 |
| 15 | HO I-CHIN @PETER HO | 15,500,000 | 0.81 |
| 16 | TAN LIM HUI | 14,500,000 | 0.75 |
| 17 | PHUA HUA SENG | 13,000,000 | 0.68 |
| 18 | PIAK BOON SENG | 12,500,000 | 0.65 |
| 19 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 11,738,000 | 0.61 |
| 20 | SIM POH PING | 11,557,424 | 0.60 |
| | **TOTAL** | **1,402,357,928** | **72.98** |

# Substantial Shareholders

20 March 2015

| Name of substantial shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Chong Thim Pheng Winstedt | 148,000,000 | 7.70 | 0 | 0 |
| Li Li Ping | 231,000,000 | 12.02 | 0 | 0 |
| Wang Ming Liang | 514,882,000 | 26.79 | 0 | 0 |

**Shareholdings held in the hands of public**

Based on the information provided and to the best knowledge of the Directors, approximately 51.41% of the issued ordinary shares of the Company are held in the hands of the public as at 20 March 2015. Therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of M Development Ltd. (the ***Company***) will be held at Level 3, 146 Robinson Road, Singapore 068909 on Tuesday, 28 April 2015 at 10.00 a.m. to transact the following business:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$210,000 for the financial year ending 31 December 2015 to be paid quarterly in arrears (2014: S$210,000) **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   (i) Mr. David Chin Yew Choong (Article 107) **(Resolution 3)**
   (ii) Ms. Sim Pei Yee (Article 107) **(Resolution 4)**

   *Mr. David Chin Yew Choong will, upon re-election as a Director of the Company, remain as a Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee and will be considered Independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. **AUTHORITY TO ISSUE SHARES**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (***SGX-ST***), the Directors of the Company be authorised and empowered to:-

   (a) (i) allot and issue Shares in the capital of the Company (***Shares***) (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, ***Instruments***) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

# Notice of Annual General Meeting

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:-

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury Shares, if any) in the capital of the Company at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury Shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below); and

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury Shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury Shares, if any) in the capital of the Company at the time of passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (i)] **(Resolution 6)**

By Order of the Board

Claudia Teo Kwee Yee
Company Secretary

Singapore, 13 April 2015

# Notice of Annual General Meeting

**Explanatory Notes:**

(i) The Ordinary Resolution 6 proposed if passed, will empower the Directors to issue Shares in the Company up to 50% of the total number of issued Shares (excluding treasury Shares, if any) in the capital of the Company (in the case of issuance other than on a pro-rata basis to existing shareholders, such aggregate number of Shares not to exceed 20% of the total number of issued Shares (excluding treasury Shares, if any) for such purposes as they consider to be in the interests of the Company.

**Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 4 Shenton Way #17-01, SGX Centre 2, Singapore 068807 not less than forty-eight (48) hours before the time appointed for holding the Meeting and any adjournment thereof.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the ***Purposes***), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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# M DEVELOPMENT LTD.

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

**IMPORTANT:**

1. For investors who have used their CPF monies to buy M Development Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member / members of **M DEVELOPMENT LTD.** (the "Company"), hereby appoint:

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Level 3, 146 Robinson Road, Singapore 068909 on Tuesday, 28 April 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

| | | **To be used on a show of hands** | | **To be used in the event of a poll** | |
|---|---|---|---|---|---|
| **No.** | **Resolutions relating to:** | **For** | **Against** | **No. of Votes For** | **No. of Votes Against** |
| 1 | Adoption of Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 | | | | |
| 2 | Approval of Directors' fees for the financial year ending 31 December 2015 to be paid quarterly in arrears | | | | |
| 3 | Re-election of Mr. David Chin Yew Choong as Director | | | | |
| 4 | Re-election of Ms. Sim Pei Yee as Director | | | | |
| 5 | Re-appointment of Messrs Ernst & Young LLP as Auditors and authorise Directors to fix their remuneration | | | | |
| 6 | Authority to issue shares | | | | |

Dated this _____ day of _____ 2015

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Shenton Way #17-01, SGX Centre 2, Singapore 068807 not less than 48 hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

1. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

2. <u>Personal Data Privacy</u>

   By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 10 April 2015.




**M DEVELOPMENT LIMITED**
4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807
Tel: 65 65350550 | Fax: 65 65380877

*Designed & Produced by*
+65 6880 2828 Xpress