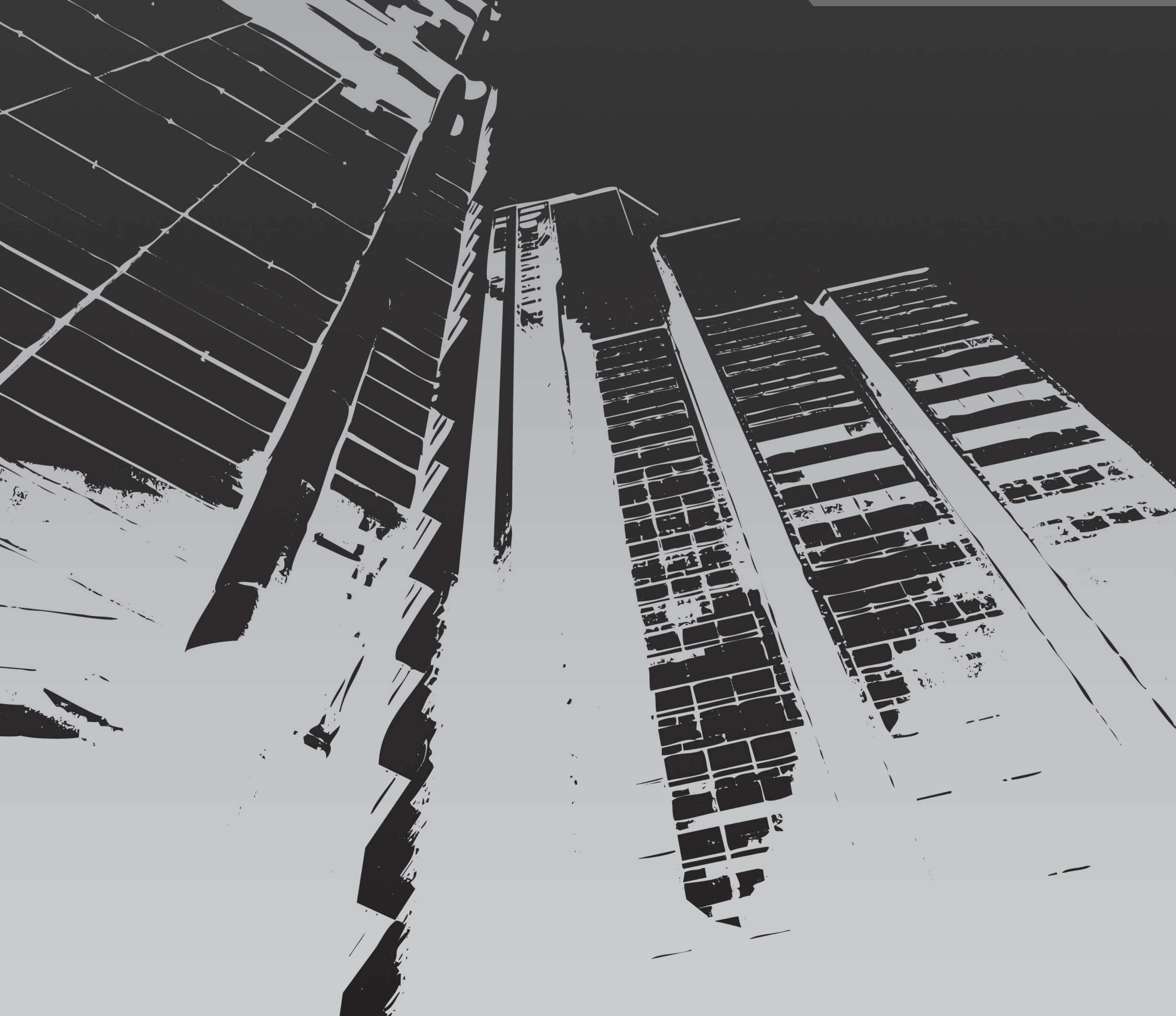
Development Limited

M Development Ltd

ANNUAL REPORT 2011



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LETTER TO SHAREHOLDERS

Dear Shareholders:

The Board of Directors of M Development Ltd. ("the Company") is pleased to present its FY2011 Annual Report to the shareholders.

In FY2011, the Group recorded revenue of S$18.1 million following the acquisition of the Winsta Group in FY2010. In addition, the Group has also recorded profit after tax of S$1.6m. Our balance sheet has improved with a net current assets of S$4.7 million (2010: S$2.6 million) and net assets of S$7.4 million (2010: S$5.8 million) as at 31 December 2011.

Winsta Group is in the business of providing hostel and lodging service. The leases entered into by the subsidiaries of Winsta Group for the rental of its premises were for a period of two to three years and usually with a corresponding two-year or three-year option for renewal. The performance of those subsidiaries would be dependent on their ability to renew the leases of their existing properties or securing of leases for new properties.

As at 31 December 2011, certain leases will expire within the next 12 months and are subject to renewal options or pending for renewal. The management will continue to source for suitable premises to lease and explore other business opportunities for expansion or to complement the business of the Group.

We would like to thank our stakeholders for their ongoing support in the past year as well as for the coming financial 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 February 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 new operations of the Company. Ms. Sim is the daughter of the substantial shareholder, Mr. Sim Poh Ping.

Ms. Sim has over 10 years of working experience in the field of Finance and Operations for Winsta Holding Pte. Ltd. related industry.

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. TAN SER KO
Independent Director

Mr. Tan was appointed as Independent Director of the Company on 2 October 2009. Mr. Tan is currently the Chairman of the Audit Committee and Special Committee and member of the Nominating Committee and Remuneration Committee.

Mr. Tan is also the Executive Director of Contel Corporation Limited and China Enersve Limited, both of which are public companies listed on the mainboard of the Stock Exchange of Singapore. He is also a Director of Centennial Capital Pte Ltd, a consulting firm based in Singapore. He has more than 12 years of experience in banking and finance. After serving his scholarship bond with the Singapore Armed Forces, he started his banking career with the Standard Chartered Bank and later joined OCBC Bank and United Overseas Bank.

Mr. Tan holds a Bachelor of Engineering Degree from the National University of Singapore.

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 of the 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.

BOARD OF DIRECTORS OF M DEVELOPMENT LTD.

MR. DALI KUMAR BIN SARDAR
Non-Executive 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 February 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, MAVCAP ICT Sdn Bhd and Radiance Group Limited.

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.

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 2005 (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.

Our Board of Directors (the "***Board***") comprises two Executive Directors, one Non-Executive Director and two Independent Directors. The Board has the appropriate mix of core competencies and diversity in experience and an appropriate size for effective decision making.

The main function of the Board is to provide stewardship to the Company and its subsidiaries (the "***Group***") and to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's roles are:

(1) Approving the Group's policies, strategies and financial objectives and directions and monitoring the performance of management;

(2) Overseeing the processes of evaluating the adequacy of internal controls, risk-management, financial reporting and compliance;

(3) Approving major investment and divestment proposals, funding proposals, material acquisitions and disposal of assets, major corporate policies on key areas of operations, annual budget, the release of the Group's half year and full year results;

(4) Assume responsibility for corporate governance.

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 in to 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.

CORPORATE GOVERNANCE

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.

The Board met 4 times in FY2011.

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 FY2011 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[1]	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Sim Pei Yee	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Dali Kumar Bin Sardar[2]	4	4	4	2	2	-	1	1
Tan Ser Ko	4	4	4	4	2	2	1	1
Chin Yew Choong David	4	4	4	4	2	2	1	1
Tan Geok Hon[3]	4	-	4	-	2	-	N/A	N/A

N/A: Not applicable

1 Mr. Huang Wen-Lai was appointed as an Executive Director of the Company on 15 February 2011 and as Executive Chairman on 30 April 2011.

2 Mr. Dali Kumar Bin Sardar was re-designated from Executive Director to Non-Executive Director on 15 February 2011 and was appointed member of the AC & RC on 30 April 2011.

3 Mr. Tan Geok Hon resigned from the Board and from the AC & RC on 30 April 2011.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Currently, the Board comprises the following Directors:-

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

Non-Executive Director
Mr. Dali Kumar Bin Sardar

Independent Directors
Mr. Tan Ser Ko
Mr. Chin Yew Choong David

CORPORATE GOVERNANCE

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.

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 Nominating Committee was of the view that the current Board has a strong and independent element that is able to exercise independent judgment on corporate affairs and provide the management with a diverse and objective perspective on issues.

The Board has considered its current composition of Independent and Non-Executive 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 at the top of the company - the working of the board and the executive responsibility of the company's business- which will ensure a balance of power and authority, such that no one individual represents 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 for new Directors to the board.

We believe that Board's renewal must be an ongoing 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.

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 one non-executive Director and two independent Directors, as follows:

Mr. Chin Yew Choong David (Chairman)	-	Independent Director
Mr. Tan Ser Ko	-	Independent Director
Mr. Dali Kumar Bin Sardar	-	Non-Executive Director

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 (e.g. attendance, preparedness, participation, candor, and any other salient factors);

(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. Tan Ser Ko and Mr. Chin Yew Choong David 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 the following Directors for re-election for the forthcoming AGM, namely:-

(1) Mr. Dali Kumar Bin Sardar (retiring by rotation, pursuant to Article 107 of the Company's Articles of Association)

(2) Mr. Chin Yew Choong David (retiring by rotation, pursuant to Article 107 of the Company's Articles of Association)

Mr. Huang Wen-Lai was appointed as an Executive Director of the Company on 15 February 2011 and as Executive Chairman on 30 April 2011.

PRINCIPLE 5: BOARD PERFORMANCE

There should be a formal assessment of the effectiveness of the board as a whole 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.

Individual performance of the Directors are evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, the degree of preparedness, the knowledge and experience each Director possess which are crucial to the Group's business.

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.

CORPORATE GOVERNANCE

<u>PRINCIPLE 6: ACCESS TO INFORMATION</u>

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.

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

<u>REMUNERATION MATTERS</u>
<u>PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES</u>

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 one non-executive Director and two independent Directors, as follows:

Mr. Chin Yew Choong David (Chairman)	-	Independent Director
Mr. Tan Ser Ko	-	Independent Director
Mr. Dali Kumar Bin Sardar	-	Non-Executive Director

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.

CORPORATE GOVERNANCE

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. A significant portion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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 twice in FY2011. Should the RC have informal discussions on matters requiring urgent decisions, it would then be formally confirmed and approved by circulating resolutions in writing.

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 his basic salary and bonuses. The detail of his remuneration package is given below.

Our Independent Directors and Non-Executive Director 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.

CORPORATE GOVERNANCE

The Board recommends payment of Directors' fees for FY2012 to be paid quarterly in arrears in FY2012 to the Non-Executive Director. 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 2011 is as follows:

Remuneration band: Below S$250,000

Name of Directors	Salary & Bonus	Directors' Fee
Dali Kumar Bin Sardar	9%	91%
Tan Ser Ko	-	100%
Chin Yew Choong David	-	100%
Huang Wen-Lai	100%	-
Sim Pei Yee[1]	100%	-

[1] Mr. Sim Poh Ping and Ms. Sim Pei San who is the father and sister of Ms. Sim Pei Yee, our Executive Director, are also Executive Directors of Winsta Group. Each of their remuneration exceeds S$150,000 for FY2011.

On 25 June 2002 and in conjunction with the Company's listing on the Singapore Exchange Securities Trading Limited, the Company adopted the NTI Employees' Share Option Scheme ("***the Scheme***"). The purpose of the Scheme is to provide an opportunity for the employees of the Group to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Scheme is administered by a Special Committee whose members as at the date of this report are:

Tan Ser Ko (Chairman)	-	Independent Director
Chin Yew Choong David	-	Independent Director
Dali Kumar Bin Sardar	-	Non-Executive Director

No share options have been granted pursuant to the Scheme during FY2011.

ACCONTABILITY 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.

CORPORATE GOVERNANCE

PRINCIPLE 11: 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 one non-executive Director and two Independent Directors. The members of the AC, which as at the date of this report are:

Tan Ser Ko (Chairman)	-	Independent Director
Chin Yew Choong David	-	Independent Director
Dali Kumar Bin Sardar	-	Non-Executive Director

The AC met four times in FY2011 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.

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 functions of the AC are as follows:

(1) assists the Board in discharging its statutory responsibilities on financial and accounting matters;

(2) reviews the financial and operating results and accounting policies of the Group;

(3) reviews significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement and any formal announcements relating to the Group and Company's financial performance before submission to the Board for approval;

(4) reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors.

(5) reviews the nature and extent of non-audit services provided by external auditors;

(6) reviews the adequacy of the Company's internal control (financial and operational) and risk management policies and systems established by the management;

(7) discusses with management the significant internal audit observations, together with the management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.

(8) reviews the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by management on the auditors' recommendations;

(9) appraises and report to our Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the appropriateness and quality of the system of management and internal controls;

(10) reviews the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors;

(11) reviews interested person transactions, as defined in the Listing Manual of the SGX-ST.

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.

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

In FY2011, the AC met once with the external auditors without the presence of management.

PRINCIPLE 12: INTERNAL CONTROLS

The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and company's assets.

The AC should ensure that a review of the effectiveness of the Group and Company's financial, operational and compliance controls, risk management and the adequacy of internal controls is conducted at least once annually, with such a review to be carried out by internal and/or external auditors.

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.

Due to resources constraint, the Company has not have in place a whistle blowing policy at the moment but the employees may have access to the AC Chairman to raise any concerns on possible corporate improprieties in matters of financial reporting. The Company has taken steps to implement a Whistle Blowing Policy before the next financial year ends.

PRINCIPLE 13: INTERNAL AUDIT

The company should establish an internal audit function that is independent of the activities it audits.

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, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the current scope of the Group's business operations.

In order to improve the effectiveness of the Group's internal controls, Messrs RSM Ethos Pte Ltd has been appointed as the Internal Auditors ("IA") of the Group on 1 December 2011. The IA's function is to report to the Chairman of the AC on audit matters and oversees and institute the function of internal audits, prepare timely reports and communicate to the various committees, and administrative and operational matters to the Board. 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: COMMUNICATION WITH SHAREHOLDERS

Companies should engage in regular, effective and fair communication with shareholders.

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.

PRINCIPLE 15: 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.

ADDITIONAL INFORMATION

DEALING IN SECURITIES

The Company has adopted internal codes pursuant to the SGX-ST best practice guides that prohibits the Directors, key executives of the Group and their connected persons from dealing in the Company's shares during the "black-out" period-being two weeks and one month immediately preceding the announcement of the Company's half yearly and full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. Directors, executives and connected persons 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.

All Directors are to seek the Board's approval before trading in the Company's shares.

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 during the financial year from 1 January 2011 to 31 December 2011 was as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
Overseas Students Placement Centre Pte. Ltd. ("OSPC") (2)	S$460,000 (1)	--
St Thomas Investment Private Limited ("St Thomas") and Bian Bee Company Private Limited ("Bian Bee") (3)	S$107,000 (1)	--

Notes:

(1) Due to the high frequency and nature of the interested person transactions referred to in the table as compared to the relatively small NTA of the Group, the Company has, for good corporate governance, adopted a more stringent approach of managing its interested person transactions by including all transactions below S$100,000 in the aggregation of the interested person transactions in the table. As the value of each of the two aggregated transactions separately amount to more than 5% of the Group's latest audited NTA, the Company is required and proposes to seek, at an extraordinary general meeting of the Company, shareholders' approval for these interested person transactions.

As the entities-at-risk, being Winsta Holding Pte. Ltd. and its subsidiaries (collectively, the "**Winsta Group**"), are 51%-owned subsidiaries of the Company, and its financial statements are consolidated at the Group level, the Company has, for good corporate governance, taken the conservative approach that the amount at risk to the Company is 100% of the value of the interested person transactions referred to in the table, even though under Rule 909 of the Listing Manual, the value of the transaction is based on the Company's effective interest of 51% of the Winsta Group.

(2) Ms. Sim Pei Yee, our Executive Director, is also a director of OSPC. Ms. Sim Pei San, sister of Ms. Sim Pei Yee, is a director of OSPC. As at the Latest Practicable Date, Ms. Sim Pei Yee's associates, being her immediate family members, consisting of (i) her father, Mr. Sim Poh Ping; (ii) her mother, Mdm. Tang Ah Hoy; (iii) her sister, Ms. Sim Pei San; and (iv) her brother, Mr. Sim Chek Tze, collectively and directly own 75% of the issued share capital of OSPC.

As such, OSPC is deemed to be an interested person pursuant to Chapter 9 and any transaction between the Group and OSPC will, subject to the exceptions provided in Chapter 9, be an interested person transaction.

(3) Ms. Sim Pei San is the sister of our Executive Director, Ms. Sim Pei Yee. In January 2011, Ms. Sim Pei San married Mr. Ng Cheong Bian. Mr. Ng Cheong Bian is a director of St Thomas and Bian Bee. In addition, Mr. Ng Cheong Bian is directly or deemed to be interested in the entire issued share capital of St Thomas and Bian Bee. As such, Ms. Sim Pei San is deemed to be interested in the entire issued share capital of St Thomas and Bian Bee.

As such, St Thomas and Bian Bee are deemed to be interested persons pursuant to Chapter 9 and any transaction between the Group and St Thomas, or Bian Bee will, subject to the exceptions provided in Chapter 9, be interested person transactions.

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 2011, the status in terms of utilization of proceeds from the Rights Issue completed in August 2010 was as follows:

Purpose	Proposed utilization (S$)	Actual utilization (S$)
Working capital	1,190,000	742,000
Purchase of Winsta Holding Pte. Ltd.	510,000	510,000
Total	1,700,000	1,252,000

The Board will continue to make periodic announcements on the utilization of the balance of the Rights Issue 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.

GENERAL INFORMATION

Directors

Huang Wen-Lai	(Appointed on 15 January 2011)
Sim Pei Yee	
Dali Kumar Bin Sardar	
Tan Ser Ko	
Chin Yew Choong David	
Tan Geok Hon	(Resigned on 30 April 2011)

Company Secretary

Teo Kwee Yee	
Koh Ngin Joo	(Resigned on 15 August 2011)

Registered Office

4 Shenton Way
#17-01 SGX Centre 2
Singapore 068807

Bankers

DBS Bank Limited
Malayan Banking Berhad
United Overseas Bank Limited

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Low Bek Teng
(Date of appointment: since financial year ended 31 December 2011)

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 2011.

Directors

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

Huang Wen-Lai
Sim Pei Yee
Dali Kumar Bin Sardar
Tan Ser Ko
Chin Yew Choong David

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, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At date of appointment**	**At end of financial year**	**At date of appointment**	**At end of financial year**
Ordinary shares of the Company				
Huang Wen-Lai	–	38,881,818	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

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, or of related corporations, either at the beginning of the financial year, or date of appointment if later, 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.

Share options

(a) *Options to take up unissued shares*

On 25 June 2002 and in conjunction with the Company's listing on the Singapore Exchange Securities Trading Limited, the Company adopted the Employees' Share Option Scheme (the "Scheme"). The purpose of the Scheme is to provide an opportunity for the employees of the Group to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Scheme is administered by a special committee whose members are:

Tan Ser Ko (Chairman)
Chin Yew Choong David
Dali Kumar Bin Sardar

The size of the Scheme shall not exceed 15% of the total shares of the Company. Confirmed full-time employees and executive directors and non-executive directors of the Company (excluding independent directors) shall be eligible to participate in the Scheme.

Offers of the options made to grantees, if not accepted by the grantees within 30 days, shall lapse. The Scheme shall continue in operation for a maximum period of 10 years commencing on 25 June 2002, the date which the Scheme is adopted by the Company in a general meeting, unless otherwise extended by shareholders in a general meeting.

Since the beginning of the Scheme, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

Rights shares and warrants

The Company had on 3 August 2010 issued 38,288,993 rights shares at an issue price of $0.045 for each rights share, on the basis of one (1) rights share for every five (5) existing ordinary shares with free detachable warrants.

In addition, the Company also issued 76,577,986 free warrants on the basis of two (2) warrants for every one (1) rights share subscribed.

As at 31 December 2011, the aforesaid 76,577,986 warrants have not been converted into shares.

DIRECTORS' REPORT

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.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Huang Wen-Lai
Director

Sim Pei Yee
Director

Singapore
2 April 2012

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 2011 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
2 April 2012

INDEPENDENT AUDITORS' REPORT

For the financial year ended 31 December 2011
To the Members of M Development Ltd.

Report on the financial statements

We have audited the accompanying consolidated financial statements of M Development Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 28 to 70, which comprise the balance sheets of the Group and the Company as at 31 December 2011, 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 AUDITORS' REPORT

For the financial year ended 31 December 2011
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 2011 and of 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.

Other matters

The financial statements of the Company for the financial year ended 31 December 2010 were audited by another auditor whose report dated 8 April 2011 expressed an unqualified opinion on those financial statements.

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
Certified Public Accountants
Singapore

2 April 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	2011 $'000	2010 $'000 (Restated)
CONTINUING OPERATIONS			
Revenue	4	18,092	6,108
Cost of sales	5	(8,376)	(2,767)
Gross profit		9,716	3,341
Other operating income	6	346	814
General and administrative expenses		(5,994)	(2,481)
Other operating expenses		(1,665)	(918)
Amortisation of intangible assets		(283)	(916)
Finance costs	7	(16)	(12)
Profit/(loss) before tax from continuing operations	8	2,104	(172)
Income tax expense	10	(469)	(216)
Profit/(loss) from continuing operations, net of tax		1,635	(388)
DISCONTINUED OPERATIONS			
Loss from discontinued operations, net of tax		–	(28)
Profit/(loss) for the year		1,635	(416)
Other comprehensive income/(loss):			
Foreign currency translation deficit		–	128
Total comprehensive income/(loss) for the year		1,635	(288)
Attributable to owners of the Company			
Profit/(loss) from continuing operations, net of tax		520	(220)
Loss from discontinued operations, net of tax		–	(28)
Profit/(loss) for the year attributable to owners of the Company		520	(248)
Non-controlling interests			
Profit/(loss) for the year attributable to non-controlling interests		1,115	(40)
Profit/(loss) from continuing operations, net of tax		1,635	(288)
Earnings/(loss) per share attributable to owners of the Company (cents)	11		
Basic		0.19	(0.10)
Diluted		0.19	(0.10)

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

BALANCE SHEETS

As at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000 (Restated)	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	12	3,170	3,541	–	–
Investment in subsidiaries	13	–	–	1,735	1,734
		3,170	3,541	1,735	1,734
Current assets					
Intangible assets	14	–	283	–	–
Trade receivables	15	709	655	–	–
Other receivables and deposits	16	1,400	714	–	–
Prepayments		133	157	–	–
Amounts due from related companies	17	536	1,047	–	–
Amount due from a subsidiary company	17	–	–	3	–
Cash and short-term deposits	18	7,975	6,805	449	939
		10,753	9,661	452	939
Total assets		13,923	13,202	2,187	2,673
Current liabilities					
Trade payables	19	484	400	–	–
Other payables and accruals	20	5,098	4,595	19	42
Amounts due to related companies	17	58	128	–	–
Loans and borrowings	21	–	264	–	–
Provision for contingent consideration	13	–	816	–	–
Income tax payable		409	904	–	–
		6,049	7,107	19	42
Net current assets		4,704	2,554	433	897
Non-current liabilities					
Other payables and accruals	20	178	88	–	–
Deferred tax liabilities	22	310	256	–	–
		488	344	–	–
Total liabilities		6,537	7,451	19	42
Net assets		7,386	5,751	2,168	2,631
Attributable to owners of the Company					
Share capital	23	24,423	24,423	24,423	24,423
Accumulated losses		(20,551)	(21,071)	(22,255)	(21,792)
		3,872	3,352	2,168	2,631
Non-controlling interests		3,514	2,399	–	–
Total equity		7,386	5,751	2,168	2,631
Total equity and liabilities		13,923	13,202	2,187	2,673

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 2011

	Note	Attributable to owners of the Company: Share capital	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
Balance as at 1 January 2010		21,491	(128)	(20,695)	668	–	668
Loss for the year as previously reported		–	–	(603)	(603)	(40)	(643)
Effects arising from finalisation of fair valuation in acquisition of subsidiaries	2.1	–	–	355	355	–	355
Loss for the year as restated		–	–	(248)	(248)	(40)	(288)
Foreign currency translation deficit transferred to statement of comprehensive income, representing other comprehensive income, net of tax		–	128	(128)	–	–	–
Total comprehensive income/(loss) for the year		–	128	(376)	(248)	(40)	(288)
Acquisition of interests in subsidiaries as previously reported		–	–	–	–	2,097	2,097
Effects arising from finalisation of fair valuation in acquisition of subsidiaries	2.1	–	–	–	–	342	342
Acquisition of interests in subsidiaries as restated	13	–	–	–	–	2,439	2,439
Issuance of new shares	23	2,932	–	–	2,932	–	2,932
Balance as at 31 December 2010 and 1 January 2011		24,423	–	(21,071)	3,352	2,399	5,751
Profit for the year		–	–	520	520	1,115	1,635
Other comprehensive income for the year, net of tax		–	–	–	–	–	–
Total comprehensive income for the year		–	–	520	520	1,115	1,635
Balance as at 31 December 2011		24,423	–	(20,551)	3,872	3,514	7,386

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 2011

	Share capital	Accumulated losses	Total
	$'000	$'000	$'000
Company			
Balance as at 1 January 2010	21,491	(20,862)	629
Issuance of new shares	2,932	–	2,932
Total comprehensive loss for the year	–	(930)	(930)
Balance as at 31 December 2010 and 1 January 2011	24,423	(21,792)	2,631
Total comprehensive loss for the year	–	(463)	(463)
Balance as at 31 December 2011	24,423	(22,255)	2,168

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 2011

	Note	2011 $'000	2010 $'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		2,104	(172)
Loss before tax from discontinuing operations		–	(28)
Adjustments for:			
Depreciation of property, plant and equipment	12	1,337	395
(Gain)/loss on disposal of property, plant and equipment	8	(1)	4
Property, plant and equipment written off	8	3	–
Bad debts written off	8	4	–
Allowance for doubtful debts (trade)	8	7	55
Allowance for doubtful debts (non-trade)	8	6	(26)
Interest expense	7	16	12
Amortisation of intangibles	14	283	916
Interest income	6	(9)	(2)
Loss on disposal of a subsidiary	8	–	139
Write-back of impairment loss on amount due from related companies	6	(17)	–
Gain on bargain purchase	6	–	(764)
Total adjustments		1,629	729
Operating cash flows before changes in working capital		3,733	529
Changes in working capital			
(Increase)/decrease in trade and other receivables		(733)	2,609
Increase/(decrease) in trade and other payables		527	(2,428)
Decrease in amounts due from related companies		458	–
Cash flows from operations		3,985	710
Interest paid		(16)	(12)
Interest received		9	2
Tax paid		(910)	(163)
Net cash flows generated from operating activities		3,068	537
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(853)	(200)
Proceeds from disposal of property, plant and equipment		35	2
Net cash inflow on acquisition of subsidiaries		–	4,412
Net cash outflow from disposal of subsidiary		–	(10)
Net cash flows (used in)/generated from investing activities		(818)	4,204
Cash flows from financing activities			
Repayment of loans and borrowings		(264)	(316)
Repayment of contingent consideration		(816)	–
Fixed deposits matured	18	650	–
Fixed deposits pledged	18	–*	(1,051)
Proceeds from rights issue		–	1,708
Net cash flows (used in)/generated from financing activities		(430)	341
Net increase in cash and cash equivalents		1,820	5,082
Cash and cash equivalents at beginning of the year	19	5,754	672
Cash and cash equivalents at end of the year	19	7,574	5,754

** denotes amounts less than $1,000*

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

1. Corporate information

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

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

The principal activity of the Company is investment holding company. The principal activities of its subsidiaries are disclosed in Note 13.

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.

Prior year adjustment in accordance with FRS 103 Business Combinations

The financial statements for the financial year ended 31 December 2010 have been restated to reflect the effects of the retrospective adjustment of the gain on bargain purchase arising from the finalisation of the fair values of the assets and liabilities relating to the acquisition of 51% equity interest in Winsta Holding Pte. Ltd. and its subsidiaries ("Winsta") during the financial year ended 31 December 2010. In accordance with FRS 103 Business Combinations, the adjustments arising from the finalisation of such provisional purchase price allocation, which are to be made within twelve months from the date of acquisition, are to be made retrospectively.

Consequently, an additional $355,000 was recognised in the gain on bargain purchase and included in the restated results of the Group, non-controlling interests increased by $342,000 and the carrying amount of the property, plant and equipment in Winsta has been increased by a corresponding amount of $697,000 for the financial year ended 31 December 2010. The adjustment has contributed to a decrease in loss per share of 0.23 cents for the financial year ended 31 December 2010 (Note 11). As the acquisition was completed in August 2010, there is no impact to the balance sheet as at 1 January 2010.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
FRS 101 Amendments to FRS 101 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Liabilities*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 is described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

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

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.

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 controls 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.

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

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

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

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 be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured 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.

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. The accounting policy for goodwill is set out in Note 2.7(a). 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 ***Foreign 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 determined.

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)

2.5 *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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures 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	–	5 years
Furniture and fittings	–	5 years
Renovations	–	Remaining lease term including option to renew
Electrical installations	–	Remaining lease term including option to renew
Computers	–	1 year
Air conditioners	–	3 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.7 ***Intangible assets***

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carrried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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

2.7 ***Intangible assets***

(b) *Other intangible assets (cont'd)*

Other intangibles

Other intangibles were acquired in business combinations. These are the values of the future economic benefits from the existing rental contracts entered by Winsta Holding Pte. Ltd. and its subsidiaries with tenants at their leased properties and facilities as at the date of acquisition. Other intangibles are amortised over its finite useful life (ranging from 1 to 2 years) on a straight line basis.

2.8 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset, excluding goodwill and other indefinite intangible assets, 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. Goodwill and other indefinite intangible assets are tested for impairment on an annual basis or more frequently when circumstances requires.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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 equivalent to the remaining lease term of the cash-generating unit to which the individual assets are allocated.

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.

For assets excluding goodwill and other indefinite intangible assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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. Summary of significant accounting policies (cont'd)

2.9 ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.10 ***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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.11 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank 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. Summary of significant accounting policies (cont'd)

2.12 ***Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *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 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.

To determine whether there is objective evidence that an impairment loss on financial assets has 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.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.13 ***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 other 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:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised 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 derecognition 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.

2.14 ***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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

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

2.16 ***Borrowing costs***

Borrowing costs are expensed in the period they occur.

2.17 ***Employee benefits***

(a) *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.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.18 ***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.

(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 2.19(a).

2.19 ***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 Group has concluded that it is acting as a principal in all of its revenue arrangements. 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.

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

2.19 ***Revenue (cont'd)***

(b) *Rendering of services*

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

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.20 ***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, associates and interests in joint ventures, 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, associates and interests in joint ventures, 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)

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

2.21 ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); and

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.20 ***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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

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

(a) *Income taxes*

Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2011 was $409,000 (2010: $904,000) and $310,000 (2010: $256,000) respectively.

(b) *Impairment of investment in subsidiaries*

Investment in subsidiary company is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such 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 investment in subsidiaries to the extent of the net assets held by the subsidiaries at the end of the reporting period. If the recoverable amount of the investment in subsidiaries is less than its carrying amount, an impairment loss is recognised in the income statement to reduce the carrying amount of the investment in subsidiaries to its recoverable amount. For the financial year ended 31 December 2011, management has determined that there was no indication that the investment in subsidiaries may be impaired.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. In accordance with the accounting policy of the Group as disclosed in Note 2.6, management reviewed the estimated useful lives of these assets. Based on the review, management revised the remaining estimated useful life of the assets after taking into consideration of these assets' current conditions, remaining lease period of properties and planned replacements. The carrying amount of the Group's property, plant and equipment at 31 December 2011 was $3,170,000 (2010: $3,541,000).

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

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

(a) *Useful lives of property, plant and equipment (cont'd)*

The revision in estimate has been applied on a prospective basis from 1 January 2011. The effect of the above revision on depreciation charge in current and future periods is as follows:

	2011	**2012**	**2013**	**Later**
	$'000	$'000	$'000	$'000
Increase/(decrease) in depreciation	214	206	127	(547)

(b) *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. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 15.

(c) *Provision for reinstatement costs*

The Company's properties are leased from landlords. The terms of the operating leases require the Company to restore the sites to their original condition upon termination of the leases. The management will review the provisioning of reinstatement cost annually based on the renovation works performed and prior years' experience as their best estimates.

4. Revenue

This mainly represents revenue generated from lodging and leasing of units and providing related facilities and multi-services.

5. Cost of sales

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

	Group	
	2011	**2010**
	$'000	$'000
Operating lease expenses	6,406	2,089

6. Other operating income

	Group 2011 $'000	Group 2010 $'000 (Restated)
Rental deposit forfeited	80	–
Summer camp income	70	–
Transport and medical income	45	–
Collection from vending machines	41	16
Sundry income	37	–
Write-back of impairment loss on amount due from related companies	17	–
Collection from washing machine	14	–
Interest income	9	2
Gain on bargain purchase	–	764
Car park rental income	–	13
Miscellaneous income	33	19
	346	814

7. Finance costs

	Group 2011 $'000	Group 2010 $'000
Interest expense	16	12

8. Profit/(loss) before tax from continuing operations

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

		Group	
	Note	**2011**	**2010**
		$'000	$'000
Audit fees:			
- auditors of the Company		73	38
- other auditors		–	18
Non-audit service fees:			
- auditors of the Company		28	–
- other auditors		–	15
Employee benefits expense	9	3,274	1,123
Depreciation of property, plant and equipment	12	1,337	395
Amortisation of intangible assets	14	283	916
Directors' fees		159	147
Loss on disposal of a subsidiary	13	–	139
Allowance for doubtful debts (trade)	15,17	7	55
Allowance for doubtful debts (non-trade)	16	6	(26)
Bad debts written off	15	4	–
Property, plant and equipment written off	12	3	–
(Gain)/loss on disposal of property, plant and equipment		(1)	4

9. Employee benefits expense

	Group	
	2011	**2010**
	$'000	$'000
Wages, salaries and bonuses	2,030	756
Directors' remuneration	925	293
CPF and other contributions	271	74
Staff allowance and welfare	48	–
	3,274	1,123

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2011 and 2010 are:

	Group	
	2011	**2010**
	$'000	$'000
Consolidated statement of comprehensive income		
Current income tax:		
- Current income taxation	501	202
- Over provision in respect of previous years	(86)	(28)
	415	174
Deferred income tax:		
- Origination and reversal of temporary differences	41	42
- Under provision in respect of previous years	13	–
	54	42
	469	216

Relationship between tax expense and accounting profit/(loss)

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 is as follows:

	Group	
	2011	**2010**
	$'000	$'000
		(Restated)
Profit/(loss) before tax from continuing operations	2,104	(172)
Loss before tax from discontinued operations	–	(28)
Accounting profit/(loss) before tax	2,104	(200)
Tax expense at statutory rate of 17%	358	(34)
Adjustments:		
Non-deductible expenses	282	396
Income not subject to taxation	(12)	(130)
Effect on partial tax exemption	(144)	(16)
Deferred tax assets not recognised	62	–
(Over)/under provision in respect of previous years:		
- Current income tax	(86)	(28)
- Deferred income tax	13	–
Others	(4)	28
	469	216

At the end of the reporting period, the Group has tax losses of approximately $366,000 (2010: $Nil) 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 of the respective countries in which the companies operate.

11. Earnings/(loss) per share

(a) *Continuing operations*

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, 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 tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

		Group	
	Note	**2011**	**2010**
		$'000	$'000 **(Restated)**
Profit/(loss) for the year attributable to owners of the Company		520	(248)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company		–	28
Profit/(loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic/diluted earnings per share from continuing operations		520	(220)
		No of shares '000	**No of shares** '000
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share computation	11(b)	270,534	220,999
Basic and diluted earnings/(loss) per share (cents)		0.19	(0.10)

(b) *Earnings/(loss) per share computation*

Basic and diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

76,577,986 (2010: 76,577,986) warrants which have not been converted into shares as at 31 December 2011 have not been included in the calculation of diluted loss per share because the share price of the Company did not reach the exercise price of the warrants during the course of the year.

12. 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 consum-ables $'000	Total $'000
Cost								
At 1.1.2010	–	–	–	–	–	–	–	–
Additions arising from acquisition (restated)	80	901	2,143	465	50	98	5	3,742
Additions	51	42	52	1	2	17	35	200
Disposal	(2)	–	(2)	(1)	–	(1)	–	(6)
At 31.12.2010 and 1.1.2011	129	943	2,193	465	52	114	40	3,936
Additions	61	185	532	125	22	70	8	1,003
Written off	(10)	(3)	(13)	(3)	(9)	–	–	(38)
Disposal	(28)	(6)	–	(27)	–	–	–	(61)
At 31.12.2011	152	1,119	2,712	560	65	184	48	4,840
Accumulated depreciation								
At 1.1.2010	–	–	–	–	–	–	–	–
Charge for the year	15	119	178	48	10	15	10	395
At 31.12.2010 and 1.1.2011	15	119	178	48	10	15	10	395
Charge for the year	134	380	588	175	41	–	19	1,337
Written off	(9)	(2)	(14)	(1)	(9)	–	–	(35)
Disposal	(27)	–	–	–	–	–	–	(27)
At 31.12.2011	113	497	752	222	42	15	29	1,670
Net carrying amount								
At 31.12.2011	39	622	1,960	338	23	169	19	3,170
At 31.12.2010	114	824	2,015	417	42	99	30	3,541

13. Investment in subsidiaries

	Company 2011 $'000	Company 2010 $'000
Unquoted shares, at cost	1,735	1,734
Allowance for impairment		
At beginning of the year	–	2,017
Realisation of impairment on disposal of subsidiary	–	(2,017)
At end of the year	–	–

Details of the subsidiaries at 31 December are as follows:

	Name of company	Country of incorporation	Principal activities	Percentage of equity held by the Company 2011 %	Percentage of equity held by the Company 2010 %	Cost of investment 2011 $'000	Cost of investment 2010 $'000
	Held by the Company						
#	M Strategic Investment Ltd	British Virgin Islands	Investment holding	100	–	1	–
*	Winsta Holding Pte. Ltd.	Singapore	Investment holding	51	51	1,734	1,734
						1,735	1,734
	Held by Winsta Holding Pte. Ltd.						
*	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. (formerly known as Cambridge Hostel Management Pte. Ltd.)	Singapore	To provide hostel accommodation and services	51	51		

13. Investment in subsidiaries (cont'd)

	Name of company	Country of incorporation	Principal activities	Percentage of equity held by the Company		Cost of investment	
				2011	2010	2011	2010
				%	%	$'000	$'000
	Held by Winsta Holding Pte. Ltd. (cont'd)						
*	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.

During the year, the Group has incorporated a new subsidiary, M Strategic Investment Ltd. It is dormant during the year.

Acquisition of subsidiaries

On 23 August 2010 (the "acquisition date"), the Company acquired a 51% equity interest in Winsta Holding Pte. Ltd. and its subsidiaries ("Winsta").

As at 31 December 2010, the fair values of the assets and liabilities arising from the acquisition of Winsta have been determined on a provisional basis. The fair values of such assets and liabilities have not been finalised by the date the audited financial statements were initially authorised for issue.

The fair values of the assets and liabilities have subsequently been finalised. In accordance with FRS 103, Business Combinations, the adjustments arising from the finalisation of such provisional purchase price allocation, which are to be made within twelve months from the date of acquisition are to be made retrospectively.

Consequently, an additional $355,000 was recognised in the gain on bargain purchase and included in the restated results of the Group, non-controlling interests increased by $342,000 and the carrying amount of the property, plant and equipment in Winsta has been increased by a corresponding amount of $697,000 for the financial year ended 31 December 2010. The adjustment has contributed to a decrease in loss per share of 0.23 cents for the financial year ended 31 December 2010.

13. Investment in subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities of Winsta Holding Pte. Ltd. and its subsidiaries as at the acquisition date were:

	Fair value recognised on acquisition
	$'000
	(Restated)
Property, plant and equipment	3,742
Intangible assets	1,199
Trade and other receivables, deposit and prepayments	4,969
Cash and bank balances	4,922
	14,832
Trade and other payables and accruals	7,460
Deferred tax liabilities	214
Income tax payable	825
Loans and borrowings	580
Provision for contingent consideration	816
	9,895
Total identifiable net assets at fair value	4,937
Less: Non controlling interests	(2,439)
Total identifiable net assets at fair value acquired	2,498
Consideration transferred for the acquisition	
Cash	510
Equity instruments issued (40,800,000 ordinary shares of the Company)	1,224
Total consideration transferred	1,734
Gain on bargain purchase arising from acquisition recognised in comprehensive income	(764)

Intangible assets

The fair value of the acquired identifiable intangible assets of $1,199,000 relates to the future economic benefits from the existing rental contracts at the date of acquisition. As at 31 December 2011, $283,000 (2010: $916,000) has been amortised in profit or loss.

Non-controlling interests

Non-controlling interest's value is measured by taking the non-controlling interest's proportionate share of Winsta and its subsidiaries' identifiable net assets.

13. Investment in subsidiaries (cont'd)

Equity instruments issued

The 40,800,000 ordinary shares of the Company, which was issued as part of the consideration in respect of the acquisition of Winsta, was valued at $0.03 per share, being the last traded price at the date of acquisition.

Provision for contingent consideration

As part of Winsta's purchase agreement with the previous owners of its subsidiaries acquired, a contingent consideration had been agreed on. Additional cash payments shall be due to the previous owners on an amount in excess of $4,000,000 of the cumulative net profit after tax of the subsidiaries of Winsta for the period commencing from 1 July 2008 and ending 31 December 2010.

As at 31 December 2011, the contingent consideration has been paid in full.

Impact of the acquisition on profit and loss

From the acquisition date, Winsta and its subsidiaries have contributed $6,108,000 of revenue and $315,000 to the Group's comprehensive income, net of tax, for the year ended 31 December 2010. It is impracticable to determine the contribution from Winsta and its subsidiaries as if the business combination had taken place at the beginning of the year because the data and information were not available as Winsta and its subsidiaries was only formed in late January 2010.

Net cash inflow arising on acquisition:

	$'000
Cash consideration paid	(510)
Cash and bank balances	4,922
	4,412

Disposal of subsidiary

Subsequent to the acquisition of Winsta and its subsidiaries, the Company disposed its wholly-owned subsidiary, New Eagle (HK) Limited ("NEL") on 30 August 2010.

Details of the assets disposed are as follows:

	2010 $'000
Trade receivables	1
Cash	10
Net assets of the subsidiary	11
Foreign currency translation deficit	128
Loss on disposal of a subsidiary	139

13. Investment in subsidiaries (cont'd)

Disposal of subsidiary (cont'd)

Net cash outflow arising on disposal

	2010
	$'000
Cash consideration received	–
Cash	10
Net cash outflow arising on disposal of a subsidiary	10

The revenue, expenses and results of NEL till the date of disposal are as follows:

	$'000
Administrative expenses	(28)
Loss from discontinued operations	(28)

The cash flows attributable to NEL are as follows:

	$'000
Operating	(33)
Investing	(10)
Net cash outflows	(43)

Loss per share from discontinued operations

Net loss attributable to ordinary shareholders ($'000)	(28)
Weighted average number of ordinary shares in issue ('000)	220,999
Basic and diluted loss per share (cents)	(0.01)

14. Intangible assets

	Other intangibles
	$'000
Cost:	
At 1 January 2010	–
Acquisition of subsidiaries	1,199
At 31 December 2010 and 1 January 2011	1,199
Derecognition	(1,199)
At 31 December 2011	–
Accumulated amortisation:	
At 1 January 2010	–
Amortisation during the year	(916)
At 31 December 2010 and 1 January 2011	(916)
Amortisation during the year	(283)
Derecognition	1,199
At 31 December 2011	–
Net carrying amount:	
At 31 December 2011	–
At 31 December 2010	283

Other intangibles

These are the value of the rental contracts entered by Winsta Holding Pte. Ltd. and its subsidiaries with tenants at their leased properties and facilities as at the date of acquisition. They are amortised over the remaining term of the rental contracts and derecognised on disposal or when no future economic benefits are expected from its use or disposal.

15. Trade receivables

		Group		Company	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Trade and other receivables:					
Trade receivables		712	655	–	–
Less: Allowance for doubtful debts (trade)		(3)	–	–	–
		709	655	–	–
Other receivables and deposits	16	1,400	714	–	–
Amounts due from related companies	17	536	1,047	–	–
Amount due from a subsidiary company		–	–	3	–
Total trade and other receivables		2,645	2,416	3	–
Add: Cash and short-term deposits	18	7,975	6,805	449	939
Total loans and receivables		10,620	9,221	452	939

15. Trade receivables (cont'd)

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.

All of the Group's trade receivables as at 31 December 2011 and 2010 are denominated in Singapore dollars.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $230,000 (2010: $323,000) 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	
	2011	**2010**
	$'000	$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	126	109
30 to 60 days	19	78
More than 60 days	85	136
	230	323

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	
	2011	**2010**
	$'000	$'000
Trade receivables – nominal amounts	3	–
Less: Allowance for doubtful debts	(3)	–
	–	–
Movements in allowance accounts:		
At beginning of the year	–	–
Charge for the year	7	34
Written off	(4)	(34)
At end of the year	3	–

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.

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16. Other receivables and deposits

	Group 2011 $'000	Group 2010 $'000
Other receivables	42	18
Less: Allowance for doubtful debts (non-trade)	(6)	–
	36	18
Deposits	1,364	696
Other receivables and deposits	1,400	714

Other receivables that are impaired

The Group's other 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:

Movements in allowance accounts:

	2011	2010
At beginning of the year	–	75
Charge for the year	6	11
Written off	–	(49)
Written back	–	(37)
At end of the year	6	–

17. Amounts due from/(to) related companies and a subsidiary company

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

Amounts due from related companies that are impaired

The Group's amounts due from related companies that are impaired at the end of the reporting period and the movement of allowance accounts used to record the impairment are as follows:

Movements in allowance accounts:

	Group 2011 $'000	Group 2010 $'000
At beginning of the year	36	17
Charge for the year	–	21
Written off	(19)	(2)
Written back	(17)	–
At end of the year	–	36

18. Cash and short-term deposits

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at bank and on hand	7,574	5,754	99	139
Short-term deposits	401	1,051	350	800
Cash and short-term deposits	7,975	6,805	449	939

All of the Group's cash and short-term deposits as at 31 December 2011 and 2010 are denominated in Singapore dollars.

The fixed deposit bears interest at 0.15% to 0.35% (2010: 0.15% to 1.8%) per annum and has a maturity of 3 to 36 months (2010: 3 to 36 months).

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2011	2010
	$'000	$'000
Cash and short-term deposits	7,975	6,805
Less: Short-term deposits restricted in its use	(401)	(1,051)
Cash and cash equivalents	7,574	5,754

19. Trade payables

		Group		Company	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Trade and other payables:					
Trade payables		484	400	–	–
Other payables and accruals	20	3,029	2,265	19	42
Amounts due to related parties	17	58	128	–	–
Total trade and other payables		3,571	2,793	19	42
Add:					
- Loans and borrowings	21	–	264	–	–
Total financial liabilities carried at amortised cost		3,571	3,057	19	42

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

All of the Group's trade payables as at 31 December 2011 and 2010 are denominated in Singapore dollars.

20. Other payables and accruals

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Liabilities at amortised cost:				
Other payables	106	136	19	42
Deposits received	1,930	1,705	–	–
Accruals	893	363	–	–
Lease payable (current)	42	53	–	–
Lease payable (non-current)	58	8	–	–
	3,029	2,265	19	42
Non-financial liabilities:				
Advance rental fees received	2,017	2,338	–	–
Provision for reinstatement costs (current)	110	–	–	–
Provision for reinstatement costs (non-current)	120	80	–	–
	5,276	4,683	19	42
Current:				
Other payables	106	136	19	42
Deposits received	1,930	1,705	–	–
Accruals	893	363	–	–
Lease payable	42	53	–	–
Advance rental fees received	2,017	2,338	–	–
Provision for reinstatement costs	110	–	–	–
	5,098	4,595	19	42
Non-current:				
Lease payable	58	8	–	–
Provision for reinstatement costs	120	80	–	–
	178	88	–	–
Total other payables and accruals	5,276	4,683	19	42

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.

Advance rental fees received

Advance rental fees 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.

21. Loans and borrowings

	Group 2011 $'000	Group 2010 $'000
Current:		
Current portion of long-term loan	–	264

The loan is secured by way of joint and several personal guarantees of certain directors of one of the subsidiaries. The term loan bears interest of 8.25% (2010: 8.25%) per annum and is repayable over 36 monthly instalments commencing from 27 February 2008. The loan was fully repaid during the year.

22. Deferred taxation

Deferred tax as at 31 December relates to the following:

	Group			
	Balance sheet		Statement of comprehensive income	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Differences in depreciation for tax purposes	310	256	54	42

23. Share capital

	Group and Company			
	2011	2010	2011	2010
	Number of ordinary shares		$'000	$'000
Balance at beginning of the year	270,533,959	191,444,966	24,423	21,491
Issue of shares				
- from right shares (Note a)	–	38,288,993	–	1,708
- for acquisition of subsidiary (Note b)	–	40,800,000	–	1,224
Balance at end of the year	270,533,959	270,533,959	24,423	24,423

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 and have no par value.

(a) Pursuant to the Rights and Warrants Issue, the Company allotted and issued 38,288,993 Rights shares at the exercise price of $0.045 on 3 August 2010; and

(b) Following the acquisition of 51% equity interest in Winsta Holding Pte. Ltd. and its subsidiaries on 23 August 2010, the Company had also allotted and issued 40,800,000 new ordinary shares in the Company to the vendors.

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23. Share capital (cont'd)

Rights and Warrants Issue

On 3 August 2010, the Company undertook a renounceable non-underwritten rights issue (the "Rights Issue") of 38,288,993 new ordinary shares (the "Rights Shares") at the exercise price of $0.045 for each Rights Share, on the basis of one Rights Share for every five existing ordinary shares in the capital of the Company. Subscribers of these Rights Shares are also entitled to two free detachable warrants (the "Warrants") for every one Rights Share acquired. The Warrants are traded on the Singapore Exchange and will expire on 2 August 2013.

The Rights Shares with Warrant rank pari passu in all respects with the existing issued shares, save for any dividends, rights, allotments, or other distributions, the record date for which falls before the date of issue of the Rights Shares.

The approval-in-principle from SGX-ST for the proposal was obtained on 27 April 2010, and subscription of these Rights Shares with Warrant commenced on 13 July 2010 and completed on 21 July 2010. As at 31 December 2011, no warrants have been exercised since their issuance.

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	
	2011	**2010**
	$'000	$'000
Commission paid	391	122
Guest tour	44	19
Transport charges	29	21
Accommodation services paid to related party	(2)	–
Rental expenses	558	–

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

	Group	
	2011	**2010**
	$'000	$'000
Salary and other short-term benefits	1,103	293
Central Provident Fund contributions	43	7
	1,146	300
Comprise amounts paid to:		
Directors of the Company	105	96
Directors of the subsidiaries	1,041	204
	1,146	300

Number of directors of the Company during the year in remuneration bands:

	2011	**2010**
Below $250,000	1	1

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25. 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 2011 and 2010 are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Not later than one year	7,994	5,216
Later than one year but not later than five years	8,988	5,758
	16,982	10,974

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 2011 and 31 December 2010 are as follows:

Within one year	636	701
After one year but not more than five years	–	166
	636	867

26. 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 liquidity risk, credit 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.

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

(a) ***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.

	1 year or less	**More than 1 year**	**Total**
	$'000	$'000	$'000
Group			
2011			
Financial assets:			
Trade receivables	709	–	709
Other receivables and deposits	1,400	–	1,400
Amounts due from related companies	536	–	536
Cash and short-term deposits	7,975	–	7,975
Total undiscounted financial assets	10,620	–	10,620
Financial liabilities:			
Trade payables	484	–	484
Other payables and accruals	2,971	58	3,029
Amounts due to related companies	58	–	58
Total undiscounted financial liabilities	3,513	58	3,571
Total net undiscounted financial assets/(liabilities)	7,107	(58)	7,049
2010			
Financial assets:			
Trade receivables	655	–	655
Other receivables and deposits	714	–	714
Amounts due from related companies	1,047	–	1,047
Cash and short-term deposits	6,805	–	6,805
Total undiscounted financial assets	9,221	–	9,221
Financial liabilities:			
Trade payables	400	–	400
Other payables and accruals	2,257	8	2,265
Amounts due to related companies	128	–	128
Loans and borrowings	264	–	264
Total undiscounted financial liabilities	3,049	8	3,057
Total net undiscounted financial assets/(liabilities)	6,172	(8)	6,164

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

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

	1 year or less $'000	More than 1 year $'000	Total $'000
Company			
2011			
Financial assets:			
Amount due from a subsidiary company	3		3
Cash and short-term deposits	449	–	449
Total undiscounted financial assets	452	–	452
Financial liability:			
Other payables and accruals	19	–	19
Total undiscounted financial liabilities	19	–	19
Total net undiscounted financial assets	433	–	433
2010			
Financial asset:			
Cash and short-term deposits	939	–	939
Total undiscounted financial assets	939	–	939
Financial liability:			
Other payables and accruals	42	–	42
Total undiscounted financial liabilities	42	–	42
Total net undiscounted financial assets	897	–	897

(b) ***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 amounts due from related companies and trade and other receivables. 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.

Since the Group trades only with recognised and creditworthy third parties and subsidiaries, there is no requirement for collateral.

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

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

Exposure to credit risk

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring long past due trade receivables on an ongoing basis. At the end of the reporting period, all (2010: all) of the Group's trade receivables are from Singapore and the property industry. At the end of the reporting period, approximately 20% (2010: 43%) of the Group's trade and other receivables were balances with related parties.

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 15 and 16.

(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.

27. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged for or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

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

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables and deposits, trade and other payables and accruals, amounts due from/to related companies and loans and borrowings based on their notional amounts, reasonably approximate fair values because these are mostly short term in nature.

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 2011 and 31 December 2010. The Group is not subject to any externally imposed capital requirement and the capital of the Group comprises all components of shareholders' equity.

	Group	
	2011	**2010**
	$'000	$'000
Share capital	24,423	24,423
Accumulated losses	(20,551)	(21,071)
Total capital	3,872	3,352

29. Segment information

Subsequent to the disposal of New Eagle (HK) Limited and the acquisition of Winsta Holding Pte Ltd and its subsidiaries in 2010, all of the Group's revenue is derived from the accommodation services provided by Winsta Holding Pte Ltd and its subsidiaries in Singapore.

Information about major customers

There were no (2010: no) major customers arising from the sales of accommodation services.

30. Comparative notes

The financial statements for the financial year ended 31 December 2010 were audited by another firm of Certified Public Accountants.

31. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 2 April 2012.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

Issued and fully paid-up capital	:	S$24,422,734.85
Number of shares in issue	:	270,533,959
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Number of Treasury Shares held	:	Nil
Number of ordinary shares excluding Treasury Shares	:	270,533,959
Percentage of Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	52	8.09	4,993	0.00
1,000 - 10,000	258	40.12	1,348,800	0.50
10,001 - 1,000,000	301	46.81	43,671,516	16.14
1,000,001 and above	32	4.98	225,508,650	83.36
Total	643	100.00	270,533,959	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Lin Chung-Ming	25,646,652	9.48
2	UOB Kay Hian Pte Ltd	25,258,000	9.34
3	Amfraser Securities Pte. Ltd.	24,010,000	8.88
4	Huang Wen-Lai	14,871,818	5.50
5	Chong Thim Pheng	13,300,000	4.92
6	Sim Poh Ping	12,557,424	4.64
7	Wang Mingliang	12,036,148	4.45
8	Ong Tiong Yun	11,753,124	4.34
9	Mavcap Ict Sdn Bhd	9,670,000	3.57
10	Vita Group Pte Ltd	8,862,747	3.28
11	Chu Sau Ben	7,050,000	2.61
12	Chow Bon Tong	5,804,219	2.15
13	Tan Chai Fong	5,106,124	1.89
14	Sim Pei San (Shen Peishan)	4,619,318	1.71
15	Lim Moi Hong Stephen	4,192,637	1.55
16	Ching Wilson Tan	3,930,000	1.45
17	Phillip Securities Pte Ltd	3,744,384	1.38
18	Jamalluddin Ismail	3,333,000	1.23
19	Shabudin Bin Md Saman	3,084,000	1.14
20	Tan Sri Dato' Mohd Yusoff Bin Mohamed	2,978,000	1.10
	Total	201,807,595	74.61

STATISTICS OF WARRANTHOLDINGS

As at 16 March 2012

DISTRIBUTION OF WARRANTHOLDINGS

Size of Holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 999	5	4.38	1,462	0.00
1,000 - 10,000	8	7.02	51,200	0.07
10,001 - 1,000,000	89	78.07	15,930,636	20.80
1,000,001 and above	12	10.53	60,594,688	79.13
Total	114	100.00	76,577,986	100.00

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1	Lin Chung-Ming	13,673,304	17.86
2	Ong Tiong Yun	10,506,248	13.72
3	Tan Chai Fong	10,506,248	13.72
4	Leong Hong Kah	8,293,000	10.83
5	Chong Thim Pheng	5,500,000	7.18
6	Amfraser Securities Pte. Ltd.	3,000,000	3.92
7	Tan Chin Wah	2,000,000	2.61
8	Phillip Securities Pte Ltd	1,636,488	2.14
9	Tan Sze Seng	1,599,400	2.09
10	Samuel Ng Chee Yong (Samuel Wu Zhiyong)	1,560,000	2.04
11	Tan Hiok Seng	1,220,000	1.59
12	Ching Wilson Tan	1,100,000	1.44
13	Choo Kim Chuan	1,000,000	1.31
14	Ng Poh Ming	836,000	1.09
15	Chua Lian Chye	800,000	1.04
16	Fok Chee Cheong @ Fok Chee Chiong	800,000	1.04
17	Sim Poh Ping	800,000	1.04
18	Citibank Consumer Nominees Pte Ltd	600,000	0.78
19	Tan Ban Say	526,000	0.69
20	Wee Eng Huat	520,800	0.68
	Total	66,477,488	86.81

SUBSTANTIAL SHAREHOLDERS

As at 16 March 2012

	Direct Interests		Deemed Interests	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Crimson Asia Capital Ltd, L.P.[1]	–	–	14,833,000	5.48
Sim Poh Ping[2]	12,487,424	4.61	8,862,747	3.28
Huang Wen-Lai	38,881,818	14.37	–	–

1 Crimson Asia Capital Ltd, L.P. is deemed interested in the 14,833,000 shares held in the name of UOB Kay Hian Pte Ltd.

2 Sim Poh Ping is deemed interested in the 8,862,747 shares held in the name of Vita Group Pte. Ltd. pursuant to Section 7 of the Companies Act, Chapter 50.

Shareholdings held in the hands of public

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed are at all times held by the public.

Based on the information provided and to the best knowledge of the Directors, approximately 72.26% of the issued ordinary shares of the Company are held in the hands of the public as at 16 March 2012 and 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 369 Tanjong Katong Road Singapore 437126 on Friday, 27 April 2012 at 9.30 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 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$150,000 for the financial year ending 31 December 2012 to be paid quarterly in arrears (2011: S$158,750) **(Resolution 2)**

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

   (i) Mr. Dali Kumar Bin Sardar (Article 107) **(Resolution 3)**
   (ii) Mr. Chin Yew Choong David (Article 107) **(Resolution 4)**

   Mr Dali Kumar Bin Sardar will, upon re-elected as a Director of the Company, remain as a member of the Audit Committee, Remuneration Committee and Nominating Committee.

   Mr. Chin Yew Choong David will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and of the Remuneration Committee and a member of the Audit Committee. Mr. Chin is considered as an Independent Director.

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 resolutions as Ordinary Resolutions, 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

(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)**

7. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE NTI SHARE OPTION SCHEME**

That pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be and are hereby authorised and empowered to offer and grant options in accordance with the NTI Share Option Scheme ("the Scheme") and to allot and issue Shares in the capital of the Company to all the holders of options granted by the Company whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares, if any) from time to time.(See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Teo Kwee Yee
Company Secretary

Singapore, 12 April 2012

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.

(ii) The Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoke by the Company in general meeting, whichever is the earlier, to allot and issue Shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued ordinary Shares (excluding Treasury Shares, if any) in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

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.

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 369 Tanjong Katong Road Singapore 437126 on Friday, 27 April 2012 at 9.30 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 2011				
2	Approval of Directors' fees for the financial year ending 31 December 2012 to be paid quarterly in arrears				
3	Re-election of Mr. Dali Kumar Bin Sardar as Director				
4	Re-election of Mr. Chin Yew Choong David as Director				
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authorise Directors to fix their remuneration				
6	Authority to issue shares				
7	Authority to allot and issue shares under the NTI Share Option Scheme				

Dated this _____ day of _______________ 2012

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:

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.

Development Limited

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