

Our People. Our Commitment.
Your World.



Annual Report
2012



M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2.0 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1 links anyone and anything; anytime, anywhere.

For more information, visit www.m1.com.sg

Contents

Business Review

- 8 At A Glance
- 10 Performance Highlights
- 12 Letter to Shareholders
- 17 Operating and Financial Review

Governance

- 28 Board of Directors
- 32 Senior Management
- 36 Particulars of Directors
- 39 Particulars of Senior Management
- 40 Corporate Governance
- 52 Investor Relations

Sustainability Report

- 55 Introduction
- 58 Our Business
- 62 Our People
- 68 Our Community
- 70 Our Environment
- 72 GRI Content Index

Financials

- 76 Financial Statements

Additional Information

- 128 Major Properties
- 129 Statistics of Shareholdings
- 131 Corporate Information

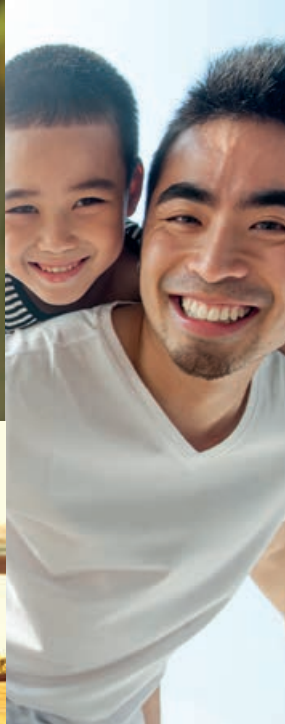


We are pleased to present our first annual report application for tablets.

Download the annual report application "M1 AR 2012" on the App Store or Google Play™



For more information, visit www.m1.com.sg/annualreport/2012/index.html



Our People. Our Commitment.

Your World.

We are a leading communications company, comprising people with shared values, desire to innovate and passion for service excellence. With customer satisfaction as our key objective, we are committed to investing in technology, networks and our people in order to provide our customers with compelling solutions, superior service and better value propositions.

We make it easier for you to enjoy your world. From enhancing your social networking to enabling your business connectivity, M1 gives you the power to connect and communicate, to interact, learn, work and play - anytime, anywhere.





Our People.

Our people are at the core of our business. We believe in fostering an innovative culture, encouraging continual learning, rewarding performance and creating a dynamic work environment.

Passionately committed, diverse, determined yet nimble – our people are all these and more.





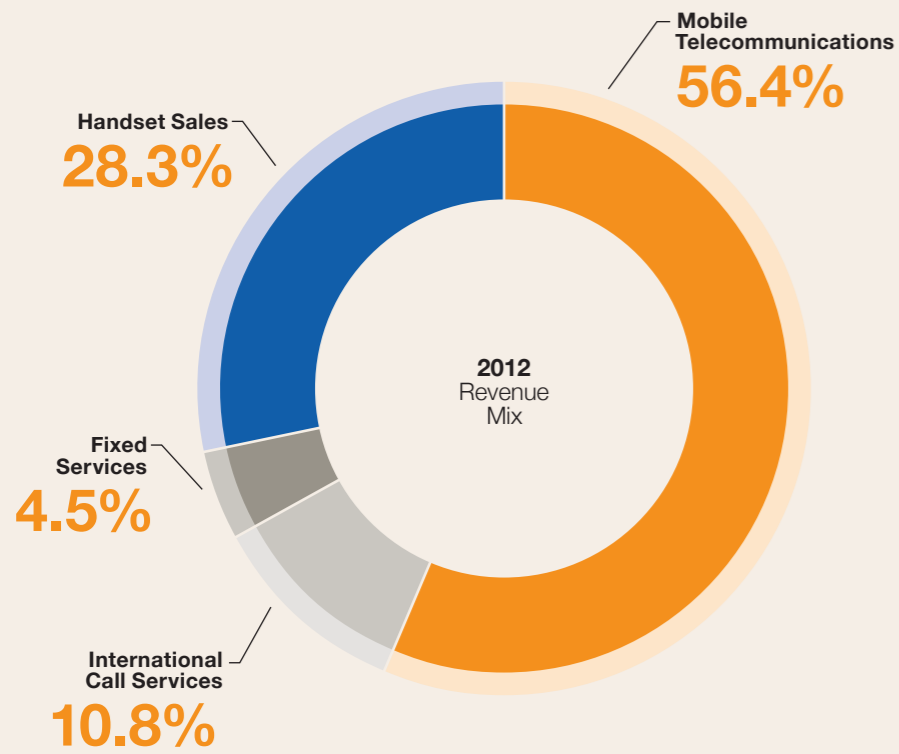
Your World.

At M1, our customers are at the heart of everything we do.

Whether you are at work, at play or at home, our networks support all your communications needs. As a full-service provider, we bring to life all that technology makes possible and make your world simpler, smarter and richer.



Operating Revenue Mix



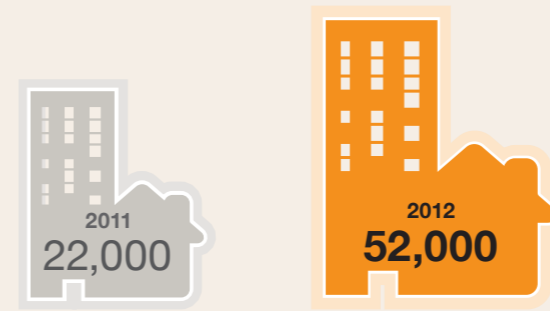
Total Mobile Customers (End-2012)

2.11million
+94,000 in 2012

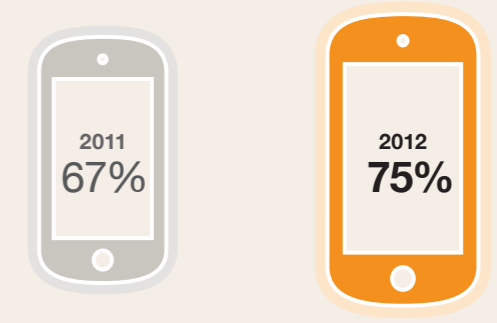
4G Mobile Customers (End-2012)

146,000
since launch of nationwide 4G service in September 2012

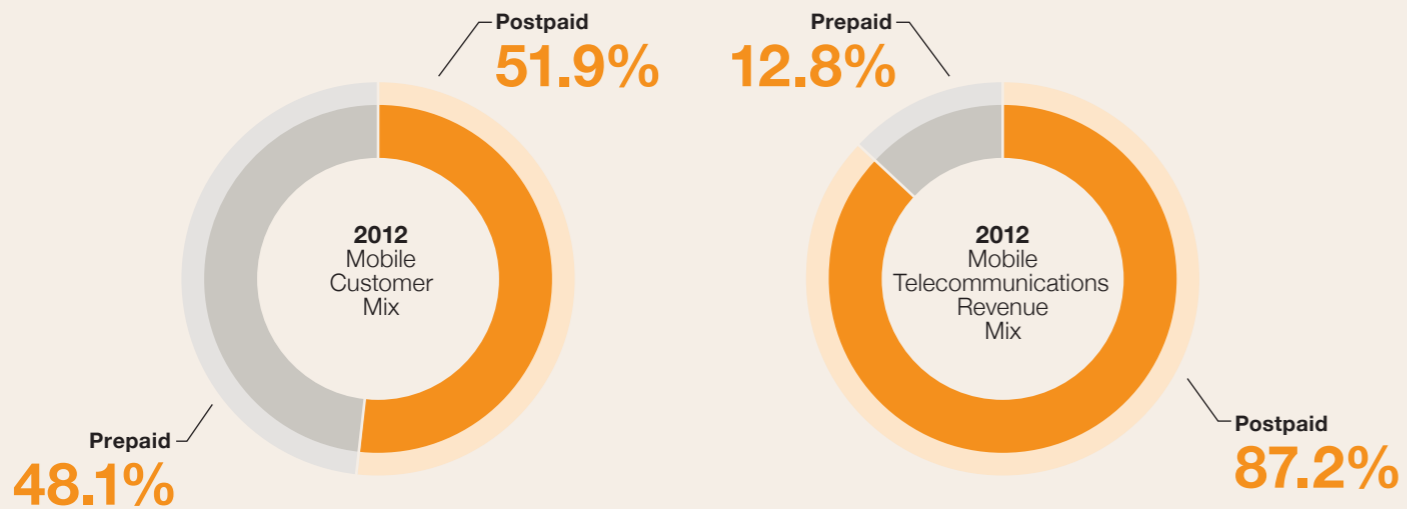
Fibre Customers



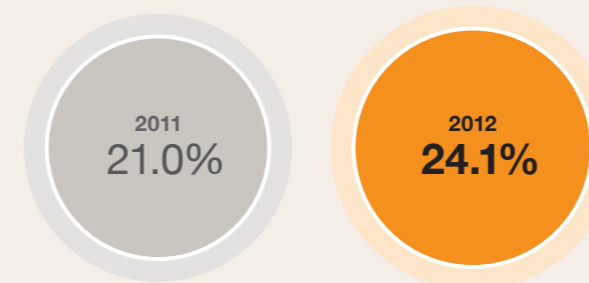
Smartphone Penetration (Postpaid)



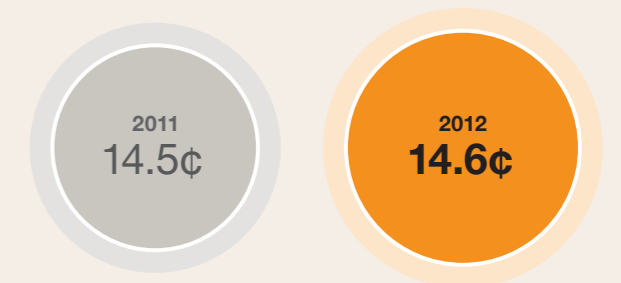
Mobile Customer and Mobile Telecommunications Revenue Mix



Mobile Data as a % of Service Revenue



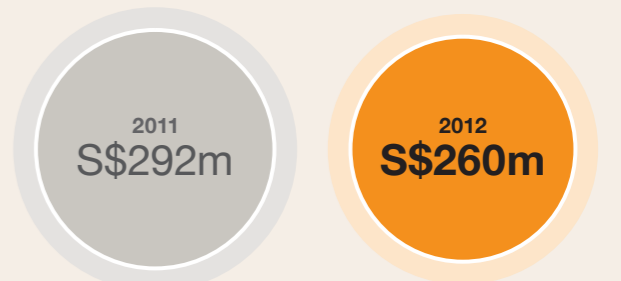
Cash Distribution



Capital Expenditure

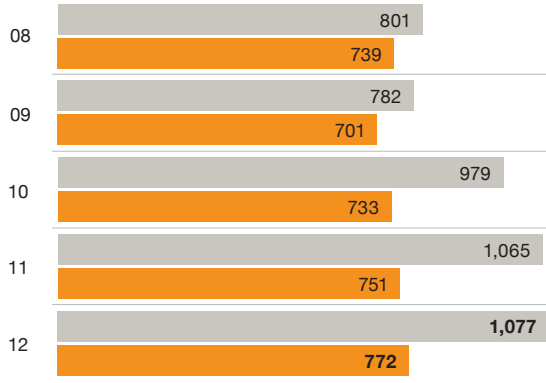


Net Debt



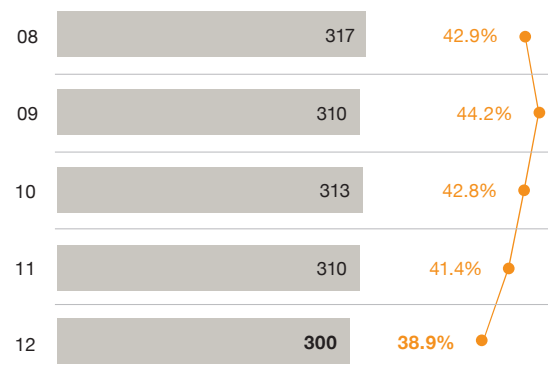
Performance Highlights

Operating Revenue and Service Revenue



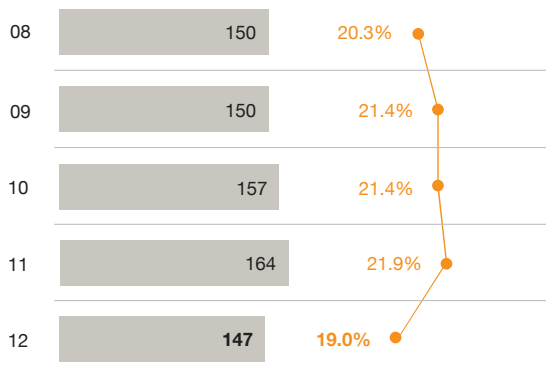
Operating revenue (\$m)
Service revenue (\$m)

EBITDA



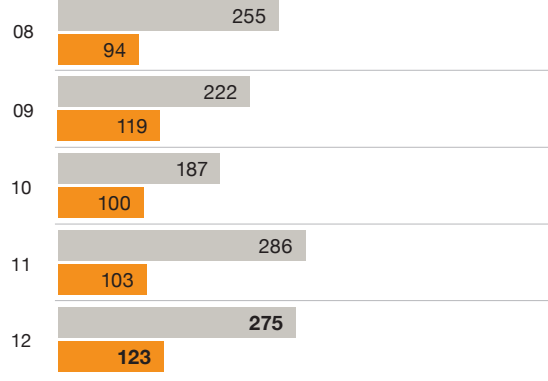
EBITDA (\$m)
EBITDA margin on service revenue (%)

Net Profit After Tax



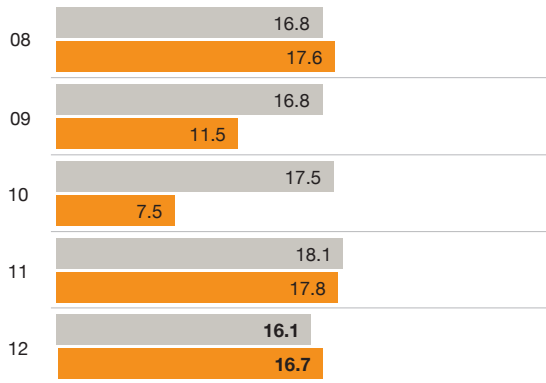
Net profit after tax (\$m)
Net profit after tax margin on service revenue (%)

Cash Flow and Capital Expenditure



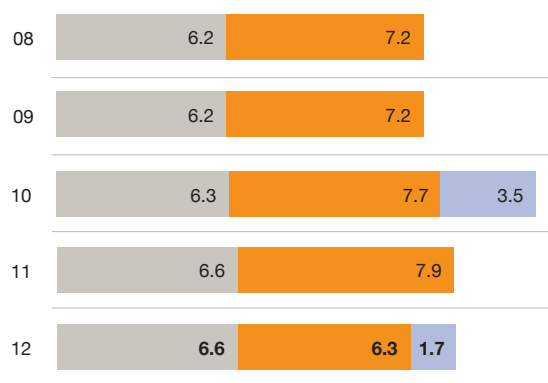
Net cash flow from operating activities (\$m)
Capital expenditure (\$m)

Earnings and Free Cash Flow per Share



Earnings per share (basic) (cents)
Free cash flow per share (cents)

Cash Distribution per Share (Declared)



Interim dividend (cents)
Final dividend (cents)
Special dividend (cents)

Operating Highlights	2012	2011	Change (%)
Mobile Telecommunications			
Number of mobile customers ('000)			
Postpaid	1,095	1,046	4.7
Prepaid	1,014	969	4.7
Total	2,109	2,015	4.7
Market share ¹ (%)			
Postpaid	25.7	26.0	-
Prepaid	26.7	26.0	-
Overall	26.1	26.0	-
Singapore mobile penetration rate ¹ (%)	151.8	149.6	-
Average revenue per user (ARPU, S\$ per month)			
Postpaid (excludes Data plan)	62.7	63.8	-1.7
Postpaid (excludes Data plan and adjusted) ²	52.8	54.6	-3.3
Data plan	23.2	22.2	4.5
Prepaid	15.4	13.7	12.4
Non-voice services as a % of service revenue	37.6	35.6	-
Average monthly churn rate (%)	1.3	1.3	-
Acquisition cost per postpaid customer (S\$)	371	342	8.5
Fixed Services			
Number of fibre customers ('000)	52	22	138.6
ARPU (Fibre residential, S\$ per month)	44.6	45.5	-2.0

¹ Based on IDA statistics as at December 2012

² After adjustment for ARPU offset against handset subsidy

Financial Highlights	2012	2011	Change (%)
Operating revenue (S\$m)	1,076.8	1,064.9	1.1
Mobile telecommunications	607.0	587.4	3.3
International call services	116.5	124.8	-6.7
Fixed services	48.1	38.3	25.7
Handset sales	305.2	314.4	-2.9
EBITDA (S\$m)	299.9	310.4	-3.4
Net profit after tax (S\$m)	146.5	164.1	-10.7
Free cash flow (S\$m)	152.3	161.3	-5.5
Net assets (S\$m)	347.9	322.6	7.8
Net debt (S\$m)	260.4	291.5	-10.7
Financial ratios			
Net debt/equity (x)	0.7	0.9	-17.1
Net debt/EBITDA (x)	0.9	0.9	-7.5
EBITDA/interest (x)	54.4	52.1	4.4
ROE (%)	43.7	52.5	-
ROCE (%)	24.4	27.3	-

Note: Figures may not add up due to rounding

Letter to Shareholders

M1 has been setting the pace in empowering our customers in the digital world. We launched Southeast Asia's first nationwide 4G service in September 2012. Coupled with the launch of attractive 4G devices, we signed up 43,000 4G customers within a month of launch.

We are living in a new digital era today.

In the last few years, the availability and consumption of digital content have surged significantly, driven by new technologies, platforms and players. Many sectors such as government, healthcare, transport, education and entertainment are exploring new digital applications and services to improve productivity and drive progress. From taking an order on a tablet in a restaurant to real-time news notification on your mobile phone, we are evolving into a smart and connected world where nearly every electronic device will soon be, if not already, connected to the Internet.

M1 has been setting the pace in empowering our customers in the digital world. We launched Southeast Asia's first nationwide 4G service in September 2012. Coupled with the launch of attractive 4G devices, we signed up 43,000 4G customers within a month of launch. With 4G service, customers enjoy ultra-fast mobile broadband speeds and access to rich multimedia applications on-the-go.

M1's 4G service, the latest of our many industry "firsts" over the years

including nationwide 3G commercial service, mobile broadband service and Next Generation Nationwide Broadband Network (NGNBN) fibre service, came about not by chance, but because of our commitment to seek innovation and continual investment in our networks. Through our concerted efforts, we enable our customers to be better connected and to accomplish more, at work and at play.

Financial results

Financial year 2012 ended on a positive note.

While full year net profit after tax of S\$146.5 million for 2012 was 10.7% lower year on year due to increased competition, our fourth quarter net profit after tax grew 14.4% quarter on quarter to S\$37.9 million, reversing the declines seen in the previous quarters.

FY2012 service revenue grew 2.8% to S\$771.6 million, driven by growth in mobile customer base and higher contributions from fixed services. Fixed services revenue increased 25.7% to S\$48.1 million, as we continued to champion fibre services and drive take-up in both the residential and corporate segments.

With higher smartphone and tablet penetration, non-voice services as a percentage of service revenue grew 2.0 percentage points to 37.6% of service revenue. As at end-2012, smartphone customers accounted for 75% of total postpaid customer base, compared to 67% a year ago.

Free cash flow for FY2012 remained healthy at S\$152.3 million. As at end-2012, net debt decreased S\$31.1 million to S\$260.4 million and we maintained a strong balance sheet with net debt-to-EBITDA ratio at 0.9x.

Performance highlights

Despite increased competition, we continued to grow our core mobile customer base, adding 94,000 customers over the course of the year. As at end-2012, M1 had 1.1 million postpaid customers and 1.0 million prepaid customers. We signed up 146,000 customers on our new nationwide 4G network, which was launched in September, and this strong take-up was driven by an improved mobile experience, attractive 4G devices and competitively priced service plans.

New mobile service plans with tiered data bundles were also introduced in September. With customers paying for what they use, the experience of the majority of our customers will not be affected by the minority of heavy data users and this will improve the overall mobile data usage experience.

In the fixed segment, we continued to champion fibre broadband services and added 30,000 fibre customers during the year. Leveraging on our existing assets, including a well-established M1 brand, superior customer service and strong retail presence, we were able to build our fibre market share on the NGNBN to around 20% in two years.

Over the year, M1 continued to receive a number of accolades and awards. Our new brand campaign “The World’s Different with A Friendly Telco” won the coveted Gold award for Excellence in Integrated Marketing (Consumer) at the Marketing Excellence Awards. We also led in the Customer Satisfaction Index¹ (CSISG) for the mobile telecom sector, for the third consecutive year. On the retail front, our Changi Airport Terminal 3 M1 Shop outlet was honoured with the

airport’s Outstanding Outlet Award, for going the extra mile for our customers.

Outlook

With Singapore’s mobile penetration rate at 151.8%² and residential broadband penetration rate at 107.3%² as at end-December 2012, competition in the marketplace is likely to remain keen in 2013.

Nevertheless, M1 is well-positioned to grow.

Over the years, M1 has made significant investments in service excellence initiatives and in our networks, and we will continue to enhance these areas to improve our customers’ experiences.

In our core mobile business, data usage will continue to grow, driven by increasing digitisation of our daily work and personal lives. We are poised to capitalise on the increasing adoption of smart devices and data services, with our nationwide 4G network and tiered data service plans.

Fixed services remain a growth segment for M1.

¹ The CSISG, first launched in 2008, is a comprehensive, independent qualitative multi-sector study on customer service developed by the Singapore Workforce Development Agency and the Singapore Management University’s Institute of Service Excellence

² Based on Infocomm Development Authority’s published statistics available at the time of submission

Letter to Shareholders

As we progress to achieve our business objectives, we remain committed to playing a positive role in the well-being of our staff, the community and towards environmental sustainability.

With nationwide coverage of the NGNBN, increased awareness and as customers complete their existing contract commitments progressively, the adoption of fibre services is likely to accelerate in 2013. M1 will build on the momentum to further entrench our position in the fixed space. Revenue and margin for fixed services will likely improve as we continue to grow our customer base.

As part of our commitment to continually invest in our network infrastructure, we are in the process of expanding and upgrading our 3G and 2G mobile networks. This includes the implementation of a 3G network layer utilising the 900MHz spectrum band and a femtocell solution, to further enhance our network coverage. We are also expanding and upgrading our microwave backhaul transmission network to add capacity to support future data traffic growth. Last but not least, we will be deploying the latest network solutions to further enhance the resiliency of our core and radio networks.

To support our needs as a dynamic full-service operator, we commenced a major upgrade to our Billing & Customer Care system in 2012. The first phase of this upgrade, to be completed this year, will enable us to be more responsive to customer needs. The entire project, when completed by 2014, will further

streamline our business operations and enhance interaction with customers.

Corporate social responsibility

As we progress to achieve our business objectives, we remain committed to playing a positive role in the well-being of our staff, the community and towards environmental sustainability.

In 2012, we continued to invest in people development, promote work-life balance and ensure workplace health and safety.

Our community engagement programmes remained in the areas of the arts, sports and charities supporting children causes. As always, M1's employees complemented the Group's efforts by investing their personal time and passion in activities, ranging from helping out at fund-raising events for adopted charities to organising fun-filled activities such as cake-baking and ice skating sessions, for the underprivileged children.

Through our annual M1 Charity Golf and M1 Charity Carnival fund-raising events, we raised more than S\$300,000 for our adopted charities in 2012.

M1 was presented with the Distinguished Patron of the Arts Award 2012 from the National Arts Council, for the 12th consecutive year, in recognition of our support for the arts including the annual M1 Fringe Festival and two leading

contemporary dance companies – T.H.E Dance Company and Frontier Danceland.

Environmental sustainability is a continuous journey and we are committed to doing our part in reducing the environmental impact of our business operations. One such initiative was the installation of solar panels at our offshore base station at Raffles Lighthouse in 2012, which reduced the station's diesel consumption by 53% a year. We will continue to explore initiatives for the use of renewable energy where feasible.

Distribution to shareholders

The Board of Directors has proposed a final dividend of 6.3 cents and a special dividend of 1.7 cents, representing a payout of 90% of our full year net profit after tax. The full year dividend payout for FY2012 is comparable to the previous year.

In 2012, the increase in M1's share price, together with dividends paid out, resulted in a total shareholders' return of 14.2%, compared to 14.0% for 2011.

Going forward, M1 will continue to pursue a long-term sustainable capital distribution policy.

A note of appreciation

In closing, we would like to thank M1's customers, shareholders and business partners for their continued support, our Board of Directors for their invaluable and unstinting guidance, as well as our staff for their commitment and hard work.

There are exciting times ahead and we have every confidence in our people to drive our business forward together and deliver long-term value for all stakeholders.



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Chief Executive Officer

Operating and Financial Review



With a continual focus on network quality, customer service, value and innovation, M1 links anyone and anything; anytime, anywhere.



Company overview

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2.0 million customers.

Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN).

With a continual focus on network quality, customer service, value and innovation, M1 links anyone and anything; anytime, anywhere.

The Group holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocomm Development Authority of Singapore (IDA), for the provision of telecommunication systems and services, as well as a Telecommunication Dealer's Class Licence. We also hold Internet Access Service Provider and IPTV licences issued by the Media Development Authority.

We operate nationwide 4G, 3G/High Speed Packet Access (HSPA) and 2G mobile networks. Our networks, capable of download speeds of up to 75Mbps and upload speeds of up to 37.5Mbps, provide customers a wide range of voice, data and value-added services.

We offer customers service plans with a choice of data bundles to meet their varied needs.

For international call services, we offer mobile and fixed-line customers International Direct Dial (IDD) services using prefixes 002 and 021, and an International Calling Card service using prefix 1818. M1 also trades wholesale voice minutes with other international and local service providers.

In the fixed services segment, M1 offers residential customers a range of broadband services with speeds ranging from 10Mbps to 1Gbps, including fixed voice and other value-added services.

For corporate customers, we provide an extensive suite of connectivity, managed and data centre services, as well as cloud-based solutions such as enterprise software as a service. These enterprise services are supported by specialised teams who also provide customers with seamless migration from their legacy networks to the NGNBN.

The following are key milestones in our history:

- Commercial launch of mobile services in April 1997;
- Achievement of 10% mobile market share within one month of launch, and profitability in the first full year of operations in 1998;

- Listing on the Singapore Exchange in December 2002; and
- First operator in Singapore to launch:
 - 3G mobile services commercially in February 2005;
 - Islandwide mobile broadband services in December 2006;
 - Fibre services commercially on the NGNBN in September 2010;
 - Mobile broadband service on our 4G network in June 2011;
 - Nationwide 4G service in September 2012.

Operating revenue for FY2012 increased 1.1% to S\$1,076.8 million, driven by higher service revenue which grew 2.8% to S\$771.6 million. On a segmental basis, mobile telecommunications revenue increased 3.3% to S\$607.0 million, while fixed services revenue increased 25.7% to S\$48.1 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) was S\$299.9 million, representing a margin of 38.9% on service revenue.

Operating and Financial Review



M1's nationwide 4G network gives our customers unparalleled access to rich multimedia applications such as high definition video streaming and online games, as well as faster access to enterprise and cloud applications for our corporate customers.

Non-voice Services

37.6%

of service revenue,
up 2.0% from 35.6% in 2011

Net profit after tax decreased 10.7% to S\$146.5 million, with margin on service revenue at 19.0% compared to 21.9% in the previous year. Free cash flow was S\$152.3 million.

As at 31 December 2012, M1 had a total of 2,109,000 mobile customers, comprising 1,095,000 postpaid and 1,014,000 prepaid customers. This represents an overall market share of 26.1% of the Singapore mobile customer base. In the fibre broadband segment, M1 had 52,000 customers, an increase of 30,000 from the year before.

Market developments

According to IDA's published statistics as at 31 December 2012, Singapore's mobile penetration rate was 151.8%, a 2.2 percentage points increase compared to the previous year. Out of a total of 8,062,800 mobile subscriptions, 4,265,700 or 52.9% were postpaid customers, and 3,797,100 or 47.1% were prepaid customers.

For the fixed broadband market, the residential broadband penetration rate rose 2.9 percentage points to 107.3% as at 31 December 2012. Over the year, cable and digital subscriber line customers fell by 6.0% to 638,500 and 18.3% to 443,000 respectively, while residential and corporate fibre customers increased by 183.1% to 279,100.

In September 2012, M1 launched Singapore's first nationwide 4G mobile service, offering our customers download speeds of up to 75Mbps and upload speeds of up to 37.5Mbps on a variety of smartphones, tablets and other devices. Popular 4G devices launched include the Apple iPhone 5, Samsung Galaxy S III LTE, Samsung Note 2 LTE and fourth generation Apple iPads. Customers' reception to our 4G service has been positive since the launch and as at end-2012, M1 remained the only Singapore operator with nationwide 4G coverage.

M1 also introduced new mobile service plans with tiered data bundles in September 2012. These plans cater to our customers' different data usage requirements and reduce the impact of a minority of heavy data users affecting the experience of the majority of our customers. This will improve the overall mobile Internet experience and allow us to better manage our customers' bandwidth usage against limited network resources.

Postpaid mobile

The mobile segment remains M1's core business and the key contributor to our operating revenue. Over the year, our postpaid customer base grew by 49,000 to 1,095,000. This segment, which made up 51.9% of our total mobile customer base, contributed 87.2% of our mobile telecommunications revenue in 2012.

Smartphones and tablet penetration continued to grow last year, with smartphone users making up 75% of our postpaid customer base as at 31 December 2012, an 8 percentage points increase from 67% in 2011. Contribution from non-voice services increased to 37.6% of service revenue in 2012, compared to 35.6% in 2011.

M1's nationwide 4G network, launched on 15 September 2012, gives our customers unparalleled access to rich multimedia applications such as high definition video streaming and online games, as well as faster access to enterprise and cloud applications for our corporate customers. We were also the first operator to introduce a 4G roaming service and by end-2012, our customers travelling to Hong Kong and South Korea were able to enjoy 4G roaming.

A week before the launch of our nationwide 4G service, live demonstrations were held at our Paragon M1 Shop outlet to allow customers to experience the benefits of faster access speeds.

In conjunction with our 4G launch, we introduced new smartphone and mobile broadband service plans for both 4G and 3G customers. These plans come with tiered data bundles of 2GB to 12GB per month, with excess data usage priced affordably.

Throughout the year, M1 worked closely with various device manufacturers to bring in their latest handsets and tablets so as to provide customers with a wide range of choices.

On 29 May 2012, we held a special launch event for the Samsung Galaxy

S III, at which more than 400 sets were sold within three hours. On 21 September 2012, the Apple iPhone 5, which is compatible with our 4G network, was made available at our M1 Shop outlets and exclusive distributors. This was followed by the launch of the Samsung Galaxy S III LTE and Samsung Galaxy Note 2 LTE handsets. During the fourth quarter, we also saw the launch of several 4G tablets, such as the Apple iPad mini, the fourth generation Apple iPad and the Samsung Galaxy Note 10.1 LTE.

The enhanced user experience on our 4G network, and the timely introduction of these highly-anticipated 4G devices shortly after the launch of our 4G service, accelerated adoption and enabled M1 to sign up 146,000 4G postpaid customers by 31 December 2012.



Operating and Financial Review



Fibre Customers

52,000

up 138.6% from 22,000 in 2011

Prepaid mobile

The prepaid mobile segment continued to be highly competitive in 2012. During the year, we grew our prepaid customer base by 45,000 to 1,014,000, driven by various marketing campaigns and promotions. These include:

- The introduction of a new Super \$55 top-up denomination, and an increased activation bonus on our M Card with every \$18 top-up;
- Launch of M1's prepaid BlackBerry service to cater to the needs of inbound visitors. There are four service plans with prices ranging from S\$5 for a one-day plan, to S\$20 for 30 days;
- Singapore's first prepaid nanoSIM card, which was made available as a standalone product, as well as bundled with the then-newly launched Apple iPhone 5;
- A prepaid SunSurf data plan giving smartphone users an attractive pay-as-you-use prepaid option, with 1GB of data usable over seven days for S\$7.

Over the year, we also stepped up our outreach efforts to several nationality segments, such as Indonesians and Filipinos, with targeted IDD rate revisions, sponsorships and roadshow promotions.

Fixed services

With the NGNBN achieving 95% coverage in 2012, fibre services continued to gain traction with both residential and corporate customers.

Over the year, M1 worked with various stakeholders to streamline the NGNBN fibre service activation process, and added 30,000 customers to bring our total fibre customer base to 52,000.

Our residential fibre packages include benefits such as having no cap on international bandwidth and complimentary fixed voice service with unlimited local calls. To complement our existing remote technical assistance service, we introduced an on-site technical support service in May 2012. As part of this value-added service, M1 technicians will help residential fibre customers set up or troubleshoot their home broadband network.

Several new fibre services designed to cater to the needs of customers with specific requirements were made available in 2012. These include a fibre plan on a shorter 12-month contract, dedicated plans for online gaming enthusiasts, and a special promotion for senior citizens with complimentary installation and technical support services for their home network.

Over the year, M1 worked with various stakeholders to streamline the NGNBN fibre service activation process, and added 30,000 customers to bring our total fibre customer base to 52,000.

Singapore's quarterly computer and consumer electronics shows – the IT Show, the PC Show, Comex and Sitex – saw a strong M1 presence with attractive offers and promotions for our fixed services. We also participated in The Games Xpo show in September 2012 to promote our GamePro service.

In the corporate space, we continued to expand our suite of enterprise fixed services. In addition to our existing network migration, cloud and managed services offerings, a number of new services were introduced in 2012, including enterprise software as a service and mobile device management services. In November 2012, we achieved the ISO/IEC 27001:2005 certification (Information Security Management) for the provision of our cloud services. The ISO/IEC 27001:2005 certification's stringent security controls and regulatory compliance requirements enhance our offerings to customers operating in regulated industries including government agencies and financial institutions.

Products and services

We launched the following exciting and innovative services in 2012:

- **GamePro fibre broadband plans:** This fibre service, specially designed to cater to the needs of the online gaming enthusiast community, offers faster speeds and a lower latency connection to enhance our customers' online gaming experience;
- **M1 Prepaid MasterCard:** Singapore's first telecommunications-related multipurpose prepaid card rewards customers with a 10% bonus to M Card top-ups. The M1 Prepaid MasterCard, a Merit Award winner at the Singapore Ministry of Transport Awards 2012, can also be used as an EZ Link card and as a credit card for online and contactless payments. More than 5,000 cards are currently in circulation;
- **Roam Buddy mobile data usage alert service:** This service, launched in September 2012, helps customers better manage roaming usage. The free service will send an alert to our customers when their data usage has reached a pre-selected limit;
- **4G service:** Our dual-band nationwide 4G network, operating in the

1800MHz and 2600MHz spectrum bands, offers street-level and in-building coverage. Customers on this network can enjoy typical download speeds at fixed locations ranging from 10.3Mbps to 21.6Mbps;

- **Smartphone and mobile data plans with tiered data bundles:** M1's smartphone and mobile broadband service plans were revised in conjunction with our 4G service launch. Entry-level plans start with 2GB of bundled data, and re-contracting M1 customers will enjoy an additional 1GB of complimentary data;
- **M1 Learning Centre:** Our dedicated e-learning store for Apple iPads and Android tablets offers 1,500 e-books and 12,000 multimedia titles suitable for a wide range of users, from pre-Primary learners to adults. The e-learning content for pre-Primary, Primary and Secondary school students, is closely aligned with Singapore's educational syllabus. There is also an extensive range of content for adult learners on a variety of topics, such as property investment and self-improvement.

Operating and Financial Review

In 2012, M1 continued to lead in the Customer Satisfaction Index (CSISG) for the mobile telecom industry for the third consecutive year, with a score of 68.0% compared to the industry's average score of 66.3%.

Sales and distribution

As at 31 December 2012, M1 had a network of 14 operator-owned retail shops (M1 Shop), including our flagship Paragon M1 Shop outlet in Orchard Road, and a number of operator-appointed distributor outlets, to serve our customers.

In December 2012, we added our 14th M1 Shop outlet, located at the Causeway Point shopping mall. Customers who prefer the convenience of online shopping have the option of visiting our e-shop (www.m1shop.com.sg), which sells a wide range of mobile devices and accessories. We also have a dedicated enterprise sales team to serve the needs of our corporate customers.

Brand

A new brand campaign, with the theme "The World's Different with A Friendly Telco", was launched in July 2012 to reinforce our strong

customer-centric focus. The integrated campaign was carried on TV, newspapers, outdoor media, as well as new media channels via websites and social media.

This campaign won the Gold Award for Excellence in Integrated Marketing (Consumer) at the Marketing Excellence Awards in November 2012. The Marketing Excellence Awards is Singapore's premier accolade that recognises excellence in marketing communications in the services industry. M1's win is testament to the innovativeness and success of our brand campaign last year.

The M1 brand received a further boost with the launch of our nationwide 4G network in September 2012. Leveraging on the same theme, our 4G campaign showcased M1's ultra high-speed nationwide network and the new possibilities that higher speeds can bring to customers.

Customer service

In 2012, M1 continued to lead in the Customer Satisfaction Index¹ (CSISG) for the mobile telecom industry for the third consecutive year, with a score of 68.0% compared to the industry's average score of 66.3%. Our M1 Shop at Changi Airport Terminal 3 also won an Outstanding Outlet Award in the third quarter of 2012. The Award, given out by airport operator Changi Airport Group, recognises retail outlets that have gone the extra mile for customers.

During the year, we invested in staff training, customer support services such as our new on-site technical support service, and process improvements with the upgrade of our Billing & Customer Care system. These initiatives have further enhanced our ability to serve customers.

¹ The CSISG, first launched in 2008, is a comprehensive, independent qualitative multi-sector study on customer service developed by the Singapore Workforce Development Agency and the Singapore Management University's Institute of Service Excellence



Network

In the lead-up to the introduction of our nationwide 4G network in September 2012, we progressively expanded our 4G coverage sites, and conducted extensive network optimisation and detailed interoperability tests on a variety of smart devices.

This groundwork led to the successful launch of Southeast Asia's first nationwide 4G service, which offers typical download speeds of 10.3Mbps to 21.6Mbps at fixed locations.

During the year, we continued to optimise and enhance our networks to add capacity, increase coverage and further strengthen resiliency.

The capacity of our 3G and HSPA networks were expanded, to support customers' growing mobile data requirements. We also completed the deployment of our new International Gateway softswitch in the first half of

2012 to enable faster and more flexible traffic routing for international links and connectivity.

Our backhaul transmission network, which comprises fibre rings and high capacity microwave radio links, was further upgraded. This enables us to carry close to 85% of our total backhaul traffic on our own network as at end-2012, thereby increasing our self-provisioning capability and containing our operating expenses.

In the fixed segment, we added more capacity to our active and fixed voice networks to cater to growth in our fibre customer base, and further strengthen network resiliency.

Customer Satisfaction Index

68.0%

compared to industry average of 66.3%

Operating and Financial Review

Financial review

Operating revenue

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Operating revenue			
Mobile telecommunications	607.0	587.4	3.3%
International call services	116.5	124.8	-6.7%
Fixed services	48.1	38.3	25.7%
Total service revenue	771.6	750.5	2.8%
Handset sales	305.2	314.4	-2.9%
Total	1,076.8	1,064.9	1.1%

For 2012, M1's operating revenue grew 1.1% to S\$1,076.8 million. Service revenue increased 2.8% to S\$771.6 million, driven by growth in both mobile and fixed customers.

Mobile telecommunications revenue

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Mobile telecommunications revenue			
Postpaid	529.5	509.3	4.0%
Prepaid	77.4	78.1	-0.8%
Total	607.0	587.4	3.3%
Average revenue per user (ARPU, S\$ per month)			
Postpaid	62.7	63.8	-1.7%
Postpaid (adjusted) ¹	52.8	54.6	-3.3%
Data plan	23.2	22.2	4.5%
Prepaid	15.4	13.7	12.4%
Non-voice services as a % of service revenue	37.6%	35.6%	

¹ After adjustment for ARPU offset against handset subsidy

Mobile telecommunications revenue increased 3.3% to S\$607.0 million due to higher postpaid revenue. Segmentally, postpaid revenue was 4.0% higher at S\$529.5 million due to an enlarged customer base. Prepaid revenue decreased marginally by 0.8% to S\$77.4 million due to lower usage.

Non-voice services as a percentage of service revenue increased 2.0% points to 37.6%, driven by higher mobile data revenue from increased take-up of smartphones and mobile broadband devices.

International call services revenue

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
International call services revenue			
Retail revenue	103.9	115.3	-9.8%
Wholesale & bilateral revenue	12.5	9.6	30.9%
Total	116.5	124.8	-6.7%
Total international retail minutes (in millions)	1,186	1,165	1.8%

International call services revenue decreased 6.7% to S\$116.5 million as a result of higher proportion of traffic to lower rated destinations and lower International Calling Card traffic.

Handset sales

Handset sales decreased 2.9% to S\$305.2 million due to lower sales volume and lower average selling price.

Operating expenses

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Cost of sales	515.1	491.9	4.7%
Staff costs	97.4	96.9	0.5%
Advertising and promotion expenses	22.3	26.5	-15.5%
Depreciation & amortisation	111.0	107.1	3.7%
Allowance for bad & doubtful debt	12.9	17.1	-25.0%
Facilities expenses	76.1	69.1	10.1%
Leased circuit costs	31.5	33.9	-7.0%
Other general & administrative expenses	22.2	20.8	7.1%
Total	888.6	863.3	2.9%

Operating expenses increased 2.9% to S\$888.6 million mainly due to higher cost of sales and higher facilities expenses. This was partially off-set by lower advertising and promotion expenses, bad and doubtful debt allowance and leased circuit costs.

Cost of sales

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Handset costs	384.8	365.5	5.3%
Traffic expenses	64.0	64.5	-0.8%
Wholesale costs of fixed services	25.0	21.1	18.5%
Other costs	41.3	40.8	1.2%
Total	515.1	491.9	4.7%

Cost of sales increased 4.7% to S\$515.1 million mainly due to higher handset costs. Handset costs increased 5.3% to S\$384.8 million due to higher average unit cost driven by demand for high-end smartphones. Wholesale costs of fixed services increased 18.5% to S\$25.0 million, driven by increased sign-up of fibre customers.

Operating and Financial Review

Staff costs

Staff costs increased marginally by 0.5% to S\$97.4 million.

Advertising and promotion expenses

Advertising and promotion expenses decreased 15.5% to S\$22.3 million due to lower promotional expenses.

Depreciation and amortisation

Depreciation and amortisation expenses increased 3.7% to S\$111.0 million, as a result of a higher asset base.

Allowance for bad and doubtful debt

Bad and doubtful debt allowance decreased 25.0% to S\$12.9 million due to better debt collection.

Facilities expenses

Facilities expenses increased 10.1% to S\$76.1 million mainly attributed to higher base-station related expenses.

Leased circuit costs

Leased circuit costs decreased 7.0% to S\$31.5 million as traffic was cut over from leased lines to our own backhaul transmission network.

Other general and administrative expenses

Other general and administrative expenses increased 7.1% to S\$22.2 million due to lower foreign exchange gain compared to previous year.

Finance costs

Finance costs decreased 7.5% to S\$5.5 million due to lower short-term borrowings during the year.

Taxation

Provision for taxation increased 10.7% to S\$36.9 million as additional provision was made for deferred taxation due to prior years' under provision.

Net profit after tax

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Net profit after tax	146.5	164.1	-10.7%
Net profit after tax margin (on service revenue)	19.0%	21.9%	

Net profit after tax at S\$146.5 million was 10.7% lower and net profit margin was 19.0%.

EBITDA

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
EBITDA	299.9	310.4	-3.4%
EBITDA margin (on service revenue)	38.9%	41.4%	

EBITDA decreased 3.4% to S\$299.9 million mainly due to higher handset subsidies expensed upfront.

EBITDA margin, as a percentage of service revenue, was lower at 38.9%.

Capital expenditure and commitments

Capital expenditure for 2012 was higher at S\$122.5 million and was mainly incurred on network capacity expansion and coverage enhancement.

Capital commitment as at 31 December 2012 was S\$28.1 million.

Liquidity and capital resources

	Year ended 31 December		
	2012 S\$m	2011 S\$m	YoY Change
Profit before tax	183.4	197.4	-7.1%
Non-cash item and net interest expense adjustments	83.8	73.7	13.8%
Net change in working capital	7.7	14.4	-46.8%
Net cash provided by operating activities	274.9	285.5	-3.7%
Net cash used in investing activities	(121.5)	(124.1)	-2.1%
Net cash used in financing activities	(153.6)	(158.3)	-3.0%
Net change in cash and cash equivalents	(0.2)	3.1	-107.5%
Cash and cash equivalents at beginning of financial period	11.8	8.8	34.8%
Cash and cash equivalents at end of financial period	11.6	11.8	-2.0%
Free cash flow ¹	152.3	161.3	-5.5%

¹ Free cash flow refers to net cash provided by operating activities less current year capital expenditure and payment for spectrum rights

Operating cash flow decreased 3.7% to S\$274.9 million mainly due to increased working capital requirements. As a result, free cash flow was 5.5% lower at S\$152.3 million.

Financial leverage

As at end December 2012, M1's gearing ratio was 74.8% compared to 90.3% as at end December 2011. Interest coverage ratio (EBITDA/Interest) was 54.4x for 2012, higher than 52.1x for 2011.

Board of Directors



Teo Soon Hoe, 63
Chairman

Mr Teo was appointed to M1's Board of Directors on 7 May 1996. He was appointed as the Chairman of M1 on 1 March 2009. He is Senior Executive Director of Keppel Corporation Limited.

Mr Teo is the Chairman of Keppel Telecommunications & Transportation Ltd and Keppel Philippines Holdings Inc. In addition, he is a Director of several other companies within the Keppel Group, including Keppel Land China Limited and k1 Ventures Limited. He is a member of the Wharton Society of Fellows, University of Pennsylvania.



Karen Kooi Lee Wah, 58
Chief Executive Officer

Ms Kooi was appointed as Chief Executive Officer and Executive Director of M1 on 22 April 2009. Ms Kooi was also the Acting Chief Executive Officer of M1 from 1 February 2009 to 22 April 2009.

Ms Kooi joined M1 as Chief Financial Officer in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Ms Kooi held various senior financial positions in large public listed companies, including Singapore Press Holdings

Limited and City Developments Limited. She has over 30 years of experience in General and Financial Management.

Ms Kooi is a Fellow of the Association of Chartered Certified Accountants (UK) and holds a Master of Business Administration degree in Investment and Finance (Distinction) from the University of Hull in the UK.



Roger Barlow, 63

Mr Barlow was appointed to M1's Board of Directors on 22 May 2002. Mr Barlow is Chairman and founder of RJB Consultants Limited, a telecommunications consultancy company operating in Asia and based in Hong Kong. He advises clients on many aspects of telecommunications with a focus on Southeast Asia. Mr Barlow is also an independent director of Planet, a wireless broadband service provider in Laos.

Mr Barlow was formerly Director of Global Communications Services at PCCW Limited in Hong Kong.

Other past appointments include posts in Reach Ltd in Hong Kong, Cable & Wireless plc in London and Vietnam (where he was Chief Executive Officer of Cable & Wireless Vietnam), and Hong Kong Telecom Limited. Mr Barlow had also been a Director of Great Eastern Telecommunications Ltd and Compunet Corporation in Thailand, and an alternate Director of Reach Ltd and Hong Kong CSL Limited, a leading mobile operator in Hong Kong.



Chow Kok Kee, 61

Mr Chow was appointed to M1's Board of Directors on 16 February 2009. He is Managing Director of ACTA Investment & Services Pte Ltd, which provides business and financial-related services to companies.

Mr Chow has more than 15 years of extensive experience in the financial services industry. Mr Chow is a fellow of the Singapore Institute of Directors, member of the Institute of Engineers, Australia and an associate of the Institute of Chartered Secretaries and Administrators, UK. He worked in the government administrative service for 6 years from 1976, holding management

positions in the Ministries of Defence and Education before joining DBS Bank in 1982. He was Senior Vice President of International and Correspondent Banking at DBS Bank.

A Colombo Plan Scholar, he holds a first class honours Bachelor of Engineering degree and a Bachelor of Commerce degree from the University of Newcastle, Australia, and an MBA from the National University of Singapore.



Jamaludin Ibrahim, 53

Dato' Sri Jamaludin Ibrahim was appointed to M1's Board of Directors on 21 August 2008. He is the Managing Director/President and Group Chief Executive Officer of Axiata Group Berhad ("Axiata").

Prior to his appointment at Axiata, Dato' Sri Jamaludin Ibrahim was the Group Chief Executive Officer of Maxis. He joined Maxis in 1997 and spent 10 years there before he stepped down as Group Chief Executive Officer. He continued to serve on the Maxis Board until February 2008. Prior to joining Maxis, Dato' Sri Jamaludin Ibrahim spent 16 years in the information technology

industry. He was the Managing Director and Chief Executive Officer of Digital Equipment Malaysia Sdn Bhd from 1993 to 1997. Before that, he was with IBM Malaysia from 1981 to 1993.

Dato' Sri Jamaludin Ibrahim graduated in 1978 from California State University, US, with a Bachelor of Science in Business Administration. He obtained his MBA from Portland State University, Oregon in 1980. Dato' Sri Jamaludin Ibrahim is the Chairman of Celcom Axiata Berhad, and a Board Member of PT XL Axiata Tbk in Indonesia. He is also a Board Member of the GSMA (the global World GSM Association).

Board of Directors



Kannan Ramesh, 47

Mr Ramesh was appointed to M1's Board of Directors on 11 February 2011. He is the Managing Partner of a law firm, Tan Kok Quan Partnership, where he heads the Litigation and Dispute Resolution, and Insolvency and Restructuring practice groups. He was appointed Senior Counsel on 6 January 2012 by the Senior Counsel Selection Committee of the Singapore Academy of Law.

Mr Ramesh is a Director of Singapore Aerospace Manufacturing Pte Ltd, which is a member company of the Singapore

Technologies Group. He is also a Director and Fellow of the Insolvency Practitioners Association of Singapore, as a nominee of the Law Society of Singapore.

Besides being a founder member of the International Insolvency Institute, which is based in New York, Mr Ramesh is also a member of INSOL International.



Low Huan Ping, 56

Mr Low was appointed to M1's Board of Directors on 1 September 1994. He is also the Executive Vice President (Technology) of Singapore Press Holdings Limited.

He is currently serving on the Board of iFast Corporation Pte Ltd, Shareinvestor.com Holdings Ltd, MediaCorp Press Ltd and MediaCorp TV Holdings Pte Ltd.

Mr Low holds a Bachelor of Arts (Honours) and Master of Arts from Cambridge University, where he read

Engineering and a Master of Science from the National University of Singapore. He also graduated from Harvard Business School's Advanced Management Program.



Alan Ow Soon Sian, 66

Mr Ow was appointed to M1's Board of Directors on 16 February 2009. He is a Tax-Consultant/Non-Legal Practitioner with KhattarWong LLP, a law firm.

Mr Ow has extensive years of experience in the tax industry. He was the Senior Deputy Commissioner of IRAS and Chief Executive Officer of the Tax Academy of Singapore until 30 November 2007. He holds a Bachelor of Social Sciences Degree (Honours) from the University of Singapore. He also attended the International Tax Program in Harvard Law School and the Advanced Management Program in Harvard Business School.

Mr Ow is the recipient of several Public Administration Medals (Bronze – 1981, Silver – 1985 and Gold – 1997).



Reggie Thein, 72

Mr Thein was appointed to M1's Board of Directors on 8 November 2002. He is also Chairman of the Audit Committee and a member of the Nominating Committee and Risk Committee. He is a Director of United Overseas Bank Limited, and a board member and Chairman of the audit committee of several listed companies in Singapore, among them Haw Par Corporation Limited, GuocoLand Limited, GuocoLeisure Limited (formerly known as BIL International Limited), FJ Benjamin Holdings Ltd and Otto Marine Limited. He is also a Director of Energy Support Management Pte Ltd.

Mr Thein is a Fellow of the Institute of Chartered Accountants in England and Wales and member of the Institute of Certified Public Accountants of Singapore. Mr Thein was previously a Senior Partner of PricewaterhouseCoopers; Vice-Chairman of Coopers & Lybrand and Managing Partner of its management consulting services firm. In 1999, Mr Thein was awarded the Public Service Medal by the President of Singapore.

Senior Management



Karen Kooi Lee Wah
Chief Executive Officer

Please see profile on page 28.



Patrick Michael Scodeller
Chief Operating Officer &
Chief Technical Officer

Mr Scodeller joined M1 in August 1995. In January 2013, he was appointed as Chief Operating Officer responsible for the day-to-day activities of the main operational support functions, departments and infrastructure within M1, namely Engineering, Information Systems, Customer Service and Product Development. He was a key member of the senior management team that planned, built and launched M1's networks from inception.

He has over 32 years of experience in the telecommunications industry, including various positions held with Telkom in South Africa, Cable and Wireless plc in the UK, Hong Kong (with Hong Kong Telecom CSL Limited) and in Malaysia.

Mr Scodeller is an Incorporated Engineer and a Member of the Institution of Engineering and Technology. He is a member of the Board of Wireless Intellect Labs Pte Ltd, and currently the Chairman and a member of the Board of Singapore Internet Exchange Limited.



Lee Kok Chew
Chief Commercial Officer

Mr Lee joined M1 in August 2007 as Director, Business Development & Strategic Planning. He assumed responsibility as Head of Finance in April 2009 and was appointed as Chief Financial Officer in May 2010.

In January 2013, he was appointed as Chief Commercial Officer to provide added focus on corporate strategy and commercial initiatives to drive business growth while retaining his responsibility over Finance.

He was previously with Singapore Press Holdings Limited for 14 years and held various positions in Sales, Finance and Operations. His last appointment prior to joining M1 was Chief Operating Officer of SPH Magazines Pte Ltd.

Mr Lee holds a Master of Business Administration degree and a Bachelor of Science (Honours) degree from the National University of Singapore.



Poopalasingam Subramaniam
Chief Marketing Officer

Mr Subramaniam joined M1 in October 1999 and heads the Consumer, Enterprise Sales, and Marketing Communications functions. He also oversees the Company's distribution network, comprising both M1 Shop outlets and exclusive distributors.

With over 20 years of local and regional sales and marketing experience in telecommunications, media and fast moving consumer goods, Mr Subramaniam began his career at the Telecommunications Authority of Singapore and worked at New Zealand Milk Products (S) Pte Ltd and Singapore Press Holdings Limited before joining M1.

Mr Subramaniam holds a Bachelor of Business Administration (Honours) degree from the National University of Singapore and a Bachelor of Law (Honours) degree from the University of London.



Alan Goh
Chief Information Officer

Mr Goh joined M1 in March 2011. He helms the Information Systems department in M1 and is responsible for the overall information technology strategy, planning, implementation and operations of M1's technology infrastructure and application systems. These systems support business activities across sales, customer care, billing, payments, and call centre functions.

Mr Goh holds a Bachelor of Science degree in Computer Science from the National University of Singapore.

Prior to M1, he spent 14 years in the consulting business, with most of that time focusing in the Communications and Media industries.



Terence Teo Hoon Beng
Director, Customer Service

Mr Teo joined M1 in March 1998 and heads the Customer Service department. He has more than 20 years of experience in service and operations management.

Prior to joining M1, he was Vice-President of Operations at Citibank, Card Operations Manager at Standard Chartered Bank and Customer Service Manager at American Express International Inc. Mr Teo holds a Bachelor of Business Administration degree from the University of Singapore.

Senior Management



Lim Sock Leng **Director, Human Resource & Corporate Development**

Ms Lim joined M1 in October 1995. She is in charge of the Human Resource, Regulatory and Risk Management departments.

Prior to joining M1, Ms Lim was with the Administrative Service of the Singapore Civil Service, involved in policy making, financial control and planning, and has held positions in various Ministries including the Ministry of Home Affairs, the Ministry of Finance and the Ministry of Communications.

Ms Lim obtained a Bachelor of Arts (Honours) degree in Economics from the University of Tasmania, Australia, on a Colombo Plan Scholarship.



Anil Sachdev **Director, Legal Services**

Mr Sachdev joined M1 in July 2007 as Head of Legal Services.

Mr Sachdev graduated from National University of Singapore in 1991 with an LLB (Honours). He was called to the Singapore Bar in 1992 and to the Bar of England and Wales in 2004. Mr Sachdev enjoyed a legal career in private practice in top law firms including Drew & Napier and Rajah & Tann, as well as in-house practice in Neptune Orient Lines. He has a background in both litigation and corporate transactions.

Prior to joining M1, Mr Sachdev was Vice President and Head, Legal at American Eagle Tankers, a global tanker shipping company with a significant presence in Asia, US and Europe.



Alex Tan **Director, Enterprise Services**

Mr Tan joined M1 in October 2009 and is in charge of the Enterprise Product Development and Sales Support department.

Prior to joining M1, he was one of the Managing Directors and owners of QALA Singapore Pte Ltd and the QMax group of companies. While leading the group operations at QALA and QMax, he was responsible for the first commercial WIMAX service in Singapore as well as the islandwide deployment of Wi-Fi coverage in Singapore under the Wireless@SG initiative by the Infocomm Development Authority (IDA) of Singapore.

With over 13 years of industry and operational experience in data and telecommunications products and services, Mr Tan has played major roles in various national telecommunications projects initiated by government agencies such as the Maritime Port Authority of Singapore, Ministry of Education and IDA.



Koh Ann Huat
Director, Procurement & Facilities Management

Mr Koh joined M1 in August 1997 and has since held various positions in the Finance, Sales & Marketing, Information Systems and Engineering departments. He is currently responsible for the centralised Procurement function, SIM and Number Management as well as Facilities Management.

Prior to joining M1, Mr Koh was with the Defence Science & Technology Agency for 5 years. Mr Koh holds a Bachelor of Engineering (Honours) degree from the Nanyang Technological University.



Ivan Lim
Director, Corporate Communications & Investor Relations

Mr Lim joined M1 in December 2002 and has held positions in the Finance and Business Development departments before taking on his current appointment as Head of Corporate Communications & Investor Relations in January 2011.

Prior to joining M1, he was an Investment Analyst for over 4 years, with various companies including Indosuez WI Carr Securities and OCBC Securities. Mr Lim holds a Bachelor of Science degree in Economics from the National University of Singapore and is a Chartered Financial Analyst.



Chan Weng Keong
Director, Management Assurance Services

Mr Chan joined M1 as Head of Management Assurance Services in January 2006. He has over 15 years' work experience with J.P. Morgan, Ernst & Young Chartered Accountants, Standard Chartered Bank, The Singapore Exchange and Oversea-Chinese Banking Corporation Limited. Based in London, Singapore and Japan, he held various international and local roles with these organisations covering areas such as back office regionalisation, operational reviews, systems consultancy, business solution design and methodology development, investigations, external and internal audits. He has also performed reviews on behalf of the Bank of England and The National Audit Office in the UK.

Mr Chan has a Masters degree in Systems Analysis and Design from The City University (UK), together with a Bachelor of Arts degree (Honours) in Accounting and Finance from the Middlesex Polytechnic (UK). He is also a Fellow Chartered Certified Accountant (UK).

Particulars of Directors

As at 31 December 2012

Name of Director/Age	Academic & professional qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
			Title	Company
Teo Soon Hoe 63 yrs	Bachelor of Business Administration, University of Singapore Member, Wharton Society of Fellows, University of Pennsylvania	07.05.1996	Present Appointments	
			Senior Executive Director Chairman Chairman Director Director Director Director Director	Keppel Corporation Limited Keppel Telecommunications & Transportation Ltd Keppel Philippines Holdings Inc Keppel Offshore & Marine Ltd Keppel Land China Limited k1 Ventures Limited Keppel Energy Pte Ltd Keppel Infrastructure Fund Management Pte Ltd (the Trustee-Manager of K-Green Trust)
			Past Appointments	
			Director Director Director	Keppel Shipyard Ltd Singapore Petroleum Company Limited Travelmore (Pte) Ltd
Karen Kooi Lee Wah 58 yrs	Fellow, Association of Chartered Certified Accountants (UK) Master of Business Administration degree in Investment and Finance (Distinction), University of Hull, UK	22.04.2009	Present Appointments	
			Director Director Director Director Director	M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd Kliq Pte. Ltd. M1 Connect Pte. Ltd.
Roger Barlow 63 yrs	Bachelor of Science (Economics), University of London Master of Arts, University of Essex	22.05.2002	Present Appointments	
			Director Director Chairman & Director Director Director Director Director	M1 Net Ltd. M1 Shop Pte Ltd RJB Consultants Limited - Hong Kong RJB Consultants Limited - British Virgin Islands Viettel Hong Kong Limited Planet Pty Limited Planet Computers Company Limited
			Past Appointments	
			Director Director	Badabu Media Hong Kong Limited VNPT Global HK Limited
Chow Kok Kee 61 yrs	Bachelor of Engineering 1st class Hons, University of Newcastle, Australia Bachelor of Commerce, University of Newcastle, Australia Master of Business Administration, National University of Singapore Fellow of the Singapore Institute of Directors Member of Institute of Engineers, Australia Associate of Institute of Chartered Secretaries and Administrators, UK	16.02.2009	Present Appointments	
			Director Director Director Director Director	ACTA Investment & Services Pte Ltd Chosen Holdings Ltd Tuan Sing Holdings Ltd Innovalues Ltd Transwater Services Pte Ltd Valuetronics Holdings Ltd
			Past Appointments	
			Director Director Director	Meiban Group Ltd Transresources Pte Ltd Thai Village Holdings Ltd

Name of Director/Age	Academic & professional qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies and other major appointments, both present and held over the preceding 3 years	
			Title	Company
Jamaludin Ibrahim 53 yrs	Master of Business Administration (Specialising in Quantitative Methods) from Portland State University, Oregon, USA Bachelor of Science in Business Administration and a minor in Mathematics from California State University, USA	21.08.2008	Present Appointments	
			Director/GCEO	Axiata Group Berhad
			Director/Chairman	Celcom Axiata Berhad
			Director	PT XL Axiata Tbk
			Director	GSM Association
			Director	Dialog Axiata PLC
			Director	Axiata SPV2 Berhad
			Director	Axiata SPV3 Sdn Bhd
			Director	Escape Axiata Sdn Bhd (formerly known as Celcom Technology (M) Sdn Bhd)
			Director	Celcom Services Sdn Bhd (formerly known as Technology Resources Management Services Sdn Bhd)
			Past Appointments	
			Director	Axiata Investments (Indonesia) Sdn Bhd
			Director	Axiata Investments (Singapore) Limited
			Director	Universiti Tun Abdul Razak Sdn Bhd
Director	Multimedia Development Corporation Malaysia			
Kannan Ramesh 47 yrs	Bachelor of Law (Hons), National University of Singapore	11.02.2011	Present Appointment	
			Director	Singapore Aerospace Manufacturing Pte Ltd
Low Huan Ping 56 yrs	Bachelor of Arts (Hons), Master of Arts, Cambridge University Master of Science, National University of Singapore Advanced Management Program, Harvard Business School	01.09.1994	Present Appointments	
			Director	SPH Multimedia Private Limited
			Director	SPH AsiaOne Ltd
			Director	Zaobao.com Ltd
			Director	iFast Corporation Pte Ltd
			Director	MediaCorp Press Ltd
			Director	Shareinvestor.com Holdings Ltd
			Director	Shareinvestor Pte Ltd
			Director	SI.com (Thailand) Co Ltd
			Director	ClickTRUE Pte Ltd
			Director	Kyosei Ventures Pte Ltd
			Alternate Director	MediaCorp TV Holdings Pte Ltd
			Alternate Director	701Search Pte Ltd
			Past Appointments	
Director	BuzzCity Pte Ltd			

Particulars of Directors

As at 31 December 2012

Name of Director/Age	Academic & professional qualifications	M1 Directorship: Date first appointed	Directorships or Chairmanships in other listed companies and other major appointments, both present and held over the preceding 3 years		
			Title	Company	
Alan Ow Soon Sian 66 yrs	Bachelor, Social Sciences (Hons), University of Singapore	16.02.2009	Present Appointments		
	Special Agent in Tax Fraud Training IRS, USA		Tax-Consultant/ Non-Legal Practitioner	KhattarWong LLP	
	International Tax Program, Harvard Law School		Director	Keppel Infrastructure Fund Management Pte Ltd	
	Advanced Management Program, Harvard Business School		Vice President	Morning Star Community Services	
Reggie Thein 72 yrs	Fellow, Institute of Chartered Accountants in England and Wales	08.11.2002	Present Appointments		
			Director & Chairman of AC	FJ Benjamin Holdings Ltd	
			Director & Chairman of AC	GuocoLeisure Limited	
	Member, Institute of Certified Public Accountants (Singapore)		Director & Chairman of AC	GuocoLand Limited	
			Director & Chairman of AC	Haw Par Corporation Limited	
			Director & Chairman of AC	Otto Marine Limited	
			Director	United Overseas Bank Limited	
			Director	Energy Support Management Pte Ltd	
	Past Appointments				
			Director & Chairman of AC	Keppel Telecommunications & Transportation Ltd	
			Director & Chairman of AC	Ascendas Pte Ltd	
			Governing Council Member & Vice Chairman	Singapore Institute of Directors	
			Director & Chairman of AC	DLF Trust Management Pte Ltd	
	Director & Chairman of AC	MFS technology Ltd			

Particulars of Senior Management

As at 31 December 2012

Directorships or Chairmanships in other listed companies and other major appointments, both present and held over the preceding 3 years

Name of Senior Management	Present Directorships	Past Directorships
Patrick Michael Scodeller	Wireless Intellect Labs Pte Ltd Singapore Internet Exchange Limited	None
Lee Kok Chew	Kliq Pte. Ltd. M1 Connect Pte. Ltd.	None
Poopalasingam Subramaniam	None	None
Alan Goh	None	None
Terence Teo Hoon Beng	None	None
Lim Sock Leng	M1 Net Ltd. M1 Shop Pte Ltd Wireless Intellect Labs Pte Ltd Kliq Pte. Ltd.	None
Anil Sachdev	None	None
Alex Tan	Astiv Pte Ltd M1 Connect Pte. Ltd. Valas Pte. Ltd. Cinenow Singapore Pte. Ltd. Scuba Resources Pte. Ltd.	QMax Communications Pte. Ltd. QMax Singapore Pte. Ltd. QMax Pte. Ltd.
Koh Ann Huat	None	None
Ivan Lim	None	None
Chan Weng Keong	None	None

M1 Limited is committed to maintaining a high standard of corporate governance within the Group to protect the interests of its shareholders and enhance long-term shareholder value. This report describes the Company's corporate governance processes and activities with specific reference to the relevant Code of Corporate Governance (Code) established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited (SGX-ST). The Company intends to adopt, where applicable and appropriate, the recommendations of the Code of Corporate Governance 2012 in its financial year commencing 1 January 2013.

1 Board of Directors

(Code of Corporate Governance Principles 1, 2, 4, 6 & 10)

The Board of Directors is accountable to the shareholders and oversees the management of the business and affairs of the Group. Key roles of the Board include approving the Group's objectives, strategic directions and major corporate policies; monitoring and reviewing financial and operating performance; approving annual budgets and major funding and investment proposals; ensuring an effective risk management framework is in place; and appointing Board Directors and key managerial personnel. Material transactions that require Board approval are capital expenditure in excess of S\$5 million and operating expenditure in excess of S\$3 million.

Currently, the Board comprises nine Directors, all of whom are non-executive except for the Chief Executive Officer (CEO), and five of whom are independent. The Board consists of respected individuals from different backgrounds and whose core competencies, qualifications, skills and experience are extensive and complementary. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 36 to 38 of the Annual Report.

To facilitate effective management, certain functions have been delegated to various Board committees, namely the Nominating Committee, Remuneration Committee, Audit Committee and Risk Committee, each of which has its own written terms of reference. The Board members and Board committee members are set out below:

Name	Status	Board	Nominating Committee	Remuneration Committee	Audit Committee	Risk Committee
Non-executive						
Teo Soon Hoe	N	Chairman		Member		
Roger Barlow	I	Member	Member	Chairman		
Chow Kok Kee	I	Member	Chairman	Member		
Jamaludin Ibrahim	N	Member				Member ¹
Kannan Ramesh	I	Member			Member	Chairman ²
Low Huan Ping	N	Member		Member		Member ³
Alan Ow Soon Sian	I	Member		Member	Member	
Reggie Thein	I	Member	Member		Chairman	Member ⁴
Executive						
Karen Kooi Lee Wah	N	Member				

N: Non-independent

I: Independent

¹ Jamaludin Ibrahim was appointed to the Risk Committee with effect from 16 July 2012

² Mr Kannan Ramesh was appointed as the Chairman of the Risk Committee with effect from 16 July 2012

³ Mr Low Huan Ping was appointed to the Risk Committee with effect from 16 July 2012

⁴ Mr Reggie Thein was appointed to the Risk Committee with effect from 16 July 2012

1 Board of Directors (continued)

At least one-third of the Directors retire at the Annual General Meeting each year. The dates of initial appointment and last re-election or re-appointment of the Directors are set out below:

Name	Age	Position	Date of initial appointment	Date of last re-election or re-appointment
Teo Soon Hoe	63	Chairman & Director	01.03.2009 07.05.1996	08.04.2010
Karen Kooi Lee Wah	58	Executive Director	22.04.2009	05.04.2012
Roger Barlow	63	Director	22.05.2002	07.04.2011
Chow Kok Kee	61	Director	16.02.2009	07.04.2011
Jamaludin Ibrahim	53	Director	21.08.2008	07.04.2011
Kannan Ramesh	47	Director	11.02.2011	07.04.2011
Low Huan Ping	56	Director	01.09.1994	05.04.2012
Alan Ow Soon Sian	66	Director	16.02.2009	05.04.2012
Reggie Thein	72	Director	08.11.2002	07.04.2011

To enable the Board to fulfil its responsibilities, Directors are provided with monthly management financial statements setting out actual against budget, as well as previous year's comparatives and explanations on any material variances. In addition, management provides the Board with financial and operating reports reviewing performance in the most recent quarter, and relevant background or explanatory information required to support the decision-making process on a regular and timely basis. In line with advancements in technology, Directors can securely access and read Board and/or relevant Board Committee papers prior to and at meetings via tablet devices.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and SGX-ST, are complied with. The Company Secretary also acts as the primary channel of communication between the Company and the SGX-ST.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice is borne by the Company.

1 Board of Directors (continued)

Regular quarterly Board meetings are scheduled yearly in advance. Additional meetings are scheduled in-between to provide technical updates and to facilitate discussion or deliberate on strategic or compliance issues where necessary. During the year, eight Board meetings were held. The Company's Articles of Association provide for telephonic and videoconference meetings. The number of Board meetings held in 2012, as well as the attendance of every Board member at those meetings are as follows:

Director	Number of Board meetings held in 2012	Number of Board meetings attended
Teo Soon Hoe	8	8
Karen Kooi Lee Wah	8	8
Roger Barlow	8	8
Chow Kok Kee	8	8
Jamaludin Ibrahim	8	7
Kannan Ramesh	8	8
Low Huan Ping	8	7
Alan Ow Soon Sian	8	8
Reggie Thein	8	5

2 Chairman and Chief Executive Officer (Code of Corporate Governance Principle 3)

Mr Teo Soon Hoe is the Chairman of the Company and Ms Karen Kooi Lee Wah is the CEO. They each perform separate functions to ensure that there is an appropriate balance of authority and responsibilities, and that accountability and independent decision-making are not compromised.

3 Nominating Committee (NC) (Code of Corporate Governance Principles 4 & 5)

The NC comprises entirely independent Directors, namely Mr Chow Kok Kee (NC Chairman), Mr Roger Barlow and Mr Reggie Thein.

The NC, which has written terms of reference approved by the Board, performs the following functions:

- (a) Ensure a strong and independent element on the Board, with independent Directors making up at least one-third of the Board;
- (b) Determine the size of the Board which facilitates effective decision making, taking into account the scope and nature of the operations of the Company;
- (c) Determine the composition of the Board to comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge;
- (d) Implement and disclose a formal and transparent process for the appointment of new Directors to the Board;
- (e) Consider, review and recommend to the Board any new Board appointment or re-appointment, whether of executive or non-executive Directors, having regard to the Director's contribution and performance, including, if applicable, as an independent Director;

3 Nominating Committee (continued)

- (f) Determine annually if a Director is independent (taking into account the circumstances set out in Guideline 2.1 of the Code) and other salient factors;
- (g) Decide if a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- (h) Decide and propose to the Board for approval and implementation a set of objective performance criteria to be applied from year to year for evaluating the performance of the Board, as well as decide and propose to the Board for approval and implementation a process by which the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board can be assessed;
- (i) Evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board in accordance with the assessment process and performance criteria referred to in (h) above; and
- (j) Other matters (if any) that the NC should consider, review or approve or in respect of which it should take any other action, as set out in the Code.

The number of NC meetings held in 2012 and the attendance of each member at those meetings are as follows:

NC member	Number of NC meetings held in 2012	Number of NC meetings attended
Chow Kok Kee	3	3
Roger Barlow	3	3
Reggie Thein	3	2

The NC reviewed the independence of the Directors and arrived at its conclusions regarding each Director as set out in Section 1.

The NC supervised an exercise to evaluate the Board's and individual Director's performance. The objective of the exercise was to identify and prioritise areas for continuous improvement to the Board's effectiveness.

For this purpose, an independent consultant was appointed to conduct the evaluation process. The evaluation of the Board as a whole and evaluation of individual Directors were based on the framework established and used in the previous years and as updated by the NC. The consultant provided summarised findings, interpretation of findings and preliminary recommendations for the Board's consideration. In addition, the Company also appointed an independent advisor to provide valuable insight to the Chairman and the Board on the results of the evaluation.

All Directors assessed the Board as a whole on each of the following parameters:

- Board composition and independence
- Board role and functioning
- Board processes
- Information management
- Monitoring Company performance
- Board Committee effectiveness
- Managing risks and adversity
- CEO performance and succession planning
- Corporate integrity and social responsibility
- Director development and management
- Overall perception of the Board

3 Nominating Committee (continued)

In addition, the contribution of each individual Director to the effectiveness of the Board was assessed by their peers on the Board. The evaluation was based on the following five parameters:

- Contribution
- Knowledge and abilities
- Teamwork
- Integrity
- Overall effectiveness

The Board expects to carry out evaluation of the Board as a whole and self-evaluation exercises annually to identify areas of improvement and as a form of good Board management practice.

4 Remuneration Committee (RC) (Code of Corporate Governance Principles 7 & 8)

The RC comprises Mr Roger Barlow as Chairman, Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe, all of whom are non-executive Directors. Mr Roger Barlow, Mr Chow Kok Kee and Mr Alan Ow Soon Sian are the independent Directors on the RC.

The Director of Human Resource assists the RC in the execution of its functions and the RC has access to external expert advice, if required.

The RC, which has written terms of reference approved by the Board, performs the following functions:

- (a) Recommend to the Board a framework of remuneration for the Board of Directors and key executives;
- (b) Recommend to the Board the specific remuneration packages for all executive and non-executive Directors and the CEO or executive of similar rank, if the CEO is not an executive Director;
- (c) Recommend to the Chairman of the Board for endorsement of the remuneration of the CEO;
- (d) Review the remuneration of senior management;
- (e) Decide on long-term incentive benefits, including the Company's Share Option Scheme and the scope of eligibility for such long-term incentive benefits;
- (f) Approve the grant of share options under the Company's Share Option Scheme and administer the Share Option Scheme in accordance with the rules of the Scheme; and
- (g) Ensure that remuneration of the Board of Directors is in compliance with the Code.

The number of applicable RC meetings held in 2012 and the attendance of each member at those meetings are as follows:

RC Member	Number of RC meetings held in 2012	Number of RC meetings attended
Roger Barlow	4	4
Chow Kok Kee	4	4
Low Huan Ping	4	4
Alan Ow Soon Sian	4	4
Teo Soon Hoe	4	4

5 Disclosure on Remuneration (Code of Corporate Governance Principles 8 & 9)

The Company sets remuneration packages to ensure that they are competitive and sufficient to attract, retain and motivate Directors and senior management of the required experience and expertise to run the Group successfully.

In setting remuneration packages for Directors and officers of the Group, the pay and employment conditions within the industry and in comparable companies are taken into consideration.

Directors' fees are subject to shareholder approval at the Annual General Meeting. Each non-executive Director is paid a fixed fee, the amount of which takes into account the level of responsibilities held. The framework for determining fees payable to each non-executive Director for 2012 is as follows:

Board	Chairman	S\$45,000 per annum
	Member	S\$35,000 per annum
Audit Committee	Chairman	S\$20,000 per annum
	Member	S\$15,000 per annum
Nominating Committee	Chairman	S\$15,000 per annum
	Member	S\$10,000 per annum
Remuneration Committee	Chairman	S\$15,000 per annum
	Member	S\$10,000 per annum
Risk Committee	Chairman	S\$15,000 per annum
	Member	S\$10,000 per annum

The annual remuneration of non-executive Directors payable for 2012 is as follows:

Non-executive Director	Position held	Director's fee
Teo Soon Hoe	Board Chairman, RC member	S\$55,000
Roger Barlow	Board member, RC Chairman, NC member	S\$60,000
Chow Kok Kee	Board member, NC Chairman, RC member	S\$60,000
Jamaludin Ibrahim ¹	Board member, Risk Committee member	S\$39,630
Kannan Ramesh ¹	Board member, Risk Committee Chairman, AC member	S\$56,945
Low Huan Ping ¹	Board member, RC member, Risk Committee member	S\$49,630
Alan Ow Soon Sian	Board member, AC member, RC member	S\$60,000
Reggie Thein ¹	Board member, AC Chairman, NC member, Risk Committee member	S\$69,630

¹ Fees payable to the Risk Committee members are pro-rated from the date of establishment of the Risk Committee on 16 July 2012 to end-December 2012

For each non-independent non-executive Director, fees are paid to the relevant shareholder nominating him.

5 Disclosure on Remuneration (continued)

In setting the remuneration packages of the Company's CEO and senior management, performance-related elements are incorporated in order to align interests with those of shareholders and link rewards to corporate and individual performance. In 2012, the level and mix of the annual remuneration of the Company's CEO / Executive Director, and each of the top six members of senior management (who are not also Directors), in bands of S\$250,000, are set out below:

	Fixed	Bonuses	Retirement/ CPF contribution	Benefits- in-kind	Share options	Number of share options granted
Above S\$1,000,000 to S\$1,250,000						
Karen Kooi Lee Wah	37%	37%	1%	6%	19%	800,000
Above S\$750,000 to S\$1,000,000						
Patrick Michael Scodeller	38%	8%	8%	36%	10%	300,000
Above S\$250,000 to S\$500,000						
Lee Kok Chew	54%	14%	4%	8%	20%	300,000
Poopalasingam Subramaniam	63%	13%	2%	6%	16%	300,000
Alan Goh	64%	14%	3%	7%	12%	200,000
Terence Teo Hoon Beng	67%	14%	2%	6%	11%	200,000
Lim Sock Leng	59%	12%	3%	7%	19%	300,000

In 2012, options were granted to the above members of the senior management team as part of the Company's Share Option Scheme, further details of which can be found on pages 78 to 79 of the Annual Report.

6 Audit Committee (AC) (Code of Corporate Governance Principles 11, 12 & 13; Listing Manual Rule 1207(6))

The AC comprises Mr Reggie Thein as Chairman, Mr Kannan Ramesh and Mr Alan Ow Soon Sian as members, all of whom, including the Chairman, are independent Directors. Two of the members, including the Chairman, have accounting, tax or related financial management expertise or experience.

The AC, which has written terms of reference approved by the Board, performs the following delegated functions:

- Review with external auditors the audit plan including the nature and scope of the audit before its commencement, their evaluation of the systems of internal controls, their annual reports and their management letters and management's response;
- Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- Review the assistance given by management to external auditors;
- Review the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services performed by external auditors;
- Examine the scope of internal audit procedures and the results of the internal audit;

6 Audit Committee (continued)

- (g) Review the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls, policies and systems established by management and reporting on any pertinent aspects of risks thereto (collectively internal controls), and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal and/or external auditors;
- (h) Meet with the external and internal auditors without the presence of management at least annually;
- (i) Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- (j) Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and having reasonable resources to enable it to discharge its functions properly;
- (k) Review interested persons transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- (l) Make recommendation to the Board on the appointment/re-appointment/removal of external auditors, and approve the audit fees and terms of engagement of external auditors; and
- (m) Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The number of AC meetings held in 2012 and the attendance of each member at those meetings are as follows:

AC Member	Number of AC meetings held in 2012	Number of AC meetings attended
Reggie Thein	4	4
Kannan Ramesh	4	2
Alan Ow Soon Sian	4	4

During the year, the AC had full access to and cooperation from the Company's management, and external and internal auditors. The CEO, Chief Financial Officer and Director of the Finance Department, as well as the external and internal auditors, attended the meetings of the AC. The AC also had full access to the external and internal auditors without the presence of management.

The AC reviewed the financial statements of the Group quarterly before submitting them to the Board for its approval and subsequent public release. The AC also reviewed and monitored the Group's financial condition, external and internal audits, exposure to risks and the effectiveness of the Group's system of accounting and internal controls.

The AC considered the volume of non-audit services provided by the external auditors to the Group, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, confirmed their re-nomination.

7 Risk Committee

(Code of Corporate Governance Principle 11)

The Risk Committee was established by the Board on 16 July 2012 to assist the Board in discharging its duties to shareholders on risk management, and to help improve Board monitoring of the risk management system, framework and processes of the Company and the Group. The Risk Committee comprises Mr Kannan Ramesh as Chairman, Dato' Sri Jamaludin Ibrahim, Mr Low Huan Ping and Mr Reggie Thein as members, all of whom are non-executive Directors and two of whom, including the Chairman, are independent Directors.

The Risk Committee, which has written terms of reference approved by the Board, performs the following delegated functions:

- (a) Advise the Board on the Company's overall risk exposure and strategy;
- (b) Review the effectiveness of the Company's risk management system and policies;
- (c) If deemed necessary by the Board, before a decision to proceed on a significant transaction is taken by the Board, advise the Board on the proposed actions thereto, if any, on the risk aspects and implications of risk exposures thereto;
- (d) Report to the Board on material matters, finding and recommendations, on the financial, operational and compliance risks and any other material risks applicable to the Company;
- (e) Obtain regular updates from management on key enterprise wide risks faced by the Company, so as to enable the Risk Committee to clearly define its oversight responsibilities and review the process available to manage these risks;
- (f) Set up process for the accurate and timely monitoring of significant exposures and risk types of critical importance;
- (g) Review the Company's overall risk profile; and
- (h) Review the risk policies and processes, where applicable and ensure that a review of the robustness and effectiveness of the risk policies and processes is conducted at least annually, which review may be facilitated by external auditors or advisors.

The number of Risk Committee meetings held in 2012 since its establishment and the attendance of each member at those meetings are as follows:

Risk Committee Member	Number of Risk Committee meetings held in 2012	Number of Risk Committee meetings attended
Kannan Ramesh	1	1
Jamaludin Ibrahim	1	1
Low Huan Ping	1	1
Reggie Thein	1	1

During the year, the Risk Committee had full access to and cooperation from the Company's management, the Company Secretary and Head of Risk Management. The CEO, Chief Technical Officer, Chief Financial Officer and the Head of Risk Management attended the meeting of the Risk Committee.

The Risk Committee may invite from time to time persons who have the relevant experience to assist the Committee, and obtain at the Company's expense, external legal or other professional advice on any matter within its terms of reference.

8 Risk Management (Listing Manual Rule 1207(4)(b)(iv))

Risk management continues to be an integral part of the Company's business planning, decision-making and operational management processes. The Company adopts a holistic and systematic risk management approach to identify, manage and monitor risks and opportunities as it strives towards achieving its business objectives and delivering value to shareholders.

The Board, assisted by the Risk Committee, has general oversight of the Company's risk management system and mitigation strategies. This includes reviewing the Company's portfolio of risk and assessing the appropriateness of management's response to risk exposures. A senior management executive team is responsible for driving the risk management processes and controls. Risk accountability is clearly assigned across all departments and functional units.

During the year, the risk management framework was reviewed to improve consistency and effectiveness of our risk identification and assessment across the Company. A risk management software solution was implemented to automate data collection and facilitate monitoring.

Overall, the Company adopts a prudent and proactive approach to achieve an appropriate balance between risks and returns, mitigating key risks and maximizing opportunities, thereby enhancing its decision making capabilities and organisational resilience.

9 Internal Controls (Code of Corporate Governance Principle 12)

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. Based on the work performed by the internal and external auditors, and the reviews performed by management, the AC and the Board, the Board, with the concurrence of the AC, is of the opinion that, as at the date of this report, the Group's internal controls are adequate to address the abovementioned risks of the Group in its current business environment.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

10 Internal Audit (Code of Corporate Governance Principle 13)

The Group has an internal audit function that is independent of the activities it audits.

The Internal Auditor reports primarily to the Chairman of the AC and administratively to the CEO. The Internal Auditor meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews, on an annual basis, the adequacy of the internal audit function. The AC has reviewed and is satisfied that the Company's internal audit function is adequately resourced and has appropriate standing within the Company.

11 Communication with Shareholders

(Code of Corporate Governance Principles 10, 14 & 15)

Communication with shareholders and the investment community forms an integral part of the Group's corporate governance and commitment to transparent, comprehensive and prompt disclosure. Various communication channels are used to inform shareholders about the performance of the Company and to provide updates on pertinent developments. These include annual reports, quarterly results and other announcements made through the SGXNET, press releases and the Company's website, as well as through the Annual General Meeting (AGM). Presentations given at appropriate intervals to representatives of the investment community and audio webcasts of quarterly results presentations, including question and answer sessions, are also made available on the Company's website.

In 2012, the Company continued to release its quarterly and full year results within one month from the end of the relevant financial period, in the form of a press release, financial statements containing management's discussion and analysis of performance and outlook, as well as a presentation containing highlights and a review of financial and operating performance. Conference calls with media and analysts were held jointly immediately after the release of results. Information on major new initiatives by the Group was also made public as soon as feasible.

The Company actively participated in several investor conferences and roadshows during the year, and discussions were based on publicly available materials and information. The Company does not practise selective disclosure, and is mindful of the remedial action required to make public disclosure as soon as practicable, should there be an event of inadvertent disclosure.

The Group views the AGM as an important platform for shareholders to engage in interactive and open dialogue with the Board and senior management. As such, all Board members and senior management of the Group make their best effort to attend each AGM. The Annual Report and notice of the AGM were sent to all shareholders two weeks prior to the AGM which was held on 5 April 2012. This gave shareholders sufficient time to review the information. During the AGM, shareholders had the opportunity to voice their opinions and direct questions regarding the Group to Directors, including the Chairman and the chairmen of the Board committees, as well as to the Company's senior management.

In addition, through a dedicated Investor Relations team, the Company managed ongoing communication with the investment community throughout the year and responded diligently and promptly to all enquiries from shareholders, analysts and other interested parties.

12 Securities Transactions

(Listing Manual Rule 1207(19))

The Group has issued a Code for Dealings in M1 Shares (M1 Code) for the guidance of Directors, management and other officers. The M1 Code, which is based on the SGX-ST Listing Rule 1207(19) with respect to dealings in securities, stipulates that Directors, management and other officers of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the Group's first and third quarter results and one month before the announcement of the Group's half and full year results and ending on the date of the announcement of such results; and when they are in possession of price-sensitive and confidential information, in accordance with the laws of insider trading. The M1 Code also includes the prohibition that an officer should not deal in the Company's shares on short-term considerations. The M1 Code is incorporated as part of the Group's Human Resource Manual and is available on the Intranet accessible by all staff. A reminder is also circulated to Directors, management and other officers every quarter before the commencement of the period during which dealings in shares are prohibited and to those with access to price-sensitive and confidential information.

13 Interested Person Transactions and Material Contracts (Listing Manual Rule 907 & 1207(8))

Interested person transactions carried out during the financial year ended 31 December 2012 by the Group are as follows:

	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)	Aggregate value of all Interested Person Transactions conducted under a Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)
	2012 S\$'000	2012 S\$'000
Transactions for the Purchase of Goods and Services¹		
SingTel Group	-	4,868
Telekom Malaysia Berhad	-	8,064
Axiata Group Berhad	-	1,377
Keppel Logistics Pte Ltd	-	974
Keppel FMO Pte Ltd	-	979
CapitaMall Trust	-	1,536
Starhub Ltd	-	4,612
Temasek Holdings (Private) Limited & its associates	-	7,687
Transactions for the Sale of Goods and Services		
Telekom Malaysia Berhad	-	8,251
Axiata Group Berhad	-	321
Temasek Holdings (Private) Limited & its associates	-	368
Total Interested Person Transactions	-	39,037

¹ As defined in Chapter 9 of the Listing Manual of the SGX-ST

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Engaging the investment community, shareholders and other interested parties in active dialogue remains a top priority of our investor relations programme.

Active engagement with the investment community

Engaging the investment community, shareholders and other interested parties in active dialogue remains a top priority of our investor relations (IR) programme. The various stakeholders were provided with relevant and timely updates throughout the year, to facilitate them in maintaining an informed opinion of the Company.

In recognition of our continuous commitment towards improving corporate governance practices, M1 was presented with the Runner-Up position for the Most Transparent Company Award in the Services category at the Securities Investors Association (Singapore) 13th Investors' Choice Awards 2012.

In 2012, we continued to publicly release quarterly, interim and full year results within one month of period end. All materials relating to the Company's results, including presentation slides, were made available immediately on our website, after posting with the Singapore Exchange (SGX). Analysts, investors and the media were invited to join our conference calls, which were accompanied by question and answer sessions with senior management,

on the same day of every results announcement. Audio webcasts of these events were also made available on the M1 website.

Key developments in 2012 included the launch of M1's nationwide 4G service and the introduction of new mobile service plans with tiered data bundles – a significant development that was of interest to many analysts and investors. Being aware of the investment community's need for up-to-date information and transparency on the various developments throughout the year, the IR team sends press releases to these stakeholders promptly and adopts a pro-active approach in answering any related queries.

In continuing our two-way open communication, senior management remains directly accessible to analysts and investors, providing them with updates of the Company's developments and outlook through various avenues, such as one-on-one and group meetings, teleconferences, non-deal roadshows (NDRs) and investor conferences, both locally and abroad. These first-hand interactions involving senior management have been helpful in further developing our relationship with the investment community.

As at 25 February 2013, the free float¹ of M1 shares was 37.8%, with the majority shares held by institutional investors across Asia, UK and USA. With the objective of reaching out to current and potential institutional investors in these regions, we undertook NDRs in 2012 to Hong Kong, UK, and USA. Locally, we participated in four investor conferences, namely the Bank of America Merrill Lynch ASEAN Stars Conference, the BNP Paribas ASEAN Telco Day, the HSBC 2nd Annual ASEAN Conference and the UBS Pan-Asian Telco Conference.

The IR team is an easily accessible channel for analysts, current and potential investors to raise any query or provide feedback with regard to the Company, and welcomes all email queries, which can be addressed to ir@m1.com.sg. We strive to always respond to all received queries in an effective and prompt manner. Shareholders and interested parties are also encouraged to access the M1 corporate website at www.m1.com.sg for the latest updates.

The Annual General Meeting (AGM) remains an important platform for shareholders to provide feedback about the Company to the Board and

¹ Free float is defined as the percentage of total issued share capital of the Company held in the hands of the public (on the basis of information available to the Company)



members of the senior management team directly. We continue to host our AGMs at a central and accessible location, to accommodate shareholders' convenience. All Board members and members of the senior management team make their best effort to attend each AGM to interact with shareholders. Our tenth AGM, held on 5 April 2012 at The Fullerton Hotel, was well attended by shareholders.

M1 is committed to creating long-term value for shareholders. This is demonstrated through our long-standing policy of maintaining a sustainable dividend payout ratio and returning excess cash to shareholders in the absence of value-enhancing opportunities. For FY2012, we announced a special dividend of 1.7 cents per share, in addition to the interim and final dividend of 6.6 cents and 6.3 cents per share respectively, bringing the total dividend declared to 14.6 cents per share. This represents a payout of 90% of our full year net profit after tax. With respect to total shareholder return (comprising capital gains and cash distributions received), M1's return to shareholders for 2012 was 14.2% on the amount invested at the start of the same year.

Historical capital distributions

Year	Interim dividend (cents)	Final dividend (cents)	Special dividend (cents)	Other distributions (cents) ²
2012	6.6	6.3 ¹	1.7 ¹	-
2011	6.6	7.9	-	-
2010	6.3	7.7	3.5	-
2009	6.2	7.2	-	-
2008	6.2	7.2	-	-
2007	2.5	8.3	-	4.6
2006	5.8	7.5	-	22.2
2005	5.0	8.1	12.2	-
2004	4.9	5.8	-	11.0
2003	3.9	5.5	-	-

Note: On per share and declared basis

¹ Subject to shareholders' approval at the AGM on 5 April 2013

² M1 undertook capital reduction exercises in 2004, 2006 and 2007

Financial calendar for 2013

Date	Event/Announcement
21 January 2013	Release of FY2012 full year results
5 April 2013	Annual General Meeting
25 April 2013	Payment of FY2012 final dividends (subject to shareholders' approval at the AGM)
April 2013 ¹	Release of FY2013 first quarter results
July 2013 ¹	Release of FY2013 half year results
August 2013 ¹	Payment of FY2013 interim dividends (if applicable)
October 2013 ¹	Release of FY2013 third quarter results

¹ Actual date will be released through M1's and SGX's websites, closer to the event/announcement

Sustainability
Report



We believe that the well-being of our society is critical to our ability to grow and sustain our business over the long term, and have adopted a progressive approach to sustainability, balancing the achievement of our business objectives with our efforts to better the well-being of our people, community and environment.

Introduction

We are pleased to present our second annual sustainability report, which covers our economic, as well as environmental, social and governance (ESG) performance for the period 1 January 2012 to 31 December 2012.

This year's report has been prepared in conformance with the Global Reporting Initiative (GRI) G3.1 guidelines, including the pilot version of the GRI Telecommunications Sector Supplement. We have used internationally accepted measurement units for the reporting of performance data covered in this report, and no previously reported sustainability data has been restated. A GRI Content Index indicating the location of standard disclosures and indicators can be found at the end of this section.

M1 is committed to continually improving the reporting process, data collection and monitoring of our sustainability performance.

We welcome feedback on this report and possible areas of improvement at: corpcomms@m1.com.sg

Scope of report

Our sustainability report covers the impact of M1's operations across our entire organisation, including our subsidiaries.

Sustainability reporting process

To ensure we have the right framework in place, an external Corporate Social Responsibility (CSR) consultant was engaged to work closely with M1 to identify and map out our key stakeholder groups, their concerns, and the impact of M1's business operations on them.

This information enabled M1 to identify the sustainability issues most material to both the Group and our stakeholders, and prioritise our efforts to address them.

Audience

This section offers information about M1's sustainability performance to interested stakeholders including our customers, shareholders, business partners and suppliers, employees, regulators, analysts, the media, and the community whose lives we may impact.

Stakeholder engagement

Engaging stakeholders is an important aspect of our approach to sustainability, as feedback from stakeholders has helped us better understand and address their concerns and expectations.

Please find below a summary of who our stakeholders are, their key concerns, and our engagement with them.

Stakeholder	Main engagement channels	Stakeholders' material issues and expectations	How M1 addresses concerns
Retail and corporate customers	<ul style="list-style-type: none"> • 24-hour customer call centre • M1 Shop outlets • Enterprise sales team • Technical support team • M1 website and Facebook page feedback forms 	<ul style="list-style-type: none"> • Reliable network coverage • Affordable and a wide selection of products and services • Effective customer service • Personal data protection 	<ul style="list-style-type: none"> • Continual investment in our networks to further enhance the user experience • Clear disclosure of all information relevant to customers in our marketing materials • Strict procedures in place to protect our consumers' privacy
Institutional and retail shareholders	<ul style="list-style-type: none"> • Access to our Investor Relations team/senior management through: <ul style="list-style-type: none"> ◦ Emails ◦ Teleconferences ◦ Meetings ◦ Investor conferences ◦ Investor roadshows ◦ Annual General Meeting (AGM) • Annual reports 	<ul style="list-style-type: none"> • Sustainable business performance • Ability to generate expected returns on their investment in M1 • Good corporate governance and CSR practices • Transparency in business strategy and operations • Protection for minority shareholders' interest 	<ul style="list-style-type: none"> • Our dedicated Investor Relations team is committed to responding to investors' concerns in a timely manner • Quarterly financial results briefing and Q&A sessions are conducted within a month of period end • Senior management's participation in investor meetings, teleconferences, roadshows and AGMs
Business partners and suppliers	<ul style="list-style-type: none"> • Regular meetings • Site visits • Emails • Telephone 	<ul style="list-style-type: none"> • Transparent and fair corporate procurement and other business practices • Compliance with terms and conditions of business contracts 	<ul style="list-style-type: none"> • Communicating M1's policy on corruption to all our staff • Transparent business processes in the selection of winning tenders • Whistleblower policy and other avenues to report incidences of abuse and corruption
Employees	<ul style="list-style-type: none"> • Staff feedback • Team-building sessions • Annual staff appraisal sessions • Townhall addresses • Quarterly CEO messages • Grievance handling channel through Human Resource Department • Discussions with union representatives 	<ul style="list-style-type: none"> • Safe and pleasant working environment • Fair remuneration and benefits • Non-discriminatory practices • Career growth 	<ul style="list-style-type: none"> • Maintaining a safe and pleasant working environment • Recruiting, rewarding and promoting employees based on performance and merit • Continual investment in human capital
Regulators	<ul style="list-style-type: none"> • Regular meetings • Teleconferences • Active participation, including written submissions, in industry consultation sessions 	<ul style="list-style-type: none"> • Compliance with regulations and service requirements • To provide continued socio-economic benefits • To work with industry to maintain consistent technological standards 	<ul style="list-style-type: none"> • Internal policies to ensure compliance with regulations and laws • Swift remedial action in case of any regulatory or legislative violation

Stakeholder	Main engagement channels	Stakeholders' material issues and expectations	How M1 addresses concerns
Analysts and the media	<ul style="list-style-type: none"> • Access to our Corporate Communications and Investor Relations teams through: <ul style="list-style-type: none"> ◦ Emails ◦ Teleconferences ◦ Meetings ◦ Organised visits and industry events ◦ Quarterly results conferences and teleconferences 	<ul style="list-style-type: none"> • Timely and transparent disclosure of corporate information • Access to senior management • Prompt response to queries 	<ul style="list-style-type: none"> • Our Corporate Communications and Investor Relations teams work closely with these stakeholders to ensure they have access to the information they need, and respond to their queries in a timely manner
Trade associations	<ul style="list-style-type: none"> • Membership and engagement with trade bodies and associations, such as the Singapore National Employer Federation 	<ul style="list-style-type: none"> • Consistent technological, product health and safety, and other relevant industry standards • Adoption of industry best practices 	<ul style="list-style-type: none"> • Active participation in industry events and dialogue sessions • Harmonising our company policies and networks with globally accepted technologies and standards
The community and non-governmental organisations	<ul style="list-style-type: none"> • Meetings with community groups • Participation in relevant conferences • Reporting on our sustainability strategy and performance 	<ul style="list-style-type: none"> • To minimise any social, health or environmental impact • To provide help and support for deserving community efforts and underprivileged groups 	<ul style="list-style-type: none"> • Continuing support for our community causes and conservation efforts • Extending M1's products and services to address the needs of underserved communities • Sustainability reporting

M1's sustainability approach and materiality analysis

We believe that the well-being of our society is critical to our ability to grow and sustain our business over the long term, and have adopted a progressive approach to sustainability, balancing the achievement of our business objectives with our efforts to better the well-being of our people, community and environment.

As a leading full-service provider of mobile and fixed communications services in Singapore, we have more than two million customers who depend on us for their personal and business communications needs.

With an emphasis on network quality, customer service, value and innovation, we aim to address our customers' key concerns such as network reliability, the availability of an extensive and fairly-priced range of products and services, data privacy, and overseas roaming. By meeting these diverse needs, we aim to create a sustainable business within Singapore's competitive telecommunications sector.

Alongside the pursuit of our business objectives, we recognise that, as a responsible corporate citizen, we must create value for our people and community, as well as minimise our environmental impact.

The commitment, passion and hard work of all our employees is critical to achieving our business goals. M1's human resource practices and policies, from recruitment to retention, are designed to help our talent grow both personally and professionally, and we continually look for ways to improve M1's standing as an employer of choice and make an even greater positive impact on the lives of all our employees.

To do our part in giving back to society, M1 continued to invest significant resources into Singapore's arts, sports and children causes in 2012. Our employees have been enthusiastic and tireless supporters of these efforts, with many investing their personal time into these community activities, ranging from volunteering at our fund-raising events to organising fun-filled activities for underprivileged children.

We also championed new worthwhile initiatives such as the M1 Project Communi'BAKE 2012. For this event, M1 staff volunteers worked with participants from the community to create the world's largest cupcake mosaic and raise funds for charities.

Finally, while telecommunications companies generally do not have a significant impact on the environment, M1 recognises that our business operations consume resources such as water and power. Over the years, we have invested resources in energy conservation projects, and will continue to explore ways to reduce our environmental footprint where possible.

Our Business

M1 is committed to fair, transparent and responsible business practices in our dealings with customers, suppliers and business partners. We strive to abide by and surpass regulatory requirements and business expectations.

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Economic performance

A summary of our key economic indicators:

Economic indicators	2012 (\$m)	2011 (\$m)
Operating revenue	1,076.8	1,064.9
Net profit after tax	146.5	164.1
Operating costs	888.6	863.3
Staff costs	97.4	96.9
Dividends paid to shareholders	132.2	161.3

For a more detailed discussion on our financial performance, please refer to the Financial Statements section of this Annual Report.

Ensuring network access

M1 continually enhances the accessibility, performance and reliability of our mobile and fixed networks.

To meet the diverse needs of our customers, we offer a wide range of innovative mobile and fixed service plans across various price points,

from pay-as-you-use prepaid plans to postpaid plans that come bundled with a subsidised or free smartphone.

Every year, M1 invests significant resources to add capacity, increase coverage and further strengthen the resiliency of our networks. We have also installed a 24/7 network monitoring system to alert our standby engineers of any issue.

	2012 (\$m)	2011 (\$m)
Capital expenditure	122.5	102.5

Extending the benefits of our network

We recognise the need to extend the benefits of mobile and Internet technology to include disadvantaged or underserved communities. Over the years, we have launched several efforts to address these communities' needs.

In September 2011, M1 launched two mobile service plans for members of the Singapore Association for The Deaf (SADeaf). These customised MessageSurf and BlackBerry MessageSurf plans offer more SMS and MMS messages, as well as a higher mobile data bundle compared to our normal mobile plans, in recognition of the different



communication requirements of individuals with hearing disabilities.

A new service was also made available in 2012 to meet the needs of older, less technologically savvy users, bundling our fibre broadband service with on-site technical support services to help these customers set up a home network.

Legislation and regulatory compliance

Operating in compliance with applicable laws and codes is one of the key operating principles at M1.

M1 complies with all relevant legislation governing our products and services, including laws designed specifically for the info-communications sector, as well as those that apply to businesses in general. As a responsible company, we also support voluntary codes and industry best practices to protect vulnerable groups of customers.

Our core info-communications business is regulated under the Telecommunications Act which provides the general legal framework for the provision of telecommunication systems and services in Singapore.

Info-communications services are operated under Facilities-Based

Operator, Services-Based Operator, and Class licences issued by the Infocomm Development Authority of Singapore (IDA). M1 also has regulatory obligations under the Telecoms Competition Code 2010, which contains provisions relating to the IDA's Quality of Service (QoS) standards, duties to end-customers, and sector-specific competition rules. Media-related services, such as IPTV, are regulated by the Media Development Authority (MDA) under the Broadcasting Act. We also operate in accordance with the Internet Code of Practice, whereby M1 would deny access to MDA's list of websites that contain prohibited content.

To safeguard the interest of our customers, M1 jointly developed "The Voluntary Code for Self-regulation of Mobile Content in Singapore" with the other mobile operators to protect minors from accessing inappropriate content via mobile phones.

We also abide by other voluntary guidelines, such as the World Health Organisation's (WHO) standards on electro-magnetic fields (EMF) produced by cellular equipment and mobile phones, and the Advertising Standards Authority of Singapore's Code of Advertising Practice in our marketing campaigns.

Fines

During this reporting period, there were no legal actions against M1 on anti-competitive, anti-trust, or monopolistic behavioural grounds.

M1, along with two other telecommunications operators, were fined S\$10,000 each by the IDA in December 2012 for not meeting its revised outdoor mobile QoS coverage standard.

Customer privacy

M1 adheres to strict internal policies in protecting our customers' privacy. We do not share our customers' data with any third parties other than as permitted or required by law or regulations.

Our employees who require customer data for work purposes are trained to handle such information with care to prevent any unauthorised disclosure, and we support Singapore's Personal Data Protection Act, which came into effect in January 2013.

We have not been the subject of any censure by our regulator in respect of any customer data privacy issue in 2012.

Our Business

M1 is committed to a high standard of corporate governance within the Group to protect the interests of all our stakeholders, and we have put in layers of corporate governance processes and internal policies across all levels of the company to manage risk, deter fraud, and ensure accountability and integrity.

Public health and safety

There has been some public interest in recent years on the possible impact of EMF produced by cellular equipment and mobile phones on human health. To date, the WHO has not found any link between EMF radiation and adverse health impacts.

In Singapore, the IDA exercises strict control over the installation of radio base station equipment. For example, all base station equipment installed has to be approved by IDA to ensure that its requirements are met. The IDA also sets transmitter power limits on our base stations, and conducts random site visits to ensure that radiation levels are below the reference levels set by International Commission on Non-Ionising Radiation Protection (ICNIRP).

In 2012, M1 engaged the Singapore National Environment Agency (NEA) several times to measure radiation levels at some of our base stations, and we are pleased to report that these base stations met all the ICNIRP's exposure guidelines.

We are committed to working with relevant agencies such as the NEA's Centre for Radiation Protection and Nuclear Science and the IDA to address

any health concern, and we will continue to monitor new research results and make changes as necessary to minimise any health impact.

Customer satisfaction

We continually invest in our people, processes, and training programmes to further enhance our customer service levels.

Our orientation programme includes a strong emphasis on customer service, and all new employees are attached to our customer call centre and one of our retail shop outlets for a day. This allows our employees to personally experience our customers' feedback and concerns, and better appreciate the efforts required to serve our customers better.

The attachment exercise is also extended to our senior management and this helps them to stay in touch with our customers' changing requirements and expectations.

We obtain customer feedback from various channels, including our 24-hour customer call centre, social media platforms, as well as external consultants engaged to conduct mystery shopping. This feedback is used to review and further improve our service offerings and business processes.

Other measures to enhance customer satisfaction include customer loyalty rewards and initiatives such as our free Roam Buddy service help customers to manage their roaming data usage.

Our relentless focus on customer service has enabled us to top the Customer Satisfaction Index (CSISG)¹ in the mobile telecom sector, for the third consecutive year in 2012.

Responsible marketing

The price and key technical specifications of all the products and services that M1 makes available to customers are clearly labelled on our print and online advertisements.

These include the device price, monthly subscription fee, the maximum and expected access speeds of Internet access services, as well as the end date of value-added-services offered to customers on a trial basis.

Our employees will strive to explain the terms of the transaction, including early termination charges and excess mobile data charges in clear layman's language, to our customers before processing the transaction.

¹ The CSISG, first launched in 2008, is a comprehensive, independent qualitative multi-sector study on customer service developed by the Singapore Workforce Development Agency and the Singapore Management University's Institute of Service Excellence

Internal controls and whistleblowing

M1 is committed to a high standard of corporate governance within the Group to protect the interests of all our stakeholders, and we have put in layers of corporate governance processes and internal policies across all levels of the company to manage risk, deter fraud, and ensure accountability and integrity. A description of our governance practices can be found in the Corporate Governance section of this Annual Report.

We encourage all employees to report any suspicious or irregular behaviour, and will ensure that the confidentiality of any whistleblower is protected.

Acts that violate M1's Policy for Disclosure of Reportable Conduct include:

- Unlawful acts;
- Theft, misuse or wilful damage of M1 resources;
- Dishonest, fraudulent or corrupt activities;
- Misuse or abuse of power or authority for any unauthorised or ulterior purpose;
- Unsafe work practices.

In the event that an allegation is raised, M1 will investigate thoroughly. Significant cases will be brought to the attention of members of senior management and Board of Directors as necessary, and may also be referred to an appropriate authority such as the Singapore Police Force, Commercial Affairs Department, or Corrupt Practices Investigation Bureau.

Any individual who makes a report under this Policy will be protected from reprisal if he/she:

- Makes the report in good faith and without malice;
- Reasonably believes the matters referred to in the report to be substantially true;
- Does not seek any personal or financial gain from making the report;
- Follows the reporting procedure set out in this Policy.

If attempts at reprisal are made against the whistleblower, he/she will be given the opportunity to bring the matter to the attention of the appropriate level of senior management and/or the Board's Audit Committee Chairman as required.



Our People



It is the commitment, passion and hard work of our people that ensure M1's continued success in Singapore's competitive telecommunications marketplace. In turn, we seek to offer all employees an inclusive and non-discriminatory working environment that helps them achieve their full potential, professionally and personally.

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Employee profile

M1 employed 1,528 people as at end-2012, an increase from 1,491 the year before.

Type of employment

	2012	Mix % ¹	2011	Mix % ¹
Full-time	1,380	90.3	1,341	89.9
Part-time	68	4.5	78	5.2
Contract	80	5.2	72	4.8
Total	1,528	100.0	1,491	100.0

Length of service

	2012	Mix % ¹	2011	Mix % ¹
<5 years	844	55.2	838	56.2
5-10 years	215	14.1	186	12.5
>10 years	469	30.7	467	31.3
Total	1,528	100.0	1,491	100.0

¹ Figures may not add up to due to rounding

Motivating performance

M1 is committed to industry best practices, with our recruitment, promotion and remuneration policies based on individual performance and merit.

Candidates are hired based on their qualifications and ability, regardless of ethnicity, gender or age, and M1's recruitment advertisements reflect this commitment.

Every year, our employees undertake a transparent appraisal exercise with their direct supervisor. The appraisal results for all employees, and their key performance targets for the following year, are mutually agreed upon between the employee and his or her supervisor.

We offer a competitive salary commensurate with the employee's skills and experience. This, alongside a variable bonus programme based on individual performance, helps foster a performance-based work culture. Senior employees are also eligible for M1's employee share option plan. The plan, which vests over a three year period, helps to retain talent and align employees' interests with M1's long-term performance.

M1 did not receive any official employee complaint on discrimination grounds in 2012.

M1 female workforce 2012

Age	Chinese	Indian	Malay	Others	Total
<20	4	-	-	-	4
20-29	177	10	20	38	245
30-39	262	14	26	72	374
40-49	109	5	12	10	136
50-59	30	1	2	-	33
≥60	2	1	-	-	3
Total	584	31	60	120	795
% ¹	73.5	3.9	7.5	15.1	100.0

M1 female workforce 2011

Age	Chinese	Indian	Malay	Others	Total
<20	7	-	1	-	8
20-29	188	13	23	42	266
30-39	263	12	24	54	353
40-49	95	3	13	5	116
50-59	25	2	1	-	28
≥60	2	1	-	-	3
Total	580	31	62	101	774
% ¹	74.9	4.0	8.1	13.0	100.0

M1 male workforce 2012

Age	Chinese	Indian	Malay	Others	Total
<20	5	-	-	-	5
20-29	175	12	12	29	228
30-39	214	8	10	55	287
40-49	140	4	13	4	161
50-59	41	1	5	3	50
≥60	-	1	1	-	2
Total	575	26	41	91	733
% ¹	78.5	3.5	5.6	12.4	100.0

M1 male workforce 2011

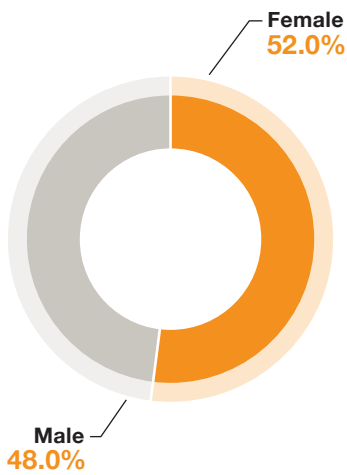
Age	Chinese	Indian	Malay	Others	Total
<20	-	-	-	-	-
20-29	183	9	16	36	244
30-39	228	10	8	42	288
40-49	114	5	14	5	138
50-59	38	2	4	2	46
≥60	-	-	1	-	1
Total	563	26	43	85	717
% ¹	78.5	3.6	6.0	11.9	100.0

¹ Figures may not add up to due to rounding

Our People



Gender mix



Gender diversity

Women make up 52.0% of M1's workforce, and we recognise and appreciate their contribution to our success. They enjoy similar starting salaries as male hires, and occupy 48.4% of middle-management roles, compared to 47.5% in 2011. Women are also a significant presence in senior management, occupying 23.4% of these positions, including the office of Chief Executive Officer.

Gender diversity in the workplace

2012	Male %	Female %
Senior management	76.6	23.4
Middle management	51.6	48.4
Executive	54.0	46.0
Non-executive	42.5	57.5
Total	48.0	52.0

2011	Male %	Female %
Senior management	75.3	24.7
Middle management	52.5	47.5
Executive	52.5	47.5
Non-executive	43.2	56.8
Total	48.1	51.9

M1 advocates lifelong learning, and continues to invest in our human capital through both internal and external training programmes.

Encouraging learning and development

M1 advocates lifelong learning, and continues to invest in our human capital through both internal and external training programmes.

Our in-house Learning and Development team has over the years introduced a range of programmes to enhance our employees' personal and professional skills, such as communication and service excellence.

M1 employees also enjoy opportunities to attend relevant external programmes, from short seminars to overseas work attachment programmes with our business partners, to further hone their skills and knowledge.

As customer service is a key differentiator for M1, we continually look at ways to strengthen M1's customer-centric culture via training. One key programme, the Towards Legendary Service (TLS) workshop, has been integrated into our orientation programme to impress upon all new employees the importance of customer service to M1's business. It also aims to inculcate in employees the M1 service standards: **Enthusiasm, Do it right the first time, and Efficiency.**

Another key programme to give employees exposure to frontline operations, the Customer Centric Attachment programme, has also been incorporated into our employee induction programme. The attachment to both M1 Shop retail outlets and our customer call centre allows new employees to appreciate the challenges faced by frontline colleagues and foster stronger inter-department collaboration.

In 2012, we launched several new training programmes including "Presentation Essentials" and "Solve it Creatively!" These courses were well-received by employees, and we continue to look into new training programmes to further enhance our employees' skills.

Our average training hours per employee was lower at 40.3 hours in 2012, compared to 48.1 hours in 2011. This was because most eligible employees had completed the TLS workshop in 2011.

Our People



Creating a safe and engaging work environment that supports a healthy work-life integrated lifestyle for all our employees.

Respect for human rights

M1 is committed to complying with Singapore’s employment laws.

We do not employ child or underage workers, or practice any sort of discrimination. The Group does not employ forced labour, and all M1 employees are free to join and leave the company after completing the notice period stipulated in their employment contract, or making payment in lieu of serving this notice. This notice period is highlighted to every employee when they join M1.

However, the company does not evaluate suppliers for human rights risks.

Building a harmonious labour-management relationship

We work with the Singapore Industrial & Services Employees’ Union (SISEU) to build a harmonious labour-management relationship. In 2012, M1 signed a Collective Agreement with SISEU. The Agreement, effective from 1 May 2012, covers issues such as the probationary period, overtime pay and working hours.

Ahead of any significant organisational change, M1 will work with SISEU to

manage the process so as to minimise the impact on affected personnel. Where possible, we will strive to give affected employees additional advance notice of any such change.

Of eligible M1 employees, 31% are SISEU members.

Creating a work-life integrated environment

M1 is committed to creating a safe and engaging work environment that supports a healthy work-life integrated lifestyle for all our employees. Notable employee benefits include:

- Staff canteen with subsidised meals;
- A fully equipped, 24-hour in-house gymnasium;
- Subsidised shuttle services between major township hubs, MRT stations and the office;
- Free health screening programme for all employees;
- Discounted mobile and fixed products, accessories, and services.

Our employees enjoy a host of dependent care services, including a conveniently located childcare centre within our MiWorld Building, medical coverage for employees’ family members, and on-site nursing facilities for new mothers.



In 2012, M1 held its inaugural “Bring Your Kids To Work Day”, where employees could bring their children to the office to experience and better understand what their parents do.

The much-anticipated M1 Charity Bloc-Party 2012 in November 2012 further enhanced familial bonds and camaraderie amongst employees, bringing them and their family together to enjoy a day of games, entertainment, food and activities, while doing their part to raise funds for our adopted charities.

Every year, M1 sets aside a budget for department team-building and de-stress events. Employees can also take advantage of free or subsidised access to holiday chalets, the Night Safari, the Singapore Zoological Gardens and the Jurong Bird Park for their family outings.

In the area of workplace safety and health, M1 has put in place safety procedures for compliance by staff, contractors and vendors working in our premises or at work sites. We also conduct workshops to ensure our staff are familiar with the Codes of Practice on safety that are relevant to their area of work.

Our buildings are equipped with automated external defibrillators (AED), which are placed prominently in easily accessible public areas. AEDs are portable electronic devices used to treat emergency cardiac arrest, and faster access to this life-saving device will shorten the critical response time and improve the survival rate of heart failure victims. We also have 30 fire wardens trained in the use of the AED and administration of cardio pulmonary resuscitation (CPR), in case of a medical emergency.

M1’s monthly newsletter, Voice, helps communicate new developments within the Group, as well as news, upcoming events and issues that matter, to our employees. Senior management will also share the Group’s performance, recent developments and outlook via email and open townhall-style presentations at regular intervals.

Our Community

In 2012, we invested significant resources into our arts, sports and children causes, and raised more funds for our adopted charities over the previous year.

M1 is an active corporate citizen in our community, engaging with and supporting various segments of Singapore society.

In 2012, we invested significant resources into our arts, sports and children causes, and raised more funds for our adopted charities over the previous year. During the year, M1's SunCare Club volunteers also organised fun and educational activities that brought joy to hundreds of underprivileged youth from our adopted charities.

Supporting the arts

Together with The Necessary Stage, we presented the eighth edition of the M1 Singapore Fringe Festival, with the theme "Art & Faith", in February 2012. The highly-anticipated annual festival, which featured 15 works and 30 performances, resonated with and drew many art patrons and new enthusiasts alike.

We also continued our sponsorship of two leading home-grown contemporary dance schools, T.H.E Dance Company and Frontier Danceland, to help nurture the growth of local dance and dance talents, as well as enliven Singapore's landscape for contemporary dance works.

In recognition of our support to Singapore's arts scene, M1 was presented with the Distinguished Patron of the Arts Award 2012, for the 12th consecutive year.





Energising the sporting scene

In the sporting arena, M1 sponsored a series of exciting events including the Mission Foods Beach Netball Festival, the Nations Cup 2012 for netball, as well as the Li-Ning Singapore Open 2012 for badminton. We also continued to partner Netball Singapore to promote the sport in schools, and at the clubs and national levels with the M1 Talent Identification Programme and M1 Schools Challenge League.

Participating in youth causes

In 2012, M1 raised more than S\$300,000 for our adopted charities – Beyond Social Services, Children-At-Risk Empowerment Association, Children's Cancer Foundation, Singapore Children's Society and the Spastic Children's Association of Singapore – through our annual M1 Charity Golf and M1 Charity Carnival fund-raisers.

Besides the established causes, we also lent our support to new community-charity projects such as the M1 Project Communi'BAKE 2012. Staged in July 2012, M1 volunteers worked together with the Ayer Rajah Community Centre Youth Club to create a 20,000 cupcake mosaic, a feat that helped our nation set the Guinness World Record for the 'World's Largest Cupcake Mosaic'.

As always, our SunCare Club volunteers complemented the Group's efforts by investing their personal time and passion in organising fun-filled activities, ranging from movie screenings to ice skating sessions, for the underprivileged children of our adopted charities during the school holidays and festive occasions.

Our Environment



We will be integrating water and energy efficiency features into a new annex building, which began construction in February 2013. Sited next to our MiWorld building, the new annex building will be constructed with recycled materials and include environmentally-friendly features such as rainwater tanks, bicycle racks to encourage staff to cycle to work, and an all-LED lighting system.

Our environment

M1 is committed to complying with applicable environmental regulations where we operate. We are pleased to share that M1 has never been fined or otherwise sanctioned for any environment-related violations.

Our environmental footprint

In 2012, M1 used 51,546,565kWh of electrical power compared to 48,537,145kWh used in 2011, mainly for our mobile networks, office building and data centre operations.

The M1 vehicle fleet used 13,905 litres of petrol and 23,378 litres of diesel in 2012, a decrease from the 15,286 litres of petrol and 26,274 litres of diesel consumed in 2011.

Our three offshore base stations, at Raffles Lighthouse, St. John Island and Pulau Tekong, also use diesel for their on-site generators. Total diesel consumption at our offshore base stations was 76,424 litres in 2012, a decrease from 79,000 litres in 2011.

Water consumption in 2012 was 52,500m³, comparable to the 52,747m³ of water consumed in 2011.

Most of this water is drawn from the utilities company and used by staff for drinking, cleaning, as well as for our buildings' cooling equipment.

Our conservation efforts

Several conservation projects implemented over the last few years have helped to reduce M1's environmental footprint.

A solar power generation system was installed at our Raffles Lighthouse base station last year to reduce the diesel consumption of its power generators. This renewable energy initiative reduced the base station's diesel consumption by 53%, or 10,076 litres of diesel, last year.

Another energy efficiency initiative saw 2,300 fluorescent lights in our MiWorld building replaced with light-emitting diode (LED) bulbs in 2012. These power-saving lights have reduced the building's power consumption for lighting by an estimated 40% or 135,000kWh a year.

Building inspections to optimise lighting levels are also conducted regularly, to identify lighting fixtures that can be removed without compromising productivity. To date, 400 bulbs have been removed, delivering energy savings of 87,775kWh per annum.



M1's 2G base station modernisation programme in 2011 has also yielded significant energy savings. The programme, which saw 1,200 of our 2G base stations replaced with multi-radio ones that do not require air-conditioning, has resulted in a 35% or 6,876,600kWh annual reduction in the power consumption of M1's 2G network.

Additional conservation efforts include turning off the air-conditioning at M1's three corporate buildings - our Main Operating Centre and MiWorld Building at the International Business Park, and our Regional Operations Centre in Aljunied - after working hours and over the weekend in unoccupied office areas. Many of our meetings, including Board meetings, are also conducted without paper presentation materials.

Looking ahead, we will be integrating water and energy efficiency features into a new annex building, which began construction in February 2013. Sited next to our MiWorld building, the new annex building will include environmentally-friendly features such as rainwater harvesting tanks, bicycle racks to encourage staff to cycle to work, and an all-LED lighting system.

Energy consumption

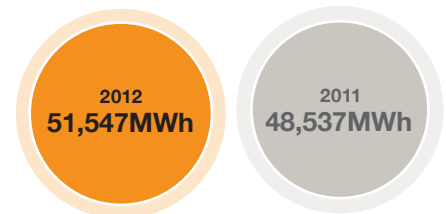
	2012 (kWh)	2011 (kWh)
M1 buildings and data centre operations	27,156,707	25,659,067
Mobile networks	23,984,962	22,408,618
Retail outlets ¹	404,896	469,460
Total	51,546,565	48,537,145

¹ Estimated based on utility bills

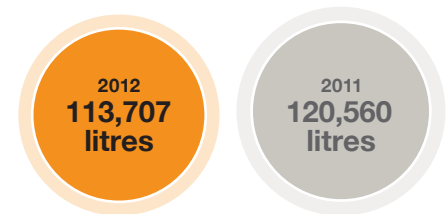
Fuel consumption

	2012 (in litres)	2011 (in litres)
Diesel (offshore base station)	76,424	79,000
Diesel (fleet)	23,378	26,274
Petrol (fleet)	13,905	15,286

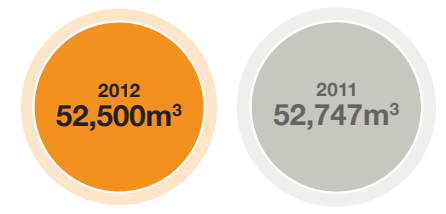
Energy consumption



Fuel consumption (Petrol + Diesel)



Water consumption



Standard disclosures Part I: Profile disclosures

1. Strategy and analysis

Profile disclosure	Description	Page
1.1	Statement from the most senior decision-maker of the organisation.	14-15

2. Organisational profile

Profile disclosure	Description	Page
2.1	Name of the organisation.	88
2.2	Primary brands, products, and/or services.	17-23
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	17-23, 109
2.4	Location of organisation's headquarters.	128
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	17-23
2.6	Nature of ownership and legal form.	88, 130
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	17-23
2.8	Scale of the reporting organisation.	8-11, 17-23, 62
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	17-23
2.10	Awards received in the reporting period.	13

3. Report parameters

Profile disclosure	Description	Page
3.1	Reporting period.	55
3.2	Date of most recent previous report.	55
3.3	Reporting cycle.	55
3.4	Contact point for questions regarding the report or its contents.	55
3.5	Process for defining report content.	55
3.6	Boundary of the report.	55
3.7	State any specific limitations on the scope or boundary of the report.	55
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	55
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	55
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	55
3.12	Table identifying the location of the Standard Disclosures in the report.	72-75

4. Governance, commitments, and engagement

Profile disclosure	Description	Page
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	40-51
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	40
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	40
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	50, 52-53, 56-57
4.14	List of stakeholder groups engaged by the organisation.	56-57
4.15	Basis for identification and selection of stakeholders with whom to engage.	55-56

Standard disclosures Part III: Performance indicators

Economic

Performance indicator	Description	Page
Economic performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	58, 83-127

Environmental

Performance indicator	Description	Page
Energy		
EN3	Direct energy consumption by primary energy source.	70-71
EN4	Indirect energy consumption by primary source.	70-71
EN5	Energy saved due to conservation and efficiency improvements.	70-71
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	70-71
Water		
EN8	Total water withdrawal by source.	70-71
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	70

Social: Labour practices and decent work

Performance indicator	Description	Page
Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	62-64
Labour/management relations		
LA4	Percentage of employees covered by collective bargaining agreements.	66
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	66
Training and education		
LA10	Average hours of training per year per employee by gender, and by employee category.	65
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	63

Standard disclosures Part III: Performance indicators (continued)

Social: Labour practices and decent work (continued)

Performance indicator	Description	Page
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	28-35, 40, 62-64

Social: Human rights

Performance indicator	Description	Page
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken.	63
Freedom of association and collective bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	66
Child labour		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	66
Forced and compulsory labour		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	66

Social: Society

Performance indicator	Description	Page
Anti-competitive behavior		
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	59
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	59

Social: Product responsibility

Performance indicator	Description	Page
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	60
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	60
Marketing communications		
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	59-60

Standard disclosures Part III: Performance indicators (continued)

Social: Product responsibility (continued)

Performance indicator	Description	Page
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	59
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	59

Telecom sector indicators

Internal operations

Performance indicator	Description	Page
Investment		
IO1	Capital investment in telecommunication network infrastructure broken down by country/region.	58
Health and safety		
IO3	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to electro-magnetic fields and radio frequency fields, and exposure to hazardous chemicals.	60
IO5	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.	60

Providing access

Performance indicator	Description	Page
Access to telecommunication products and services: Bridging the digital divide		
PA2	Policies and practices to overcome barriers for access and use of telecommunications products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied.	58-59
PA3	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.	58
PA4	Quantify the level of availability of telecommunications products and services in areas where the organisation operates.	17-23

Financial Statements

Contents

77	Directors' Report
81	Statement by Directors
82	Independent Auditor's Report to the Members of M1 Limited
83	Consolidated Statement of Comprehensive Income
84	Statements of Financial Position
85	Statements of Changes in Equity
87	Consolidated Cash Flow Statement
88	Notes to the Financial Statements

The directors are pleased to present their report to the members together with the audited consolidated financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in shareholders' equity of the Company for the financial year ended 31 December 2012.

1. Directors

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

Teo Soon Hoe
 Karen Kooi Lee Wah
 Roger Barlow
 Chow Kok Kee
 Jamaludin Ibrahim
 Kannan Ramesh
 Low Huan Ping
 Alan Ow Soon Sian
 Reggie Thein

Chairman
 Chief Executive Officer

2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

3. Directors' interests in shares and debentures

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

Name of director	At beginning of financial year/ date of appointment	Ordinary shares Held in the name of directors	
		At end of financial year	As at 21 January 2013
M1 Limited			
Teo Soon Hoe	41,850	41,850	41,850
Karen Kooi Lee Wah	236,000	616,000	616,000
Reggie Thein	25,110	25,110	25,110

Name of director	At beginning of financial year	Options to subscribe for ordinary shares Held in the name of directors	
		At end of financial year	As at 21 January 2013
M1 Limited			
Karen Kooi Lee Wah	4,205,700	4,625,700	4,625,700

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 at the end of the financial year.

Directors' Report

4. 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 has 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.

5. Share options

The Company has an employee share option scheme, M1 Share Option Scheme (the "Scheme"), for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

The Remuneration Committee is responsible for administering the Scheme. The Remuneration Committee members are Mr Roger Barlow (Chairman of Committee), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe.

Under the Scheme, options granted have a term of 5 or 10 years from the date of grant for non-executive directors and Group executives respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Remuneration Committee as follows:

- (i) at a price equal to the average of the last dealt prices of the Company's shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant of that option (the "Market Price") or such higher price as may be determined by the Remuneration Committee in its absolute discretion; or
- (ii) at a price, which is set at the absolute discretion of the Remuneration Committee, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

For good corporate governance, the Remuneration Committee had in 2003 resolved that the date of grant of share options under the Scheme shall be a pre-determined date; that is, the date falling 14 days immediately after the date of announcement of the Company's full year results.

Information with respect to the number of options granted under the Scheme is as follows:

Date of grant	Balance as at 1 January 2012 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2012	Subscription price
4 February 2004	360,000	–	(360,000)	–	S\$1.50
3 February 2005	2,048,700	(175,000)	(1,077,000)	796,700	S\$1.81
2 February 2006	3,992,000	(265,000)	(1,457,000)	2,270,000	S\$2.21
6 February 2007	3,685,500	(329,000)	(969,000)	2,387,500	S\$2.17
11 February 2008	2,559,000	(870,000)	(282,000)	1,407,000	S\$1.90
2 February 2009	3,161,500	(1,722,000)	–	1,439,500	S\$1.60
4 June 2009	320,000	(192,000)	–	128,000	S\$1.60
3 February 2010	5,859,500	(1,381,500)	(84,000)	4,394,000	S\$2.04
15 June 2010	100,000	–	–	100,000	S\$2.04
7 February 2011	8,100,000	(291,000)	(267,500)	7,541,500	S\$2.44
30 January 2012	9,025,000	–	(500,000)	8,525,000	S\$2.43
	39,211,200	(5,225,500)	(4,996,500)	28,989,200	

* Cancelled when staff resigned from the Company

5. Share options (continued)

The above options will vest over a period of three years from the date of grant and may be exercisable for a period commencing after the first anniversary of the date of grant and expiring on the 10th anniversary of the date of grant.

Information on relevant participants under the Scheme is as follows:

Name of employee	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah (Chief Executive Officer)	800,000	6,915,000	2,289,300	4,625,700	S\$1.25 - \$2.44
Patrick Michael Scodeller	300,000	3,960,000	2,820,000	1,140,000	S\$1.25 - \$2.44

Since the commencement of the Scheme, save as disclosed above, no options were granted to directors, no employees have received 5% or more of the total options available under the Scheme and no options have been granted to the controlling shareholders of the Company and their associates.

The Scheme was approved by Shareholders on 8 November 2002. The Scheme had expired on 7 November 2012. Options already granted under the Scheme remain valid and exercisable until the end of the relevant exercise period.

6. Audit Committee

The Audit Committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Review with external auditors the audit plan including the nature and scope of the audit before commencement, auditors' reports and their management letters and management's response;
- Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- Review the assistance given by management to external auditors;
- Review the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services performed by external auditors;
- Examine the scope of internal audit procedures and the results of the internal audit;
- Review the adequacy of the Company's financial, operational, compliance and information technology controls, policies and system established by management (collectively "internal controls") and reporting on any pertinent aspects of risks thereto, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditors;
- Meet with the external and internal auditors without the presence of management at least annually;
- Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

Directors' Report

6. Audit Committee (continued)

- Review interested persons transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- Make recommendation to the Board on the appointment/re-appointment/removal of external auditors, and approve the audit fees and terms of engagement of external auditors; and
- Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The AC convened four meetings during the year with full attendance from all members, except for one member who attended two out of the four meetings.

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

7. Auditor

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

On behalf of the board of directors:



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Director

Singapore
28 February 2013

We, Teo Soon Hoe and Karen Kooi Lee Wah, being two of the directors of M1 Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the 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 2012 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:



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Director

Singapore
28 February 2013

Independent Auditor's Report to the Members of M1 Limited

For the financial year ended 31 December 2012

Report on the financial statements

We have audited the accompanying financial statements of M1 Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 83 to 127, which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company, consolidated statement of comprehensive income and consolidated cash flows 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.

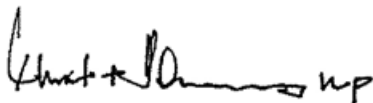
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position 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 2012 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.

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

28 February 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Notes	2012 S\$'000	2011 S\$'000
Operating revenue	4	1,076,812	1,064,896
Operating expenses	5	(888,618)	(863,291)
Other income	6	708	1,759
Finance costs	7	(5,512)	(5,958)
Profit before tax		183,390	197,406
Taxation	8	(36,911)	(33,343)
Net profit for the year		146,479	164,063
Other comprehensive income:			
Net fair value changes on interest rate swap		535	(574)
Total comprehensive income for the year		147,014	163,489
Earnings per share (cents)	9		
Basic		16.1	18.1
Diluted		16.1	18.1
EBITDA (S\$'000)	10	299,916	310,432

Statements of Financial Position

As at 31 December 2012

	Notes	Group		Company	
		2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Non-current assets:					
Fixed assets	11	629,857	606,808	621,431	602,303
Licences and spectrum rights	12	85,558	97,344	85,558	97,344
Other intangibles	13	13,242	13,242	65	65
Staff loans	14	269	547	269	547
Interests in subsidiaries	15	–	–	7,000	7,000
Due from a subsidiary	16	–	–	16,930	16,930
		728,926	717,941	731,253	724,189
Current assets:					
Inventories	17	33,110	36,331	451	530
Trade debtors	18	179,960	187,710	177,807	185,566
Other debtors and deposits	19	13,179	17,810	12,709	14,451
Prepayments		7,718	6,661	7,469	6,427
Due from related parties and subsidiaries	16	635	276	4,498	7,484
Cash and cash equivalents	20	11,607	11,837	10,175	6,614
		246,209	260,625	213,109	221,072
Current liabilities:					
Creditors and accruals	21	(187,794)	(196,249)	(166,858)	(137,265)
Unearned revenue		(34,933)	(33,560)	(33,860)	(32,791)
Due to related parties and subsidiaries	16	(125)	(383)	(36,127)	(54,685)
Borrowings	22	(272,000)	(53,300)	(272,000)	(53,300)
Derivative liabilities	30	(236)	(881)	(236)	(881)
Income tax payable		(29,285)	(26,316)	(27,255)	(25,462)
		(524,373)	(310,689)	(536,336)	(304,384)
Net current liabilities		(278,164)	(50,064)	(323,227)	(83,312)
Non-current liabilities:					
Borrowings	22	–	(250,000)	–	(250,000)
Deferred tax liabilities	8	(102,848)	(95,330)	(101,895)	(95,275)
Net assets		347,914	322,547	306,131	295,602
Represented by:					
Share capital	23	155,886	144,738	155,886	144,738
Hedging reserve	24	(196)	(731)	(196)	(731)
Share option reserve		5,896	6,538	5,896	6,538
Retained profits		186,328	172,002	144,545	145,057
Total equity		347,914	322,547	306,131	295,602

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

Statements of Changes in Equity

For the financial year ended 31 December 2012

2012 Group	Attributable to equity holders of the Company				
	Share capital (Note 23) S\$'000	Hedging reserve (Note 24) S\$'000	Share option reserve S\$'000	Retained profits S\$'000	Total S\$'000
As at 1 January 2012	144,738	(731)	6,538	172,002	322,547
Net profit	–	–	–	146,479	146,479
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	146,479	147,014
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	186,328	347,914

2011 Group	Attributable to equity holders of the Company				
	Share capital (Note 23) S\$'000	Hedging reserve (Note 24) S\$'000	Share option reserve S\$'000	Retained profits S\$'000	Total S\$'000
As at 1 January 2011	127,559	(157)	6,233	169,259	302,894
Net profit	–	–	–	164,063	164,063
Other comprehensive income for the year	–	(574)	–	–	(574)
Total comprehensive income for the year	–	(574)	–	164,063	163,489
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	17,179	–	(1,493)	–	15,686
Grant of share options	–	–	1,798	–	1,798
Dividends (Note 33)	–	–	–	(161,320)	(161,320)
Total contributions by and distributions to owners	17,179	–	305	(161,320)	(143,836)
As at 31 December 2011	144,738	(731)	6,538	172,002	322,547

Statements of Changes in Equity

For the financial year ended 31 December 2012

	Attributable to equity holders of the Company				
	Share capital (Note 23) S\$'000	Hedging reserve (Note 24) S\$'000	Share option reserve S\$'000	Retained profits S\$'000	Total S\$'000
2012 Company					
As at 1 January 2012	144,738	(731)	6,538	145,057	295,602
Net profit	–	–	–	131,641	131,641
Other comprehensive income for the year	–	535	–	–	535
Total comprehensive income for the year	–	535	–	131,641	132,176
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	11,148	–	(1,288)	–	9,860
Grant of share options	–	–	646	–	646
Dividends (Note 33)	–	–	–	(132,153)	(132,153)
Total contributions by and distributions to owners	11,148	–	(642)	(132,153)	(121,647)
As at 31 December 2012	155,886	(196)	5,896	144,545	306,131

	Attributable to equity holders of the Company				
	Share capital (Note 23) S\$'000	Hedging reserve (Note 24) S\$'000	Share option reserve S\$'000	Retained profits S\$'000	Total S\$'000
2011 Company					
As at 1 January 2011	127,559	(157)	6,233	148,270	281,905
Net profit	–	–	–	158,107	158,107
Other comprehensive income for the year	–	(574)	–	–	(574)
Total comprehensive income for the year	–	(574)	–	158,107	157,533
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares on exercise of employee share options	17,179	–	(1,493)	–	15,686
Grant of share options	–	–	1,798	–	1,798
Dividends (Note 33)	–	–	–	(161,320)	(161,320)
Total contributions by and distributions to owners	17,179	–	305	(161,320)	(143,836)
As at 31 December 2011	144,738	(731)	6,538	145,057	295,602

Consolidated Cash Flow Statement

For the financial year ended 31 December 2012

	Notes	2012 S\$'000	2011 S\$'000
Cash flows from operating activities:			
Profit before tax		183,390	197,406
Adjustments for:			
Depreciation of fixed assets		99,228	96,186
Gain on disposal of fixed assets		(758)	(795)
Amortisation of licences and spectrum rights		11,786	10,882
Share option expenses		646	1,798
Interest income		(7)	(22)
Interest expense		5,512	5,958
Operating cash flows before working capital changes		299,797	311,413
Changes in:			
Inventories		3,220	(12,921)
Trade debtors		7,750	(9,482)
Other debtors and deposits		4,632	(1,877)
Prepayments		(1,057)	201
Non-current staff loans		278	326
Creditors and accruals		(7,909)	37,957
Unearned revenue		1,372	582
Related parties		(617)	(228)
Cash generated from operations		307,466	325,971
Interest received		7	22
Interest paid		(6,058)	(5,417)
Tax paid		(26,534)	(34,933)
Net cash flows from operating activities		274,881	285,643
Cash flows from investing activities:			
Purchase of fixed assets		(122,541)	(102,670)
Acquisition of subsidiary		–	(500)
Purchase of licences and spectrum rights		–	(21,713)
Proceeds from disposal of fixed assets		1,023	628
Net cash flows used in investing activities		(121,518)	(124,255)
Cash flows from financing activities:			
Proceeds from bank loans		120,500	123,800
Repayment of bank loans		(151,800)	(136,500)
Dividends paid on ordinary shares by the Company		(132,153)	(161,320)
Proceeds from issuance of ordinary shares on exercise of employee share options		9,860	15,686
Net cash flows used in financing activities		(153,593)	(158,334)
Net changes in cash and cash equivalents		(230)	3,054
Cash and cash equivalents at beginning of financial year	20	11,837	8,783
Cash and cash equivalents at end of financial year	20	11,607	11,837

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

1. Corporate information

M1 Limited (the “Company”) is a public limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Its registered office and principal place of business is at 10 International Business Park, Singapore 609928.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the provision of telecommunications services, international call services and broadband services, retail sales of telecommunication equipment and accessories, customer services and investment holding.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position 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 for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore dollars (“S\$”) and all values are rounded to the nearest thousand (S\$’000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Amendments to FRS 107 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2013
– Amendment to FRS 16 <i>Property, Plant and Equipment</i>	1 January 2013
– Amendment to FRS 32 <i>Financial Instruments: Presentation</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Except for the Amendments to FRS 1, the directors expect that the adoption of the other standards and interpretations above will have no 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.

2.4 Basis of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries 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 profits and losses resulting from intra-group transactions 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 such control ceases.

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

Any 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 2.9(a).

Notes to the Financial Statements

For the financial year ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 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 any impairment losses.

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of fixed assets 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.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised in profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed assets.

2.7 Depreciation

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives as follows:

Leasehold buildings	–	10 – 30 years
Networks and related application systems	–	7 – 25 years
Application systems and computers	–	3 – 5 years
Motor vehicles	–	5 years
Furniture, fittings and equipment	–	2 – 7 years

Capital work-in-progress included in fixed assets is not depreciated as these assets are not available for use.

2. Summary of significant accounting policies (continued)

2.7 Depreciation (continued)

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Licences and spectrum rights

These comprise expenditure relating to one-time charges paid to acquire spectrum rights and telecommunications licences or access codes. These intangible assets are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Licences and spectrum rights are amortised on a straight-line basis over the estimated economic useful lives of 6 to 17 years. The amortisation period and the amortisation method are reviewed at each financial year-end. The amortisation expense is recognised in profit or loss through the 'depreciation and amortisation' line item.

2.9 Intangible assets

(a) *Goodwill*

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. 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.

(b) *Club membership*

Club membership acquired is measured initially at cost less any accumulated impairment losses.

2.10 Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

Trade and other debtors

Trade and other debtors, including amounts due from related parties, are classified and accounted for as loans and receivables under FRS 39.

Included in the trade debtors balance are accrued service revenue and accrued handset revenue.

Accrued service revenue relates to services rendered but not billed to customers. They will be billed at the following bill cycle.

Accrued handset revenue relates to revenue recognised for handsets sold with services.

Allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12 below.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and time deposits. They are carried in the statement of financial position, classified and accounted for under FRS 39.

For purpose of the consolidated cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.11 Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group, becomes a party to the contractual provisions of the financial instruments. The accounting policies adopted for specific financial liabilities are set out below.

Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings 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 as well as through the amortisation process.

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

2. Summary of significant accounting policies (continued)

2.11 Financial liabilities (continued)

Trade and other creditors

Liabilities for trade and other creditors, which are normally settled on 30-90 days terms, and amounts due to related parties are initially recognised at fair value and 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 as well as through the amortisation process.

2.12 Impairment of financial assets

At each statement of financial position date, there will be an assessment as to whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

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

2.13 Derecognition of financial assets and liabilities

(a) *Financial assets*

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, and through the amortisation process.

2.14 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations.

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the year.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.14 Derivative financial instruments and hedging activities (continued)

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contract is determined by reference to market value for similar instruments.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in profit or loss.

Amounts taken to hedging reserve are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit or loss.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition is accounted for on weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is estimated selling price in the normal course of business, less estimated costs necessary to make the sale.

2. Summary of significant accounting policies (continued)

2.16 Provisions

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

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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each statement of financial position date 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.

2.17 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Government grants 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.

2.18 Employee benefits

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) *Employee share option plan*

Employees (including the executive director) and non-executive directors of the Group may receive remuneration in the form of share-based payment transactions. Employees render services as consideration for share options ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the share options are granted. In valuing the share option, no account is taken of any performance conditions, other than conditions linked to the price of shares of the Company ('market condition'), if applicable.

The cost of equity-settled transactions is amortised and recognised in profit or loss on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The movement in cumulative expenses recognised at the beginning and end of a reporting period is charged or credited to profit or loss with a corresponding adjustment to share option reserve.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained profits upon expiry of the share option.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.19 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date 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 each statement of financial position date 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 to 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 statement of financial position date.

Deferred income tax relating to items recognised directly in equity is recognised in equity.

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

2. Summary of significant accounting policies (continued)

2.19 Taxes (continued)

(c) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of goods and services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.20 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset up to the end of its useful life. An impairment loss is recognised in profit or loss whenever the carrying value of an asset exceeds its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in profit or loss. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years. After such reversal, the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount less any residual value, on a systematic basis over its remaining useful life.

2.21 Revenue recognition

Revenue of the Group comprises fees earned from telecommunication services rendered and sale of handsets.

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. The following specific recognition criteria must also be met before revenue is recognised:

- Service revenue is recognised at the time when such services are rendered. Revenue billed in advance of the rendering of services is deferred on the statement of financial position as unearned revenue.
- Revenue from sale of prepaid cards but for which services have not been rendered is deferred on the statement of financial position as unearned revenue. Upon termination of the prepaid cards, any unutilised value of the prepaid cards will be taken to profit or loss.
- Revenue from sale of handset is recognised upon the passing of risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the handsets sold.
- Revenue on award credits are recognised based on the number of award credits that have been redeemed in exchange for free or discounted goods, relative to the total numbers of awards credit expected to be redeemed.
- Interest income is recognised using the effective interest rate method.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.22 Customer acquisition and retention costs

Customer acquisition and retention costs are accounted for in the statement of comprehensive income when incurred.

2.23 Operating leases

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

2.24 Foreign currency

The Group's consolidated financial statements are presented in Singapore dollars, which is also the Company and subsidiary companies' functional currencies.

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 closing rate of exchange ruling at the statement of financial position date. 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 statement of financial position date are recognised in profit or loss.

2.25 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 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).
 - (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. Summary of significant accounting policies (continued)

2.26 Segment reporting

The Company and its subsidiaries operate in Singapore in one business segment, that of provision of telecommunications services.

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

2.28 Contingencies

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Notes to the Financial Statements

For the financial year ended 31 December 2012

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, 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.

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:

- Useful lives of network and related application systems*

The cost of network and related application systems are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these fixed assets to be within 7 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's and Company's network and related application systems at the statement of financial position date are disclosed in Note 11 to the financial statements.
- Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment at least on an annual basis.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 13 to the financial statements.

- Impairment of loans and receivables*

The Group and the Company assess at each statement of financial position date 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. Actual results may differ from management's estimates. The carrying amounts of the Group's and the Company's loans and receivables at the statement of financial position date are disclosed in Note 31 to the financial statements.

- Income taxes*

The Group and the Company recognise 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 provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2012 were S\$29,285,000 (2011: S\$26,316,000) and S\$102,848,000 (2011: S\$95,330,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at 31 December 2012 were S\$27,255,000 (2011: S\$25,462,000) and S\$101,895,000 (2011: S\$95,275,000) respectively.

4. Operating revenue

	Group	
	2012	2011
	S\$'000	S\$'000
Mobile telecommunications	606,969	587,357
International call services	116,464	124,836
Handset sales	305,238	314,396
Fixed services	48,141	38,307
	1,076,812	1,064,896

5. Operating expenses

	Group	
	2012	2011
	S\$'000	S\$'000
Cost of services	130,294	126,395
Cost of handsets sold	385,008	365,561
Reversal of write-down of inventories	(236)	(50)
Staff costs	97,439	96,926
Advertising and promotion expenses	22,349	26,460
Depreciation and amortisation	111,014	107,068
Allowance for doubtful debts	15,278	18,472
Bad debts recovered	(2,424)	(1,343)
Facilities expenses	76,117	69,105
Leased circuit costs	31,538	33,925
General and administrative expenses	22,241	20,772
	888,618	863,291

Cost of services includes mainly traffic expenses, wholesale costs of fixed services and connection incentives payable to dealers.

Total operating expenses included the following:

	Group	
	2012	2011
	S\$'000	S\$'000
Audit fees paid to auditors of the Company	203	195
Non-audit fees paid to auditors of the Company	57	65
CPF contributions	9,727	9,646
Share-based payments	646	1,798
Key executives' remuneration	5,017	5,396
Fees paid to Directors of the Company	451	407
Foreign exchange gain, net	(2,666)	(4,729)
Gain on disposal of fixed assets, net	(758)	(795)

Notes to the Financial Statements

For the financial year ended 31 December 2012

5. Operating expenses (continued)

Key executives' remuneration included in the operating expenses are as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Short term employee benefits	4,056	4,526
CPF contributions	174	126
Share-based payments	787	744
Total compensation paid to key executives	5,017	5,396

6. Other income

	Group	
	2012	2011
	S\$'000	S\$'000
Interest income from banks	7	22
Miscellaneous income	701	1,737
	708	1,759

7. Finance costs

	Group	
	2012	2011
	S\$'000	S\$'000
Interest expense on bank loans	4,909	5,281
Fair value loss on interest rate swap (Note 24)	603	677
	5,512	5,958

8. Taxation

Major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012	2011
	S\$'000	S\$'000
Current income tax		
– Current year	29,503	19,523
Deferred taxation		
– Origination and reversal of temporary differences	3,908	13,820
– Underprovision in respect of prior years	3,500	–
Income tax expense recognised in net profit for the year	36,911	33,343
Deferred tax related to other comprehensive income		
– Fair value changes on interest rate swap	110	(118)

8. Taxation (continued)

A reconciliation of the statutory tax rate with the effective tax rate applicable to profit before tax of the Group for the years ended 31 December 2012 and 2011 are as follows:

	2012 %	Group	2011 %
Statutory rate	17.0		17.0
Adjustments for the tax effect of:			
Expenses not deductible for tax purposes	1.2		0.5
Under provision in respect of prior years	1.9		–
Others	–		(0.6)
Effective tax rate	20.1		16.9

Deferred tax liabilities

Deferred taxation at 31 December 2012 and 2011 are related to the following:

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Deferred tax liabilities				
Difference in depreciation	102,848	95,330	101,895	95,275

Notes to the Financial Statements

For the financial year ended 31 December 2012

9. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year (adjusted for effects of dilutive options).

The following reflects the earnings and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2012	2011
	S\$'000	S\$'000
Net profit attributable to shareholders for basic and diluted earnings per share	146,479	164,063
	No. of shares 2012	No. of shares 2011
	'000	'000
Weighted average of ordinary shares on issue applicable to basic earnings per share	911,279	905,795
Effect of dilutive securities:		
Share options	184	911
Adjusted weighted average of ordinary shares on issue applicable to diluted earnings per share	911,463	906,706

10. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is defined as follows:

	Group	
	2012	2011
	S\$'000	S\$'000
Profit before tax	183,390	197,406
Adjustments for:		
Amortisation of licences and spectrum rights	11,786	10,882
Depreciation of fixed assets	99,228	96,186
Finance costs	5,512	5,958
EBITDA	299,916	310,432

11. Fixed assets

Group	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in-progress S\$'000	Total S\$'000
Cost:							
At 1 January 2011	78,955	1,367,758	186,771	931	55,692	46,616	1,736,723
Additions	768	43,015	19,111	248	5,980	33,548	102,670
Disposals	(82)	(636)	(1,130)	–	(3,582)	–	(5,430)
Reclassification	–	30,625	–	–	–	(30,625)	–
At 31 December 2011 and 1 January 2012	79,641	1,440,762	204,752	1,179	58,090	49,539	1,833,963
Additions	273	41,507	12,821	–	10,786	57,154	122,541
Disposals	–	(17)	(112)	(259)	(5,587)	–	(5,975)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012	79,914	1,500,583	217,461	920	63,289	88,362	1,950,529
Accumulated depreciation:							
At 1 January 2011	38,124	900,503	152,779	639	44,032	–	1,136,077
Charge for the year	3,229	75,992	6,118	97	10,750	–	96,186
Disposals	(59)	(570)	(1,040)	–	(3,439)	–	(5,108)
At 31 December 2011 and 1 January 2012	41,294	975,925	157,857	736	51,343	–	1,227,155
Charge for the year	3,137	77,404	12,002	125	6,560	–	99,228
Disposals	–	(11)	(111)	(259)	(5,330)	–	(5,711)
At 31 December 2012	44,431	1,053,318	169,748	602	52,573	–	1,320,672
Net carrying amount:							
At 31 December 2011	38,347	464,837	46,895	443	6,747	49,539	606,808
At 31 December 2012	35,483	447,265	47,713	318	10,716	88,362	629,857

Notes to the Financial Statements

For the financial year ended 31 December 2012

11. Fixed assets (continued)

Company	Leasehold buildings S\$'000	Networks and related application systems S\$'000	Application systems and computers S\$'000	Motor vehicles S\$'000	Furniture, fittings and equipment S\$'000	Capital work-in- progress S\$'000	Total S\$'000
Cost:							
At 1 January 2011	78,865	1,366,461	182,420	932	48,894	46,616	1,724,188
Additions	768	43,015	18,081	248	5,063	33,548	100,723
Disposals	(82)	(636)	(1,054)	–	(2,806)	–	(4,578)
Reclassification	–	30,625	–	–	–	(30,625)	–
At 31 December 2011 and 1 January 2012	79,551	1,439,465	199,447	1,180	51,151	49,539	1,820,333
Additions	273	41,507	9,499	–	7,537	57,154	115,970
Disposals	–	(17)	(90)	(259)	(5,494)	–	(5,860)
Reclassification	–	18,331	–	–	–	(18,331)	–
At 31 December 2012	79,824	1,499,286	208,856	921	53,194	88,362	1,930,443
Accumulated depreciation:							
At 1 January 2011	38,093	899,533	150,722	640	39,008	–	1,127,996
Charge for the year	3,211	75,730	5,511	97	9,881	–	94,430
Disposals	(59)	(570)	(968)	–	(2,799)	–	(4,396)
At 31 December 2011 and 1 January 2012	41,245	974,693	155,265	737	46,090	–	1,218,030
Charge for the year	3,134	77,404	10,717	125	5,211	–	96,591
Disposals	–	(11)	(89)	(259)	(5,250)	–	(5,609)
At 31 December 2012	44,379	1,052,086	165,893	603	46,051	–	1,309,012
Net carrying amount:							
At 31 December 2011	38,306	464,772	44,182	443	5,061	49,539	602,303
At 31 December 2012	35,445	447,200	42,963	318	7,143	88,362	621,431

12. Licences and spectrum rights

Group and Company	Licenses S\$'000	Spectrum rights S\$'000	Total S\$'000
Cost:			
At 1 January 2011	3,175	119,867	123,042
Additions	–	21,713	21,713
At 31 December 2011 and 31 December 2012	3,175	141,580	144,755
Accumulated amortisation:			
At 1 January 2011	1,900	34,629	36,529
Charge for the year	273	10,609	10,882
At 31 December 2011 and 1 January 2012	2,173	45,238	47,411
Charge for the year	274	11,512	11,786
At 31 December 2012	2,447	56,750	59,197
Net carrying amount:			
At 31 December 2011	1,002	96,342	97,344
At 31 December 2012	728	84,830	85,558

The licences and spectrum rights have remaining useful lives ranging from 2.5 years to 9 years (2011: 3.5 years to 10 years).

13. Other intangibles

Group	Goodwill S\$'000	Club membership S\$'000	Total S\$'000
Cost:			
At 31 December 2011 and 31 December 2012	13,177	65	13,242
Company			
Cost:			
At 31 December 2011 and 31 December 2012			65

Notes to the Financial Statements

For the financial year ended 31 December 2012

13. Other intangibles (continued)

Impairment testing of goodwill

In 2009, the Group's subsidiary, M1 Net Ltd. (M1 Net), acquired a 100% equity interest in M1 Connect Pte. Ltd. (M1 Connect).

Management has allocated the goodwill to M1 Net and M1 Connect as a single cash-generating unit (CGU) for impairment testing. The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections covering a five-year period. The discount rate applied to the cash flow projections and terminal growth rate used to extrapolate cash flow projections beyond the five-year period are 8% (2011: 10%) and nil (2011: nil) respectively.

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Terminal growth rate – The terminal growth rate used does not exceed the long term average growth rate of the industry and country in which the CGU operates.

Pre-tax discount rate – Discount rate reflects the current market assessment of the risks specific to the CGU.

A reasonable change to the assumptions used by the management to determine the impairment required, particularly the discount rate and terminal growth rate, would not significantly affect the results.

14. Staff loans

	Group and Company	
	2012	2011
	S\$'000	S\$'000
Repayable within one year (included in Note 19)	182	271
Repayable after one year	269	547
	451	818

Staff loans are repayable in equal monthly instalments over periods of up to seven years and interest bearing at rates of up to 2% (2011: 2%) per annum.

15. Interests in subsidiaries

	Company	
	2012	2011
	S\$'000	S\$'000
Unquoted shares:		
At cost	8,560	8,560
Impairment loss	(1,560)	(1,560)
	7,000	7,000

15. Interests in subsidiaries (continued)

Details of the subsidiaries of the Company as at 31 December 2012 and 2011 are as follows:

Name of Company	Country of incorporation	Principal activities	Effective interest of the Company	
			2012 %	2011 %
Held by the Company				
M1 Shop Pte Ltd	Singapore	Retail sales of telecommunication equipment and accessories	100	100
M1 Net Ltd.	Singapore	Provision of broadband and other related telecommunication services	100	100
Wireless Intellect Labs Pte Ltd	Singapore	Licensors of intellectual property rights	100	100
Kliq Pte. Ltd.	Singapore	Dormant	100	100
Held by subsidiary of the Company				
M1 Connect Pte. Ltd.	Singapore	Provision of broadband and other related telecommunication services	100	100

All subsidiaries are audited by Ernst & Young LLP except for Kliq Pte. Ltd. for which there is no statutory audit requirement.

16. Due from/(to) related parties and subsidiaries

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Due from a subsidiary (non-trade)	–	–	16,930	16,930
Due from subsidiaries	–	–	3,866	9,602
Due from related parties	635	276	632	269
Allowance for impairment	–	–	–	(2,387)
	635	276	4,498	7,484
Due to subsidiaries	–	–	(36,002)	(54,302)
Due to related parties	(125)	(383)	(125)	(383)
	(125)	(383)	(36,127)	(54,685)

The non-trade amount due from a subsidiary is unsecured, non-interest bearing and is not expected to be repaid by the subsidiary in the next twelve months.

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

The amounts due from/(to) related parties are unsecured, non-interest bearing and are generally on 30 to 90 days terms.

Notes to the Financial Statements

For the financial year ended 31 December 2012

17. Inventories

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Handsets	30,892	34,061	–	–
Accessories	2,218	2,270	451	530
	33,110	36,331	451	530

18. Trade debtors

Trade debtors comprise billed trade debtors, accrued service revenue and accrued handset revenue.

Billed trade debtors are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Billed trade debtors	74,601	77,634	72,448	75,490
Accrued revenue	121,210	128,751	121,210	128,751
	195,811	206,385	193,658	204,241
Allowance for doubtful debts	(15,851)	(18,675)	(15,851)	(18,675)
	179,960	187,710	177,807	185,566

The Group has accrued handset revenue amounting to S\$101,582,000 (2011: S\$105,817,000) included in accrued revenue.

Debtors that are past due but not impaired:

The Group and Company have unsecured trade debtors that are past due at the statement of financial position date but not impaired and the analysis of their ageing at the statement of financial position date is as follows:

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Trade debtors past due:				
30 – 60 days	8,970	7,757	8,903	7,722
61 – 90 days	3,200	2,936	3,158	2,891
More than 90 days	4,216	4,330	3,992	4,153
	16,386	15,023	16,053	14,766

18. Trade debtors (continued)

Debtors that are impaired:

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

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Trade receivables – gross amount	56,565	58,774	56,565	58,774
Less: Allowance for doubtful debts	(15,851)	(18,675)	(15,851)	(18,675)
	40,714	40,099	40,714	40,099
Movement in allowance accounts:				
Balance at beginning of financial year	18,675	16,969	18,675	16,750
Charge for the year	15,278	18,472	15,278	18,692
Written-off	(18,102)	(16,766)	(18,102)	(16,767)
Balance at end of financial year	15,851	18,675	15,851	18,675

19. Other debtors and deposits

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Deposits	4,812	5,341	3,369	3,912
Staff loans (Note 14)	182	271	182	271
Sundry debtors	8,185	12,198	9,158	10,268
	13,179	17,810	12,709	14,451

20. Cash and cash equivalents

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Cash and bank balances	11,607	11,837	10,175	6,614

Cash and cash equivalents comprise cash on hand and at banks, which earn interest at floating rates offered by short-term money market ranging from 0.07% to 0.17% (2011: 0.02% to 0.50%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2012

21. Creditors and accruals

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Trade creditors	68,553	98,922	52,213	44,068
Accrued operating expenses	36,642	33,816	32,609	30,208
Accrued capital expenditure	76,395	57,607	75,955	57,174
Interest payable	551	1,097	551	1,097
Directors' fees payable	451	407	451	407
Other creditors	5,202	4,400	5,079	4,311
	187,794	196,249	166,858	137,265

Trade and other payables are non-interest bearing and are normally settled on 30 to 90 days terms.

22. Borrowings

	Group and Company	
	2012 S\$'000	2011 S\$'000
Current:		
Current portion of long term bank loans	250,000	–
Short term bank loans	22,000	53,300
Non-current:		
Long term bank loans	–	250,000
	272,000	303,300

The S\$22 million (2011: S\$53.3 million) short-term bank loans are unsecured, interest bearing at 0.63% (2011: 0.90% to 1.19%) per annum and are repayable in full in January 2013 (2011: January 2012).

The S\$250 million long term bank loans are unsecured and are repayable in full in May 2013. They consist of a S\$125 million fixed rate bank loan at an effective rate of 2.6% (2011: 2.6%) per annum and a S\$125 million floating rate bank loan.

The S\$125 million floating rate bank loan is interest bearing at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May. The Company has entered into an interest rate swap to hedge the S\$125 million floating rate bank loan, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed rate of 1.579% (2011: 1.579%) per annum.

23. Share capital

	Group and Company S\$'000
Issued and fully-paid:	
Balance as at 1 January 2011	
899,877,282 ordinary shares	127,559
Issued during the financial year	
8,088,500 ordinary shares for cash on exercise of employee share options	17,179
Balance as at 31 December 2011 and 1 January 2012	144,738
Issued during the financial year	
5,225,500 ordinary shares for cash on exercise of employee share options	11,148
Balance as at 31 December 2012	155,886
913,191,282 ordinary shares	155,886

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. The ordinary shares have no par value.

The Company has an employee share option scheme (see Note 27) under which options to subscribe for the Company's ordinary shares may have been granted to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

24. Hedging reserve

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedge instruments in cash flow hedges that is determined to be an effective hedge.

	Group and Company S\$'000
At 1 January 2011	(157)
Fair value losses during the year	(1,251)
Reclassification to finance costs	677
At 31 December 2011 and 1 January 2012	(731)
Fair value losses during the year	(68)
Reclassification to finance costs	603
At 31 December 2012	(196)

Notes to the Financial Statements

For the financial year ended 31 December 2012

25. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions entered into by the Group and related parties who are not members of the Group at market rates agreed between the parties during the financial year:

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Substantial shareholders and their subsidiaries				
Telecommunication services rendered	14,477	11,469	14,438	11,358
Telecommunication services received	17,465	13,933	17,464	13,931
Rental and maintenance services received	3,748	8,896	1,269	5,891

26. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the statement of financial position date but not recognised in the financial statements are as follows:

	Group and Company	
	2012	2011
	S\$'000	S\$'000
Capital commitments in respect of fixed assets	28,154	40,776

(b) Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) under operating leases were S\$30,978,000 and S\$28,299,000 for the financial years ended 31 December 2012 and 2011 respectively.

The Group leases various properties under operating lease agreements. These leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments are as follows:

	Group		Company	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Within one year	14,106	12,441	9,098	8,592
After one year but not more than five years	17,488	14,482	13,088	11,434
More than five years	5,493	5,753	5,493	5,753
	37,087	32,676	27,679	25,779

27. Share options

The Company has an employee share option scheme, M1 Share Option Scheme (the “Scheme”), for granting of non-transferable options to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

The Remuneration Committee is responsible for administering the Scheme. The Remuneration Committee members are Mr Roger Barlow (Chairman of Committee), Mr Chow Kok Kee, Mr Low Huan Ping, Mr Alan Ow Soon Sian and Mr Teo Soon Hoe.

Under the Scheme, options granted have a term of 5 years or 10 years from the date of grant for non-executive directors and Group executives respectively.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Remuneration Committee as follows:

- (i) at a price equal to the average of the last dealt prices of the Company’s shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant of that option (the “Market Price”) or such higher price as may be determined by the Remuneration Committee in its absolute discretion; or
- (ii) at a price, which is set at the absolute discretion of the Remuneration Committee, at a discount to the Market Price so long as the maximum discount for any option shall not exceed 20% of the Market Price in respect of that option.

For good corporate governance, the Remuneration Committee had in 2003 resolved that the date of grant of share options under the Scheme shall be a pre-determined date; that is, the date falling 14 days immediately after the date of announcement of the Company’s full year results.

Information with respect to the number of options granted under the Scheme is as follows:

Date of grant	Balance as at 1 January 2012 or date of grant	Exercised	Cancelled*	Balance as at 31 December 2012	Subscription price
4 February 2004	360,000	–	(360,000)	–	S\$1.50
3 February 2005	2,048,700	(175,000)	(1,077,000)	796,700	S\$1.81
2 February 2006	3,992,000	(265,000)	(1,457,000)	2,270,000	S\$2.21
6 February 2007	3,685,500	(329,000)	(969,000)	2,387,500	S\$2.17
11 February 2008	2,559,000	(870,000)	(282,000)	1,407,000	S\$1.90
2 February 2009	3,161,500	(1,722,000)	–	1,439,500	S\$1.60
4 June 2009	320,000	(192,000)	–	128,000	S\$1.60
3 February 2010	5,859,500	(1,381,500)	(84,000)	4,394,000	S\$2.04
15 June 2010	100,000	–	–	100,000	S\$2.04
7 February 2011	8,100,000	(291,000)	(267,500)	7,541,500	S\$2.44
30 January 2012	9,025,000	–	(500,000)	8,525,000	S\$2.43
	39,211,200	(5,225,500)	(4,996,500)	28,989,200	

* Cancelled when staff resigned from the Company.

The above options will vest over a period of three years from the date of grant and may be exercisable for a period commencing after the first anniversary of the date of grant and expiring on the 10th anniversary of the date of grant.

The weighted average fair value of options granted during the financial year was S\$0.246 (2011: S\$0.250).

Notes to the Financial Statements

For the financial year ended 31 December 2012

27. Share options (continued)

The weighted average share price at the date of exercise of the options during the financial year was S\$2.43 (2011: S\$2.44).

The weighted average remaining contractual life for options outstanding at the end of the financial year is 6.3 years (2011: 6.4 years).

Information on a director of the Company participating in the Scheme is as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of Scheme to end of financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding at end of financial year	Subscription price
Karen Kooi Lee Wah	800,000	6,915,000	2,289,300	4,625,700	S\$1.25 - S\$2.44

The fair value of the share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model for all grants not vested for the years ended 31 December 2012 and 31 December 2011 are shown below:

Date of grant	30-Jan-12	7-Feb-11	15-Jun-10	3-Feb-10	4-Jun-09	2-Feb-09
Dividend Yield (%)	5.88	7.14	6.31	6.42	8.97	8.01
Expected Volatility (%)	27.00	28.00	29.00	29.00	29.00	28.00
Risk-free interest rate (%)	0.30	1.03	0.55	0.81	0.66	0.78
Expected life of option (years)	3.10	3.10	3.10	3.10	3.10	3.10
Share price (S\$)	2.43	2.45	2.13	2.06	1.50	1.68
Exercise price (S\$)	2.43	2.44	2.12	2.04	1.60	1.60

The expected life of the option is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option were incorporated into the measurement of fair value.

The Scheme was approved by shareholders on 8 November 2002. The Scheme expired on 7 November 2012. Options already granted under the Scheme remain valid and exercisable until the end of the relevant exercise period.

28. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's risk management strategy aims to minimise the adverse effects of financial risk on the financial performance of the Group. The Group also enters into derivative transactions, including interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the Group's long-term debt obligation.

The Group's policy is to manage its interest cost using a mix of variable and fixed rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2012 and 2011, after taking into account the effect of interest rate swap, all of the Group's borrowings are at fixed rates of interest.

Foreign currency risk

The Group's revenue and expenditure are primarily transacted in Singapore dollar. The currency exposures are mainly limited to US dollars ("USD") and Special Drawing Rights ("SDR"). SDR is an international reserve asset created by International Monetary Fund and is valued on the basis of a basket of key national currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the statement of financial position date, such foreign currency balances (mainly in USD and Euro) amount to S\$3,308,000 (31 December 2011: S\$1,912,000) for both the Group and the Company.

Whenever possible, foreign currency transactions are matched to minimise the exposure. The exchange rates are continually monitored and forward contracts are used when appropriate to hedge against exchange rate fluctuations.

As at the statement of financial position date, the Group's foreign currency exposures are insignificant.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group relies on its internal working capital and bank borrowings to fund most of its operating and investing activities. There are sufficient revolving credit facilities available to meet short term funding requirements.

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Financial risk management objectives and policies (continued)

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the statement of financial position date based on contractual undiscounted payments.

2012	1 year or less S\$'000	1 to 5 years S\$'000	Total S\$'000
Group			
Financial assets			
Trade and other receivables	193,139	269	193,408
Amounts due from related parties and subsidiaries	635	–	635
Cash and cash equivalents	11,607	–	11,607
Total undiscounted financial assets	205,381	269	205,650
Financial liabilities			
Creditors	187,794	–	187,794
Amounts due to related parties	125	–	125
Derivative liability	236	–	236
Borrowings	273,944	–	273,944
Total undiscounted financial liabilities	462,099	–	462,099
Total net undiscounted financial assets/(liabilities)	(256,718)	269	(256,449)
Company			
Financial assets			
Trade and other receivables	190,516	269	190,785
Amounts due from related parties and subsidiaries	4,498	16,930	21,428
Cash and cash equivalents	10,175	–	10,175
Total undiscounted financial assets	205,189	17,199	222,388
Financial liabilities			
Creditors	166,858	–	166,858
Amounts due to related parties and subsidiaries	36,127	–	36,127
Derivative liability	236	–	236
Borrowings	273,944	–	273,944
Total undiscounted financial liabilities	477,165	–	477,165
Total net undiscounted financial assets/(liabilities)	(271,976)	17,199	(254,777)

28. Financial risk management objectives and policies (continued)

2011	1 year or less S\$'000	1 to 5 years S\$'000	Total S\$'000
Group			
Financial assets			
Trade and other receivables	205,520	547	206,067
Amounts due from related parties and subsidiaries	276	–	276
Cash and cash equivalents	11,837	–	11,837
Total undiscounted financial assets	217,633	547	218,180
Financial liabilities			
Creditors	196,249	–	196,249
Amounts due to related parties	383	–	383
Derivative liability	881	–	881
Borrowings	58,410	251,955	310,365
Total undiscounted financial liabilities	255,923	251,955	507,878
Total net undiscounted financial liabilities	(38,290)	(251,408)	(289,698)
Company			
Financial assets			
Trade and other receivables	200,017	547	200,564
Amounts due from related parties and subsidiaries	7,484	16,930	24,414
Cash and cash equivalents	6,614	–	6,614
Total undiscounted financial assets	214,115	17,477	231,592
Financial liabilities			
Creditors	137,265	–	137,265
Amounts due to related parties and subsidiaries	54,685	–	54,685
Derivative liability	881	–	881
Borrowings	58,410	251,955	310,365
Total undiscounted financial liabilities	251,241	251,955	503,196
Total net undiscounted financial liabilities	(37,126)	(234,478)	(271,604)

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 credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk from trade debtors due to its diverse customer base. Credit risk is managed through credit checks, credit reviews and monitoring procedures that includes a formal automated collection process.

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2012 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. Financial risk management objectives and policies (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, that are neither past due nor impaired are placed with or entered into with reputable financial institutions 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 Note 18.

29. Fair value of financial instruments

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

Financial instruments carried at fair value

The Group has carried all derivative financial instruments at their fair value as required by FRS 39. The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group Significant other observable inputs (Level 2)	
	2012	2011
	S\$'000	S\$'000
Financial liability		
Derivative liability (Note 30)		
– Interest rate swap	(236)	(881)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Derivative liability (Note 30): Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

29. Fair value of financial instruments (continued)

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of current trade debtors, other debtors, due from related parties, cash and cash equivalents, creditors and due to related parties, based on their notional amounts, are reasonable approximation of fair values either due to their short-term nature or they are floating rate instruments that are re-priced to market rates on or near the statement of financial position date.

The fair value of financial liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group				Company			
	2012 S\$'000		2011 S\$'000		2012 S\$'000		2011 S\$'000	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:								
– Fixed rate bank loan	125,000	124,060	125,000	124,640	125,000	124,060	125,000	124,640

30. Derivative liability

As at 31 December 2012, the Company has one (31 December 2011: one) interest rate swap agreement in place with notional amount of S\$125 million, whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore dollar rate of 1.579% (2011: 1.579%) per annum semi-annually every November and May.

This swap is designated as cash flow hedge and being used to hedge the cash flow interest rate risk of the Company's floating rate long-term bank loan. The interest rate swap and the floating rate long-term bank loan have the same critical terms and notional amount of S\$125 million.

The fair value (liability position) of the interest rate swap at 31 December 2012 was S\$236,000 (31 December 2011: S\$881,000), which is included in hedging reserve.

Notes to the Financial Statements

For the financial year ended 31 December 2012

31. Classification of financial instruments

The following table shows a comparison by category of carrying amounts of the Group's and Company's financial assets and liabilities that are carried in the financial statements:

Group	Loans and receivables S\$'000
31 December 2012	
Assets	
Staff loans	451
Trade debtors	179,960
Deposits	4,812
Sundry debtors	8,185
Due from related parties	635
Cash and cash equivalents	11,607
	205,650

Group	Liabilities at amortised cost S\$'000	Derivatives used for hedging S\$'000	Total S\$'000
31 December 2012			
Liabilities			
Creditors and accruals	187,794	–	187,794
Due to related parties	125	–	125
Borrowings	272,000	–	272,000
Derivative liability	–	236	236
	459,919	236	460,155

31. Classification of financial instruments (continued)

Group	Loans and receivables S\$'000
31 December 2011	
Assets	
Staff loans	818
Trade debtors	187,710
Deposits	5,341
Sundry debtors	12,198
Due from related parties	276
Cash and cash equivalents	11,837
	218,180

Group	Liabilities at amortised cost S\$'000	Derivatives used for hedging S\$'000	Total S\$'000
31 December 2011			
Liabilities			
Creditors and accruals	196,249	–	196,249
Due to related parties	383	–	383
Borrowings	303,300	–	303,300
Derivative liability	–	881	881
	499,932	881	500,813

Notes to the Financial Statements

For the financial year ended 31 December 2012

31. Classification of financial instruments (continued)

Company	Loans and receivables S\$'000
31 December 2012	
Assets	
Staff loans	451
Trade debtors	177,807
Deposits	3,369
Sundry debtors	9,158
Due from related parties and subsidiaries	4,498
Cash and cash equivalents	10,175
	205,458

Company	Liabilities at amortised cost S\$'000	Derivatives used for hedging S\$'000	Total S\$'000
31 December 2012			
Liabilities			
Creditors and accruals	166,858	–	166,858
Due to related parties and subsidiaries	36,127	–	36,127
Borrowings	272,000	–	272,000
Derivative liability	–	236	236
	474,985	236	475,221

31. Classification of financial instruments (continued)

Company	Loans and receivables S\$'000
31 December 2011	
Assets	
Staff loans	818
Trade debtors	185,566
Deposits	3,912
Sundry debtors	10,268
Due from related parties and subsidiaries	7,484
Cash and cash equivalents	6,614
	214,662

Company	Liabilities at amortised cost S\$'000	Derivatives used for hedging S\$'000	Total S\$'000
31 December 2011			
Liabilities			
Creditors and accruals	137,265	–	137,265
Due to related parties and subsidiaries	54,685	–	54,685
Borrowings	303,300	–	303,300
Derivative liability	–	881	881
	495,250	881	496,131

Notes to the Financial Statements

For the financial year ended 31 December 2012

32. Capital management

The objective of the Group's capital management policy is to provide capacity to support business requirements and to take advantage of business opportunities that might arise, so as to enhance shareholder value. With prudent capital management, the Group aims to maintain a sustainable regular payout ratio.

The capital structure of the Group consists of borrowings, cash and cash equivalents and shareholders' equity.

There was no change in the Group's approach to capital management during the year.

	Group		Company	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
Borrowings				
– Current	(272,000)	(53,300)	(272,000)	(53,300)
– Non-current	–	(250,000)	–	(250,000)
Cash and cash equivalents	11,607	11,837	10,175	6,614
Shareholders' equity	347,914	322,547	306,131	295,602

33. Dividends

	Group and Company	
	2012 S\$'000	2011 S\$'000
Declared and paid during the financial year:		
Final – the previous year		
7.9 cents (2011: 7.7 cents) per ordinary share (one-tier tax)	71,978	69,726
Special – the previous year		
Nil (2011: 3.5 cents) per ordinary share (one-tier tax)	–	31,694
Interim – the current year		
6.6 cents (2011: 6.6 cents) per ordinary share (one-tier tax)	60,175	59,900
	132,153	161,320
Proposed but not recognised as a liability as at 31 December:		
Final		
6.3 cents (2011: 7.9 cents) per ordinary share (one-tier tax)	57,552	71,350
Special		
1.7 cents (2011: Nil) per ordinary share (one-tier tax)	15,530	–
	73,082	71,350

The directors propose a final dividend of 6.3 cents and a special dividend of 1.7 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2012 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

34. Reclassification of comparative figures

Certain comparative figures have been reclassified to more appropriately reflect the nature of the expenses.

	As previously reported	Reclassification	As restated
	S\$'000	S\$'000	S\$'000
Consolidated Statement of Comprehensive Income			
Cost of services	205,956	(79,561)	126,395
Cost of handsets sold	359,681	5,880	365,561
Facilities expenses	36,930	32,175	69,105
Leased circuit costs (#)	–	33,925	33,925
General and administrative expenses	13,191	7,581	20,772

Leased circuit costs were disclosed as part of cost of services previously.

35. Authorisation of financial statements

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 February 2013.

Major Properties

Name	Main Operations Centre
Use	Head Office and Switch Centre
Address	10 International Business Park, Singapore 609928
Land area (Sq m)	8,442
Date of purchase	8 October 1996
Expiry date of lease¹	28 February 2026

Name	MiWorld Building
Use	Office
Address	9 International Business Park, Singapore 609915
Land area (Sq m)	6,850
Date of purchase	15 February 2002
Expiry date of lease¹	30 June 2022

Name	Regional Operations Centre
Use	Office and Switch Centre
Address	4 Aljunied Avenue 1, Singapore 389978
Land area (Sq m)	4,816
Date of purchase	19 November 2001
Expiry date of lease¹	30 May 2020

¹ The Company has the option to lease for a further term of 30 years.

Statistics of Shareholdings

As at 25 February 2013

Total number of issued shares: 914,956,782
 Class of shares: Ordinary shares
 Voting rights: One vote per share

Distribution of shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	3,202	31.33	2,599,531	0.28
1,000 – 10,000	5,880	57.53	22,478,138	2.46
10,001 – 1,000,000	1,120	10.96	56,417,926	6.17
1,000,001 and above	18	0.18	833,461,187	91.09
Total	10,220	100.00	914,956,782	100.00

Twenty largest shareholders

No.	Name	No. of shares	%
1	Raffles Nominees (Pte) Ltd	272,892,387	29.83
2	Keppel Telecoms Pte Ltd	178,864,000	19.55
3	SPH Multimedia Pte Ltd	124,453,000	13.60
4	Citibank Nominees Singapore Pte Ltd	72,359,582	7.91
5	HSBC (Singapore) Nominees Pte Ltd	66,133,726	7.23
6	DBS Nominees Pte Ltd	59,667,001	6.52
7	DBSN Services Pte Ltd	24,646,407	2.69
8	United Overseas Bank Nominees Pte Ltd	10,278,067	1.12
9	DB Nominees (S) Pte Ltd	7,668,458	0.84
10	Merrill Lynch (Singapore) Pte Ltd	3,365,618	0.37
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,004,311	0.33
12	Bank Of Singapore Nominees Pte Ltd	2,957,900	0.32
13	Graf Max Hans Sieghold	1,560,000	0.17
14	York Hotel (Private) Limited	1,300,000	0.14
15	G K Goh Strategic Holdings Pte Ltd	1,100,000	0.12
16	Yap Chong Hin Gabriel	1,100,000	0.12
17	Citibank Consumer Nominees Pte Ltd	1,079,030	0.12
18	UOB Kay Hian Pte Ltd	1,031,700	0.11
19	Alpha Securities Pte Ltd	1,000,000	0.11
20	Khoo Teck Puat Foundation	1,000,000	0.11
Total		835,461,187	91.31

Statistics of Shareholdings

As at 25 February 2013

Substantial shareholders

Name	No. of shares			%
	Direct interest	Deemed interest	Total interest	
Axiata Investments (Singapore) Limited	265,410,150	-	265,410,150	29.01
Khazanah Nasional Berhad	-	265,410,150 ¹	265,410,150	29.01
Axiata Group Berhad	-	265,410,150 ¹	265,410,150	29.01
Temasek Holdings (Private) Limited	-	179,399,360 ²	179,399,360	19.61
Keppel Telecoms Pte Ltd	178,864,000	-	178,864,000	19.55
Keppel Communications Pte Ltd	-	178,864,000 ³	178,864,000	19.55
Keppel Data Centres Pte. Ltd.	-	178,864,000 ³	178,864,000	19.55
Keppel Telecommunications & Transportation Ltd	-	178,864,000 ³	178,864,000	19.55
Keppel Corporation Limited	-	178,864,000 ³	178,864,000	19.55
SPH Multimedia Private Limited	124,453,000	-	124,453,000	13.60
Singapore Press Holdings Limited	-	124,453,000 ⁴	124,453,000	13.60

Notes:

¹ Each of Khazanah Nasional Berhad and Axiata Group Berhad are deemed to be interested in the 265,410,150 shares held by Axiata Investments (Singapore) Limited

² Temasek Holdings (Private) Limited is deemed to be interested in the 179,399,360 shares in which Keppel Corporation Limited, DBS Group Holdings Ltd and Fullerton Fund Management Company Ltd are deemed to have an interest

³ Keppel Communications Pte Ltd, Keppel Data Centres Pte. Ltd., Keppel Telecommunications & Transportation Ltd and Keppel Corporation Limited are deemed to be interested in the 178,864,000 shares held by Keppel Telecoms Pte Ltd

⁴ Singapore Press Holdings Limited is deemed to be interested in the 124,453,000 shares held by SPH Multimedia Private Limited

Free float

Approximately 37.8% of the issued share capital of the Company were held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Corporate Information

Board of Directors

Teo Soon Hoe, Chairman
 Karen Kooi Lee Wah
 Roger Barlow
 Chow Kok Kee
 Dato' Sri Jamaludin Ibrahim
 Kannan Ramesh
 Low Huan Ping
 Alan Ow Soon Sian
 Reggie Thein

Audit Committee

Reggie Thein, Chairman
 Kannan Ramesh
 Alan Ow Soon Sian

Remuneration Committee

Roger Barlow, Chairman
 Chow Kok Kee
 Low Huan Ping
 Alan Ow Soon Sian
 Teo Soon Hoe

Nominating Committee

Chow Kok Kee, Chairman
 Roger Barlow
 Reggie Thein

Risk Committee

Kannan Ramesh, Chairman
 Dato' Sri Jamaludin Ibrahim
 Low Huan Ping
 Reggie Thein

Company Secretary

Foo Siang Larng
 Lee Wei Hsiung

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Registrar

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 Singapore 048623
 Telephone: +65 6536 5355
 Facsimile: +65 6536 1360

Auditors

Ernst & Young LLP
 Public Accountants and
 Certified Public Accountants

One Raffles Quay
 North Tower, Level 18
 Singapore 048583
 Partner-in-charge (since 2010): Terry Wee

Principal Bankers

CIMB Bank Berhad
 Citibank N.A., Singapore Branch
 DBS Bank Ltd
 Oversea-Chinese Banking Corporation Limited

Investor Relations

For investor enquiries, please contact
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Designed by **Sedgwick Richardson**

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