

CIRCULAR DATED 20 MARCH 2013

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in M1 Limited (the “**Company**”), you should hand this Circular, the Notice of Annual General Meeting and the Proxy Form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.



M1 LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199206031W)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) the proposed renewal of the Share Purchase Mandate;**
- (2) the proposed renewal of the Shareholders’ Mandate for Interested Person Transactions; and**
- (3) the proposed adoption of the M1 Share Option Scheme 2013.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	3 April 2013 at 2.30 p.m.
Date and time of Annual General Meeting	:	5 April 2013 at 2.30 p.m.
Venue of Annual General Meeting	:	The Fullerton Hotel Singapore Ballroom 2, Lower Lobby 1 Fullerton Square Singapore 049178

DEFINITIONS

	Page
DEFINITIONS	2
 LETTER TO SHAREHOLDERS	
1. INTRODUCTION	6
2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE	6
3. THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE.....	18
4. THE PROPOSED ADOPTION OF THE M1 SHARE OPTION SCHEME 2013.....	20
5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	31
6. DIRECTORS' RECOMMENDATIONS	33
7. ACTION TO BE TAKEN BY SHAREHOLDERS	33
8. INSPECTION OF DOCUMENTS	33
9. DIRECTORS' RESPONSIBILITY STATEMENT	34
 APPENDIX	
FURTHER INFORMATION ON SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS.....	35

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “2013 Scheme”** : The proposed M1 Share Option Scheme 2013
- “AGM”** : The eleventh Annual General Meeting of the Company to be held on 5 April 2013, notice of which, dated 20 March 2013, accompanies the annual report of the Company for the financial year ended 31 December 2012
- “Articles”** : The Articles of Association of the Company for the time being
- “associate”** : In relation to an Interested Person who is a director, chief executive officer or Controlling Shareholder:
- (i) where such Interested Person is an individual, includes an immediate family member of such director, chief executive officer, or Controlling Shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or Controlling Shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family, or Controlling Shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more; and
 - (ii) where a Controlling Shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other company or companies have (directly or indirectly) an interest of 30% or more
- “associated company”** : A company is an associated company of another company if at least 20 per cent but not more than 50 per cent of its shares are held by the latter company
- “approved exchange”** : A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual
- “Audit Committee”** : The audit committee of the Company, comprising Mr Reggie Thein, Mr Kannan Ramesh and Mr Alan Ow Soon Sian
- “Axiata”** : Axiata Group Berhad
- “Board”** : The Board of Directors of the Company
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 20 March 2013
- “Companies Act”** : The Companies Act of Singapore (Chapter 50), as amended or modified from time to time
- “Controlling Shareholder”** : A person who:

DEFINITIONS

- (a) holds directly or indirectly 15% or more of the total number of issued shares, excluding treasury shares, in the Company (however, the SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder); or
 - (b) in fact exercises control over the Company
- “Directors”** : The Directors of the Company for the time being
- “EAR Group”** : The following entities at risk:
- (a) the Company;
 - (b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or
 - (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Group or the Group and the Interested Person(s), has control over the associated company
- “EPS”** : Earnings per Share
- “FY”** : Financial year ended 31 December
- “Group”** : The Company and its subsidiaries
- “immediate family”** : In relation to a person means his spouse, child, adopted child, step-child, sibling and parent
- “Income Tax Act”** : The Income Tax Act of Singapore (Chapter 134), as amended or modified from time to time
- “Interested Persons”** : (a) A director, chief executive officer or Controlling Shareholder of the Company; or
- (b) An associate of any such director, chief executive officer or Controlling Shareholder
- “Interested Person Transaction” or “IPT”** : Transaction between a member of the EAR Group and an Interested Person
- “Keppel”** : Keppel Corporation Limited
- “Khazanah Nasional”** : Khazanah Nasional Berhad
- “Latest Practicable Date”** : 25 February 2013, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST
- “Listing Rules”** : The listing rules of the SGX-ST set out in the Listing Manual including any amendments made thereto up to the Latest Practicable Date
- “Market Day”** : A day on which the SGX-ST is open for trading in securities

DEFINITIONS

“M1” or the “Company”	: M1 Limited
“Memorandum”	: The Memorandum of Association of the Company
“network infrastructure”	: Infrastructure in relation to domestic and international cable connectivity and wireless networks
“New Shares”	: The new Shares which may be allotted and issued from time to time pursuant to the exercise of options under the 2013 Scheme
“NTA”	: Net tangible assets
“Ordinary Resolution”	: The ordinary resolution of the Company in relation to the proposed renewal of the Share Purchase Mandate or the proposed renewal of the Shareholders’ Mandate for Interested Person Transactions or the adoption of the 2013 Scheme, as the case may be
“Registrar”	: The Registrar of Companies
“Relevant Period”	: The period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Purchase Mandate is passed
“Securities Accounts”	: Securities accounts maintained by Depositors with CDP but does not include securities sub-accounts maintained with a Depository Agent
“SIC”	: Securities Industry Council
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares
“Shareholders’ Mandate”	: The Shareholders’ mandate for Interested Person Transactions pursuant to Chapter 9 of the Listing Manual
“Share Purchase Mandate”	: General and unconditional mandate given by Shareholders to authorise the Directors to purchase Shares in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Listing Manual
“Shares”	: Ordinary shares of the Company
“subsidiary”	: As defined in Section 5 of the Companies Act
“Substantial Shareholder”	: A person (including a corporation) who has an interest in not less than five (5) per cent of the issued voting shares of the Company
“Take-over Code”	: The Singapore Code on Take-overs and Mergers
“Temasek”	: Temasek Holdings (Private) Limited

DEFINITIONS

“S\$” and “S\$ cents” : Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore

“%” or “per cent” : Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

M1 LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199206031W)

Directors:

Teo Soon Hoe (Chairman) – Non-Executive
Karen Kooi Lee Wah – Executive
Roger Barlow – Independent
Chow Kok Kee – Independent
Jamaludin Ibrahim – Non-Executive
Kannan Ramesh – Independent
Low Huan Ping – Non-Executive
Alan Ow Soon Sian – Independent
Reggie Thein – Independent

Registered Office:

10 International Business Park
Singapore 609928

20 March 2013

**To: The Shareholders of
M1 Limited**

Dear Sir/Madam

1. INTRODUCTION

- 1.1 **AGM.** The Directors of the Company are seeking Shareholders' approval for the following proposals at the AGM of the Company (collectively, the "**Proposals**"):-
- (a) the proposed renewal of the Share Purchase Mandate;
 - (b) the proposed renewal of the Shareholders' Mandate for Interested Person Transactions; and
 - (c) the proposed adoption of the M1 Share Option Scheme 2013.
- 1.2 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to the Proposals to be tabled at the AGM.
- 1.3 **SGX-ST.** The SGX-ST assumes no responsibility for the accuracy of any statements made or opinions expressed in this Circular.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 2.1 **The Proposed Renewal of the Share Purchase Mandate.** It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. The Share Purchase Mandate was first approved by Shareholders on 25 March 2004 and was last renewed at the annual general meeting ("**2012 AGM**") on 5 April 2012 (the "**2012 Share Purchase Mandate**") to enable the Company to purchase or acquire its issued Shares. The rationale for, the authority and limitations on, and the financial effects of, the

LETTER TO SHAREHOLDERS

2012 Share Purchase Mandate were set out in the Company's Circular to the Shareholders dated 21 March 2012.

The authority conferred pursuant to the 2012 Share Purchase Mandate may be exercised by the Directors at any time during the period commencing from the date of the 2012 AGM and expiring on the date when the next annual general meeting of the Company is held, or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

Accordingly, the Directors are convening the AGM to be held on 5 April 2013 at 2.30 pm, to seek the approval of the Shareholders for the renewal of the Share Purchase Mandate. In this regard, a resolution will be proposed as an Ordinary Resolution pursuant to which authority will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares on the terms of the Share Purchase Mandate. Kindly refer to (a) the Notice of the AGM dated 20 March 2013, accompanying the Annual Report for the financial year ended 31 December 2012 of the Company, convening the AGM to be held on 5 April 2013 and (b) Ordinary Resolution No. 11 under the heading "Special Business" set out in the Notice of AGM.

2.2 Rationale for Share Purchase Mandate. The renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 10 per cent limit described in paragraph 2.3.1 below at any time, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) the Share Purchase Mandate will allow the Company to have greater flexibility in managing its capital structure and dividend policy;
- (b) the Share Purchase Mandate is an expedient and cost-efficient way for the Company to return surplus cash/funds, if any, which is in excess of the foreseeable financial and investment needs of the Group, to its Shareholders; and
- (c) in managing the business of the Group, management strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10 per cent limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10 per cent limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

LETTER TO SHAREHOLDERS

2.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:

2.3.1 ***Maximum Number of Shares***

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10 per cent of the issued Shares of the Company (ascertained as at the date of the last Annual General Meeting of the Company or at the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved, whichever is higher, unless the number of issued Shares of the Company has been reduced in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the number of issued Shares of the Company shall be taken to be the number of issued Shares of the Company as altered). Any Shares which are held as treasury shares will be disregarded for the purposes of computing the 10 per cent limit.

For illustrative purposes only, on the basis of 914,956,782 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM and no shares are held by the Company as treasury shares, not more than 91,495,678 Shares (representing 10 per cent of the issued Shares of the Company as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.3.2 below.

2.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the forthcoming AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next Annual General Meeting is held or required by law to be held; or
- (b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

2.3.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

- (a) an on-market purchase ("**Market Purchase**"), transacted through the SGX-ST's Central Limit Order Book trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Rules and the Companies Act, as amended

LETTER TO SHAREHOLDERS

or modified from time to time, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (7) whether Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 **Purchase Price**

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105 per cent of the Average Closing Price; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110 per cent of the Average Closing Price,

LETTER TO SHAREHOLDERS

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share for the five (5) consecutive Market Days, on which the Shares are transacted on the SGX-ST immediately preceding the date of a Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to an Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the SGX-ST for any corporate action that occurs after the relevant five (5) Market Days; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

2.4 **Status of Purchased Shares.** A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

2.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares cannot at any time exceed 10 per cent of the total number of issued Shares.

2.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company’s assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees’ share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

LETTER TO SHAREHOLDERS

- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.5.4 **Reporting Requirements regarding Treasury Shares**

As required under the Listing Manual, the Company will make an immediate announcement to SGX-ST regarding any sale, transfer, cancellation and/or use of treasury shares, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

- 2.6 **Reporting Requirements.** Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases, the total number of Shares purchased by the Company, the Company's issued Shares as at the date of the Shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, and the amount of consideration paid by the Company for the purchases.

The Listing Rules specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

- 2.7 **Source of Funds.** The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Articles and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

LETTER TO SHAREHOLDERS

The Company may purchase or acquire its own Shares out of capital, as well as from its distributable profits so long as the Company is solvent.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would materially and adversely affect the financial position of the Group.

- 2.8 **Financial Effects.** It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions of Shares and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued Shares will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would materially and adversely affect the financial position of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as working capital requirements, availability of financial resources, capital structure, the foreseeable expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhancing the earnings and/or the NTA value per Share of the Group.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial accounts of the Group for the financial year ended 31 December 2012 are based on the assumptions set out below:

- (a) based on 914,956,782 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the forthcoming AGM, not more than 91,495,678 Shares (representing 10 per cent of the issued Shares of the Company as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate;
- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 91,495,678 Shares at the Maximum Price of S\$2.94 for one (1) Share (being the price equivalent to five (5) per cent above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 91,495,678 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$268,997,294; and

LETTER TO SHAREHOLDERS

- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 91,495,678 Shares at the Maximum Price of S\$3.08 for one (1) Share (being the price equivalent to 10 per cent above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 91,495,678 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$281,806,689.

Based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed by internal sources of funds or external borrowings or a combination of both; (ii) the Share Purchase Mandate had been effective on 1 January 2012; and (iii) the Company had purchased or acquired 91,495,678 Shares (representing 10 per cent of its issued Shares at the Latest Practicable Date) on 1 January 2012, the financial effects of the purchase or acquisition of 91,495,678 Shares by the Company pursuant to the Share Purchase Mandate on the audited financial accounts of the Group for the financial year ended 31 December 2012 are set out below:

Market Purchases

	<u>Group</u>	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2012		
Shareholders' Funds ⁽¹⁾	347,913	73,105
Current Assets	246,209	234,602
Current Liabilities	524,373	787,574
Total Borrowings	272,000	535,201
Cash and Cash Equivalents	11,607	-
Number of Shares	913,191,282	821,695,604 ⁽²⁾

Financial Ratios

Basic Earnings per Share ⁽³⁾ (S\$)	0.161	0.174
Net Asset per Share (S\$)	0.381	0.089
Net Debt/EBITDA (%)	0.868	1.785
Current Ratio ⁽⁴⁾ (times)	0.5	0.3
Return on Equity ⁽⁵⁾ (%)	43.7	72.4

LETTER TO SHAREHOLDERS

Off-Market Purchases

	<u>Group</u>	
	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2012		
Shareholders' Funds ⁽¹⁾	347,913	60,012
Current Assets	246,209	234,602
Current Liabilities	524,373	800,666
Total Borrowings	272,000	548,294
Cash and Cash Equivalents	11,607	-
Number of Shares	913,191,282	821,695,604 ⁽²⁾

Financial Ratios

Basic Earnings per Share ⁽³⁾ (S\$)	0.161	0.174
Net Asset per Share (S\$)	0.381	0.073
Net Debt/EBITDA (%)	0.868	1.828
Current Ratio ⁽⁴⁾ (times)	0.5	0.3
Return on Equity ⁽⁵⁾ (%)	43.7	74.8

Notes:

- (1) The share purchases may be made out of a combination of profits and capital, which will be decided at the time of the share purchases, at the Directors' discretion.
- (2) The number of Shares in issue will be 913,191,282 Shares in the event that the share purchases are held as treasury shares. In the event that the share purchases are cancelled, the number of Shares in issue will be 821,695,604.
- (3) In the event that the share purchases are held as treasury shares, such shares are excluded in this computation.
- (4) Current Ratio means the ratio of current assets to current liabilities.
- (5) Return on Equity means the net profit over average shareholders' equity.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to 10 per cent of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10 per cent of the issued Shares. In particular, the Directors do not intend to exercise the Share Purchase Mandate up to the maximum limit and to such an extent if such exercise would materially and adversely affect the financial position of the Group. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

LETTER TO SHAREHOLDERS

- 2.9 **Taxation.** Pursuant to Section 10J of the Income Tax Act, a company which buys back its own shares using funds other than contributed capital is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

As Singapore adopts a one-tier system of corporate taxation, any dividend paid by the Company will be treated as tax-exempt (one-tier) dividend.

From a Shareholder's perspective, the tax treatment of the receipts from the buy-back would depend on whether or not the sale is by way of a Market Purchase or an Off-Market Purchase.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase, where the share buyback is made otherwise than on the SGX-ST, and such Shareholders are not transferees to whom Section 10N of the Income Tax Act applies, being proceeds made pursuant to an equal access scheme authorised by the Company in advance at the AGM, will be treated for income tax purposes as the receipt of a dividend.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this Circular and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this Circular, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Share Purchase Mandate.

Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Purchase Mandate. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

- 2.10 **Take-over Implications.** Appendix 2 to the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting rights of a Shareholder and persons acting in concert with him in the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.10.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

LETTER TO SHAREHOLDERS

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10 per cent or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the above persons.

For this purpose, ownership or control of at least 20 per cent but not more than 50 per cent of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 to the Take-over Code.

2.10.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30 per cent or more, or in the event that such Directors and their concert parties hold between 30 per cent and 50 per cent of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one (1) per cent in any period of six (6) months.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30 per cent or more, or, if such Shareholder holds between 30 per cent and 50 per cent of the Company's voting rights, the voting rights of such Shareholder would increase by more than one (1) per

LETTER TO SHAREHOLDERS

cent in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Other than as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

2.10.4 **Substantial Shareholders and Directors**

Based on the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date, the shareholdings of Axiata Investments (Singapore) Limited before the purchase of Shares is 265,410,150 Shares or 29.01% of the issued Shares based on 914,956,782 issued Shares as at the Latest Practicable Date. The shareholdings of Axiata Investments (Singapore) Limited after the purchase of Shares assuming (a) the Company purchases 91,495,678 Shares, being the maximum 10% of the issued Shares under the Share Purchase Mandate and (b) there is no change in the number of Shares held by Axiata Investments (Singapore) Limited, will be 265,410,150 Shares or 32.23% of the issued Shares.

In the above illustration, as at the Latest Practicable Date, the voting rights of Axiata Investments (Singapore) Limited and persons acting in concert with it may increase to 30% or more of the issued Shares in the event that the Company purchases 91,495,678 Shares, being the maximum 10% of the issued Shares as at the Latest Practicable Date under the Share Purchase Mandate. In the event that their voting rights increase to 30% or more of the issued Shares, Axiata Investments (Singapore) Limited and persons acting in concert with it will become obligated to make a mandatory take-over offer under Rule 14 of the Take-over Code.

The Company intends to monitor and limit the extent of its repurchases under the Share Purchase Mandate such that the voting rights of Axiata Investments (Singapore) Limited and persons acting in concert with it will not increase to 30% or more of the issued Shares.

Save as disclosed, none of the other Substantial Shareholders or Directors (together with persons acting in concert with it or them) will become obligated to make a mandatory take-over offer for the Company under the Share Purchase Mandate if the Company purchases up to the maximum 10% of the issued Shares under the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.11 **Listing Rules.** While the Listing Rules do not expressly prohibit purchase of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the best practices on securities dealings as reflected in Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

- (a) one (1) month immediately preceding the announcement of the Company’s annual results; and

LETTER TO SHAREHOLDERS

- (b) two (2) weeks immediately preceding the announcement of the Company's results for the first, second and third quarters.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10 per cent of its Shares are in the hands of the public. The term "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the register of Directors' shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 345,526,672 Shares, representing 37.76 per cent of the issued Shares, are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10 per cent limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 254,030,994 Shares, representing 30.85% per cent of the reduced issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10 per cent limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

- 2.12 **Previous Share Purchases.** The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

3. THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE

- 3.1 **Background.** The Shareholders' Mandate was first approved by the Shareholders on 3 April 2007 and was last renewed at the 2012 AGM on 5 April 2012 to enable the EAR Group or any member thereof to enter into any transactions falling within the types of Interested Person Transactions described in the Company's circular to Shareholders dated 21 March 2012 (the "**2012 Circular**"), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the 2012 Circular.

The Shareholders' Mandate will expire at the forthcoming AGM to be held on 5 April 2013. The Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM in the terms of the Ordinary Resolution to be proposed at the AGM and (unless revoked or varied by the Company in general meeting) to continue in force until the next annual general meeting of the Company.

The rationale of the Shareholders' Mandate, the scope of the Shareholders' Mandate, the benefit to Shareholders, the classes of Interested Persons, the particulars of the Interested Person Transactions and the review procedures for Interested Person Transactions in respect of which the Shareholders' Mandate is sought to be renewed remain unchanged and are set out in the Appendix to this Circular.

Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the next annual general meeting and at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to transactions with Interested Persons.

LETTER TO SHAREHOLDERS

- 3.2 **Chapter 9 of the Listing Manual.** Chapter 9 of the Listing Manual governs transactions by the Company, as well as transactions by other members of the EAR Group, with the Interested Persons. When Chapter 9 of the Listing Manual applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the same Interested Person during the financial year reaches, or exceeds, certain materiality thresholds, the Company is required to make an immediate announcement, or to make an immediate announcement and seek Shareholders' approval for that transaction.
- 3.3 **Shareholders' Approval.** Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the Company at risk to the Interested Persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and/or Shareholders' approval as the case may be would be required in respect of Interested Person Transactions if certain financial thresholds (which are based on the value of the transactions as compared with the Group's latest audited NTA) are reached or exceeded. In particular, Shareholders' approval is required for an Interested Person Transaction of a value equal to, or which exceeds:
- (a) 5% of the Group's latest audited NTA; or
 - (b) 5% of the Group's latest audited NTA, when aggregated with other transactions entered into with the same Interested Person during the same financial year.

Based on the latest audited consolidated accounts of the Group for the financial year ended 31 December 2012, the consolidated NTA of the Group was approximately S\$347,913,000. In relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated accounts of the Group for the financial year ending 31 December 2013 are published, 5% of the latest audited NTA of the Group would be approximately S\$17,396,000.

- 3.4 **General Mandate.** Chapter 9 of the Listing Manual permits the Company, however, to seek a mandate from the Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the Interested Persons.
- 3.5 **Audit Committee's Statement.** Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:-
- (i) the review procedures for Interested Person Transactions set out in the Appendix of this Circular ("**Review Procedures**") have not changed since Shareholders approved the Shareholders' Mandate at the 2012 AGM; and
 - (ii) the Review Procedures are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the Review Procedures are inadequate or inappropriate to ensure that the Interested Person Transactions will be on normal commercial terms, and will be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will in consultation with the Board take such action as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons to ensure that Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

- 3.6 **Disclosure of Interested Person Transactions pursuant to Shareholders' Mandate.** The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders' Mandate for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure will also be made in the Company's Annual Report of the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders' Mandate during the financial year, and in the Annual Reports for subsequent financial years that the Shareholders' Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

- 3.7 **Abstention from Voting.** Certain Directors, namely Mr Teo Soon Hoe and Mr Jamaludin Ibrahim (the "**Interested Directors**") are deemed to be interested in the proposed Shareholders' Mandate for the following reasons:

- (a) Mr Teo Soon Hoe is the Senior Executive Director of Keppel; and
- (b) Mr Jamaludin Ibrahim is the Managing Director/President and Group Chief Executive Officer of Axiata.

The Interested Directors will therefore abstain from making any recommendation to the Shareholders on the renewal of the Shareholders' Mandate. They and their respective associates will also abstain from voting, whether in person or by representative or proxy, in respect of their shareholdings, if any, in respect of the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the forthcoming AGM, and will not accept any appointment as proxies, unless specific instructions as to voting are given.

Temasek, Khazanah Nasional, Keppel and Axiata, each being Interested Persons (and their respective associates) will abstain from voting their shareholdings, if any, in respect of the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the forthcoming AGM.

4. THE PROPOSED ADOPTION OF THE M1 SHARE OPTION SCHEME 2013

- 4.1 **Existing Scheme.** The Company has an existing share option scheme known as the "M1 Share Option Scheme" (the "**Existing Scheme**"). The Existing Scheme was adopted on 8 November 2002. The duration of the Existing Scheme was 10 years commencing on the date of adoption, that is, 10 years commencing on 8 November 2002. The Existing Scheme has accordingly expired on 7 November 2012. The Company does not have in place any other share plan or share scheme.

The Company is proposing to adopt the 2013 Scheme, to be known as the "M1 Share Option Scheme 2013", to replace the Existing Scheme. Information relating to the 2013 Scheme is set out in paragraph 4.5 below.

- 4.2 **Existing Options.** As at the Latest Practicable Date:

- (a) there are outstanding and unexercised options granted under the Existing Scheme (the "**Existing Options**") to subscribe for up to an aggregate of 27,223,700 Shares, representing approximately 2.98% of the issued Shares as at the Latest Practicable Date; and
- (b) an aggregate of 37,791,300 Shares, representing approximately 4.13% of the issued Shares as at the Latest Practicable Date, have been delivered upon exercise of Options granted since the commencement of the Existing Scheme.

LETTER TO SHAREHOLDERS

Details of Existing Options outstanding and unexercised as at the Latest Practicable Date are as follows:

Date of Grant	Exercise Period	Subscription Price (\$)	No. of Shares comprised in unexercised options	No. of Participants
9-Nov-02	10 Nov 03 - 09 Nov 13	\$1.25	-	0
4-Feb-04	05 Feb 05 - 04 Feb 15	\$1.50	-	0
3-Feb-05	04 Feb 06 - 03 Feb 16	\$1.81	676,700	7
2-Feb-06	03 Feb 07 - 02 Feb 17	\$2.21	2,185,000	19
6-Feb-07	07 Feb 08 - 06 Feb 18	\$2.17	2,260,000	20
11-Feb-08	12 Feb 09 - 11 Feb 19	\$1.90	1,407,000	19
2-Feb-09	03 Feb 10 - 02 Feb 20	\$1.60	963,500	16
4-Jun-09	05 Jun 10 - 04 Jun 20	\$1.60	-	0
3-Feb-10	04 Feb 11 - 03 Feb 21	\$2.04	4,010,000	38
15-Jun-10	16 Jun 11 - 15 Jun 21	\$2.04	100,000	1
7-Feb-11	08 Feb 12 - 07 Feb 22	\$2.44	7,278,500	59
30-Jan-12	31 Jan 13 - 30 Jan 23	\$2.43	8,343,000	66

Save as disclosed in this Circular, Existing Options outstanding as at the Latest Practicable Date are not subject to any material conditions.

Details of Existing Options granted to Directors as at the Latest Practicable Date are as follows:

Name of Director: Ms Karen Kooi Lee Wah

Dates of Grant	No. of Shares comprised in Existing Options granted since commencement of Existing Scheme	No. of Shares allotted pursuant to Existing Options since commencement of Existing Scheme
9-Nov-02	1,275,000	1,275,000
4-Feb-04	500,000	500,000
3-Feb-05	550,000	134,300
2-Feb-06	450,000	0
6-Feb-07	470,000	0
11-Feb-08	470,000	0
2-Feb-09	480,000	480,000
4-Jun-09	320,000	320,000
3-Feb-10	800,000	0
7-Feb-11	800,000	0
30-Jan-12	800,000	0

No Existing Options have been granted to Controlling Shareholders or associates (as defined in the Listing Manual) of such Controlling Shareholders.

4.3 **Definitions.** For purposes of paragraphs 4.4 to 4.7 below and in relation to the 2013 Scheme, the following expressions shall have the following meanings:

“**Associated Company**” means a company in which at least 20 per cent but not more than 50 per cent of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control;

LETTER TO SHAREHOLDERS

“Associated Company Executive” means any employee of an Associated Company (including any Associated Company Executive Director) selected by the Committee to participate in the Scheme;

“Associated Company Executive Director” means a director of an Associated Company who performs an executive function within the relevant Associated Company;

“Auditors” means the auditors of the Company for the time being;

“Committee” means a committee comprising Directors nominated by the Board of Directors, duly authorised and appointed by the Board of Directors to administer the 2013 Scheme;

“Date of Grant” means, in relation to an Option, the date on which that Option is granted;

“Exercise Period” means the period for the exercise of an Option being:

- (a) in the case of an Option granted to a Group Executive at a Subscription Price which is equal to or higher than the Market Price on the Date of Grant, a period commencing after the first anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant;
- (b) in the case of an Option granted to a Group Executive at a Subscription Price which is less than the Market Price on the Date of Grant, a period commencing after the second anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant;
- (c) in the case of an Option granted to a Non-Executive Director or Associated Company Executive at a Subscription Price which is equal to or higher than the Market Price on the Date of Grant, a period commencing after the first anniversary of the Date of Grant and expiring on the fifth anniversary of such Date of Grant; and
- (d) in the case of an Option granted to a Non-Executive Director or Associated Company Executive at a Subscription Price which is less than the Market Price on the Date of Grant, a period commencing after the second anniversary of the Date of Grant and expiring on the fifth anniversary of such Date of Grant,

subject as provided in the 2013 Scheme and any other conditions as may be introduced by the Committee from time to time;

“Group Executive” means any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the 2013 Scheme;

“Group Executive Director” means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function within the Company or the relevant subsidiary, as the case may be;

“Market Price” means, in relation to an Option, a price determined by the Committee to be equal to the average of the last dealt prices of a Share on the SGX-ST over the five (5) consecutive trading days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST rounded up in the case of cents (if applicable) to the nearest whole cent;

“Non-Executive Director” means a director of (a) the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director; or (b) an Associated Company, other than an Associated Company Executive Director;

LETTER TO SHAREHOLDERS

“**Option**” means the right to acquire Shares granted or to be granted to a Group Executive, a Non-Executive Director or, as the case may be, an Associated Company Executive pursuant to the Scheme and for the time being subsisting;

“**Participant**” means the holder of an Option; and

“**Subscription Price**” means the price at which a Participant shall acquire each Share upon the exercise of an Option.

- 4.4 **Rationale.** The 2013 Scheme is intended to replace the Existing Scheme which expired on 7 November 2012.

The 2013 Scheme will enable the Company to, *inter alia*:

- (a) motivate employees and directors of the Group and Associated Companies to optimise performance standards and efficiency and to maintain a high level of contribution to the Group; and
- (b) give recognition to the contributions made or to be made by non-executive directors of the Group and Associated Companies to the success of the Group.

The 2013 Scheme is proposed on the basis that it is important to retain staff whose contributions are essential to the long-term growth and prosperity of the Group, and to give recognition to outstanding employees and directors of the Group and Associated Companies who have contributed to the growth of the Group.

While the 2013 Scheme will cater principally to Group Executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include non-executive members of the Board and employees and directors of Associated Companies. These persons are also eligible for selection, at the absolute discretion of the Committee, to participate in the 2013 Scheme.

Non-executive directors of the Group are generally persons from different professions and working backgrounds. The Company regards this category of persons as an important resource pool from which the Group is able to tap for business contacts and networking, and for the benefit of their experiences and insights. The 2013 Scheme provides the Company with a means to give recognition to them for their special assistance or extra efforts expended in furthering the Company's and/or the Group's interests, such as in introducing or facilitating business opportunities for the Group, or expending additional time on management oversight, or on significant corporate exercises or projects that may be undertaken by the Company or the Group from time to time.

Employees and directors of Associated Companies are persons who are in a position to provide valuable support and inputs to the Company through their close working relationship and/or business association with the Group. They provide assistance and support to the Company on a continuing basis in the development and implementation of business strategies, investments and projects in which the Company and/or the Group has interests. The Company recognises that the continued support of these persons is important to the growth and development of the Group, its well-being and stability. The ability to include such persons under the 2013 Scheme would provide the Company with the flexibility to explore and determine the most appropriate method to acknowledge contributions or special efforts made by them over periods of time.

- 4.5 **Information relating to the 2013 Scheme.** The following is a summary of the principal terms of the 2013 Scheme and is qualified in its entirety by reference to the more detailed information of the 2013 Scheme as set out in the rules of the 2013 Scheme:

LETTER TO SHAREHOLDERS

4.5.1 *Eligibility*

The following persons, unless they are also Controlling Shareholders or associates (as defined in the Listing Manual) of such Controlling Shareholders, shall be eligible to participate in the 2013 Scheme, at the absolute discretion of the Committee:

- (a) Group Executives who have attained the age of twenty-one years and hold such rank as may be designated by the Committee from time to time;
- (b) Non-Executive Directors who, in the opinion of the Committee, have contributed to or will contribute to the success of the Group; and
- (c) Associated Company Executives who have attained the age of twenty-one years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

Controlling shareholders or their associates will not be eligible to participate in the 2013 Scheme.

4.5.2 *Selection of Participants*

The selection of a Participant, and the number of Shares comprised in Options to be offered to a Participant, will be determined at the absolute discretion of the Committee, which will take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, years of service and potential for future development and, in the case of a Non-Executive Director, his Board and committee appointment(s) and attendance, and his contribution to the success and development of the Group.

4.5.3 *Options*

An Option granted pursuant to the 2013 Scheme represents a right to acquire the Shares which are the subject of the Option, at the applicable Subscription Price. An Option may be granted subject to such conditions as may be determined by the Committee, in its absolute discretion, on the Date of Grant of that Option.

The Committee may grant Options at any time, provided that (i) no Option shall be granted during the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, and during the period of one month immediately preceding the announcement of the Company's annual results, and (ii) in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the second market day from the date on which the aforesaid announcement is released.

The offer of the grant of an Option is open for acceptance for a period of 30 days from the Date of Grant. If it is not accepted, in the manner provided under the 2013 Scheme, by 5.00 p.m. on the 30th day from the Date of Grant accompanied by payment of S\$1.00 as consideration, the offer will automatically lapse and become null, void and of no effect.

An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Option without the prior approval of the Committee, that Option shall immediately lapse.

LETTER TO SHAREHOLDERS

4.5.4 **Subscription Price**

The Subscription Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant to be either:

- (a) a price equal to the Market Price or such higher price as may be determined by the Committee; or
- (b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20 per cent of the Market Price in respect of that Option (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST).

In making any determination on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate, including but not limited to:

- (i) the performance of the Group or the Associated Company, as the case may be;
- (ii) the years of service and individual performance of the Participant;
- (iii) the contribution of the Participant to the success and development of the Company and/or the Group; and
- (iv) the prevailing market conditions.

Under the Listing Manual, while a listed company is not permitted to grant a discount of more than 20 per cent to the market price of the shares at the time of the grant of the option, there is no restriction however on the grant of options with exercise prices that are set at a premium to the market price of the shares. By adopting a discount quantum to the fullest extent permitted by current listing rules of the SGX-ST, and with a discretion to grant Options at a premium to the market price, in addition to or in combination with the grant of Options at the market price, the Company believes that it will have much greater flexibility to structure the Group's incentive and rewards system in a constructive manner by combining immediate or short-term cash-based rewards (such as bonuses and annual wage supplements) with longer term cash-linked rewards which do not entail any immediate direct cash expenditure for the Group.

The 2013 Scheme also provides for the Subscription Price to be adjusted in the circumstances described in paragraph 4.5.7 below.

4.5.5 **Events prior to Exercise**

Special provisions for the vesting and lapsing of Options apply in certain circumstances, including the following:

- (a) an order being made for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (b) misconduct on the part of the Participant as determined by the Committee in its discretion;

LETTER TO SHAREHOLDERS

- (c) where the Participant ceases at any time to be in the employment of the Group or an Associated Company, as the case may be, for any reason whatsoever (other than as provided in sub-paragraph (f) below);
- (d) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Option;
- (e) the company by which he is employed ceasing to be a company within the Group or an Associated Company or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company; or
- (f) the Participant ceasing to be in the employment of the Group, or an Associated Company, as the case may be, by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age; or
 - (iv) retirement before the legal retirement age with the consent of the Committee; or
- (g) where the Participant, being a Non-Executive Director, ceases to be a director of the Company, the relevant subsidiary of the Company or the relevant Associated Company, as the case may be, for any reason whatsoever;
- (h) any other event approved by the Committee; or
- (i) a take-over, reconstruction or amalgamation of the Company or an order made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (a) above).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b), (c), (d) and (e) above, an Option then held by a Participant will, to the extent unexercised, immediately lapse without any claim against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (f), (g) and (h) above, the Committee may, in its absolute discretion, preserve all or any part of an Option in accordance with the provisions of the 2013 Scheme. The Committee, in exercising such discretion, may allow the Option to be exercised at any time, notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option.

Upon the occurrence of any of the events specified in sub-paragraph (i) above, a Participant shall be entitled to exercise in full or in part any Option then held by him and as yet unexercised, during the periods prescribed under the 2013 Scheme. To the extent that an Option is not exercised within such prescribed periods, the Option shall lapse and become null and void. If, in connection with any of the events specified in sub-paragraph (i) above, arrangements are made for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option.

LETTER TO SHAREHOLDERS

4.5.6 *Exercise of Options*

In general, an Option may be exercised by a Participant, in whole or in part (provided that, unless otherwise permitted by the Committee, an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), during the applicable Exercise Period and in accordance with the applicable vesting schedule and/or other conditions (if any) that may be imposed by the Committee.

To exercise an Option, the Participant must deliver to the Company a duly completed exercise form, accompanied by payment of the total amount payable for the Shares for which that Option is exercised and any other documentation which the Committee may require, failing which the Option will not be treated as validly exercised.

4.5.7 *Adjustment Events*

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation issue or rights issue, capital reduction, subdivision or consolidation of shares or distribution, or otherwise howsoever) shall take place or if the Company shall make a capital distribution or a declaration of a dividend (whether interim or final and whether in cash or *in specie*), then the Committee may, in its sole discretion, determine whether:

- (a) the Subscription Price of the Shares, class and/or number of Shares comprised in an Option to the extent unexercised; and/or
- (b) the class and/or number of Shares over which Options may be granted under the 2013 Scheme,

shall be adjusted and, if so, the manner in which such adjustment shall be made. Any adjustment must be made in a way that a Participant will not receive a benefit that a Shareholder does not receive.

Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants; or
- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST or any other stock exchange on which the Shares are quoted or listed during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

4.5.8 *Size and Duration*

The aggregate number of New Shares which may be issued pursuant to Options granted under the 2013 Scheme on any date shall not exceed 10% of the total number of issued Shares (excluding treasury shares) on the day preceding that date.

LETTER TO SHAREHOLDERS

The maximum limit of 10% will provide for sufficient Shares to support the use of Options in the Company's overall long-term incentive and compensation strategy. In addition, it will provide the Company with the means and flexibility to apply Options as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

In determining the number of New Shares available on any date for the grant of Options under the 2013 Scheme, Shares which are the subject of Options which have lapsed for any reason whatsoever may be the subject of further Options granted by the Committee under the 2013 Scheme.

The number of existing Shares (including Shares held in treasury) which may be delivered pursuant to Options granted under the 2013 Scheme will not be subject to any limit as such methods of delivery do not involve the issuance of any New Shares.

The 2013 Scheme will continue in force, at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date of the AGM. The 2013 Scheme may continue beyond the stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the 2013 Scheme, any Options granted to Participants prior to such expiry or termination will continue to remain valid.

4.5.9 **Operation of the M1 Share Option Scheme 2013**

Subject to prevailing legislation and the rules of the SGX-ST, the Company will have the flexibility to deliver Shares upon the exercise of Options, by way of:

- (a) an issue of New Shares; and/or
- (b) the transfer of existing Shares, including any Shares held by the Company in treasury.

The delivery of Shares in the form of existing Shares purchased from the market or from Shares held in treasury will not be subject to any limit as they do not involve the issuance of New Shares.

In determining whether to issue New Shares or to deliver existing Shares to Participants upon the exercise of their Options, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing New Shares or transferring existing Shares.

The financial effects of the above methods are discussed in paragraph 4.7 below.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, on the exercise of an Option shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of exercise of the Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

4.5.10 **Modifications**

The 2013 Scheme may be modified and/or altered at any time and from time to time by a resolution of the Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary. However:

LETTER TO SHAREHOLDERS

- (a) no modification or alteration shall alter adversely the rights attached to any Option granted prior to such modification or alteration except with the written consent of such number of Participants under the 2013 Scheme who, if their Options were exercised in full, would thereby become entitled to acquire not less than 75% of all the Shares which may be acquired if all outstanding Options granted under the 2013 Scheme were exercised in full; and
- (b) no alteration shall be made to rules of the 2013 Scheme which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of Participants, except with the prior approval of Shareholders in general meeting.

4.5.11 *Disclosures in Annual Report*

For so long as the 2013 Scheme continues in operation, the Company will make such disclosures (or include the appropriate negative statements) in its Annual Report as from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the 2013 Scheme; and
- (b) in respect of the following Participants of the 2013 Scheme:
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in sub-paragraph (i) above) who have been granted Options under the 2013 Scheme which, in aggregate, represent 5% or more of the total number of Options available under the 2013 Scheme,

the following information:

- (aa) the name of the Participant;
- (bb) the following particulars relating to Options granted under the 2013 Scheme:
 - (i) Options granted during the financial year under review (including terms);
 - (ii) the aggregate number of Shares comprised in Options granted since the commencement of the 2013 Scheme to the end of the financial year under review;
 - (iii) the aggregate number of Shares arising from Options exercised since the commencement of the 2013 Scheme to the end of the financial year under review; and
 - (iv) the aggregate number of Shares comprised in Options outstanding as at the end of the financial year under review;
- (c) the number and proportion of Shares comprised in Options granted under the Scheme during the financial year under review:
 - (i) at a discount of 10 per cent or less of the Market Price in respect of the relevant Option; and

LETTER TO SHAREHOLDERS

- (ii) at a discount of more than 10 per cent of the Market Price in respect of the relevant Option.

4.6 **Role and composition of the Committee.** The Remuneration Committee, whose function includes assisting the Board in overseeing matters such as executive compensation and succession planning, will be designated as the Committee responsible for the administration of the 2013 Scheme. The Committee will consist of Directors, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.

4.7 **Financial Effects.** The financial effects of the 2013 Scheme are discussed below.

4.7.1 **Cost of Options**

The Singapore Financial Reporting Standards 102 ("**FRS 102**") is effective for the financial statements of the Company for the financial year beginning 1 January 2005. Under FRS 102, the recognition of an expense in respect of Option(s) granted under the 2013 Scheme is required. The expense will be based on the fair value of the Option(s) at each grant date and will be recognised over the period from the grant date to the vesting date (the "**Vesting Period**"). This fair value is estimated by applying the option pricing model at the grant date, taking into account the terms and conditions of the grant of the Option(s) and recognising as a charge to the Company's income statement over the Vesting Period with a corresponding credit to the Company's reserve account.

Before the end of the Vesting Period and at the end of each accounting year, the estimate of the number of Option(s) that is(are) expected to vest in each Participant by the vesting date is revised, and the impact of the revised estimate is recognised in the Company's income statement with a corresponding adjustment to the Company's reserve account. After the vesting date, no adjustment of the charge to the Company's income statement is made.

4.7.2 **Share Capital**

The 2013 Scheme will result in an increase in the Company's issued ordinary share capital only if New Shares are issued to Participants. The number of New Shares arising will depend on, *inter alia*, the size of the Options granted under the 2013 Scheme. In any case, the 2013 Scheme provides that the number of New Shares to be issued will be subject to the maximum limit of 10% of the Company's total number of issued Shares (excluding treasury shares) for the entire ten-year duration of the 2013 Scheme. If, instead of issuing New Shares to Participants, existing Shares are purchased or Shares held in treasury are used for delivery to Participants, the 2013 Scheme will have no impact on the number of issued Shares.

4.7.3 **NTA**

The issue of New Shares upon the exercise of the Option(s) granted under the 2013 Scheme will increase the Company's NTA by the aggregate Subscription Price of the Shares issued. On a per New Share basis, the effect on the NTA per share of the Company is accretive if the Subscription Price is above the NTA per Share, but dilutive otherwise.

4.7.4 **EPS**

The 2013 Scheme will result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with FRS 102, as well as an increase in the number of issued Shares if New Shares are issued under the 2013 Scheme. These will have a dilutive impact on EPS.

LETTER TO SHAREHOLDERS

- 4.8 **Listing of New Shares.** The SGX-ST has granted in-principle approval for the listing and quotation of the New Shares to be issued pursuant to the 2013 Scheme, subject to independent Shareholders' approval for the 2013 Scheme and the Company's compliance with the SGX-ST's listing requirements and guidelines. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the 2013 Scheme, the New Shares, the Company and/or its subsidiaries.
- 4.9 **Abstention from Voting.** Shareholders who are eligible to participate in the 2013 Scheme (that is, employees and directors of the Group and Associated Companies) will abstain from voting their Shares in respect of Resolution 13 (being the Ordinary Resolution relating to the proposed adoption of the 2013 Scheme set out in the Notice of AGM) and Resolution 14 (being the Ordinary Resolution relating to the grant of Options under the 2013 Scheme with a discount feature set out in the Notice of AGM). Such Shareholders will also decline to accept appointment as proxy for any Shareholder to vote in respect of Resolutions 13 and 14, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of each of Resolutions 13 and 14.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

- 5.1 **Directors' Interests in Shares.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

<u>Directors</u>	<u>Direct Interest</u>		<u>Deemed Interest</u>	
	Number of Shares	%	Number of Shares	%
Teo Soon Hoe	41,850	nm ⁽¹⁾	-	-
Karen Kooi Lee Wah	636,000	0.07	-	-
Roger Barlow	-	-	-	-
Chow Kok Kee	-	-	-	-
Jamaludin Ibrahim	-	-	-	-
Low Huan Ping	-	-	-	-
Kannan Ramesh	-	-	-	-
Alan Ow Soon Sian	-	-	-	-
Reggie Thein	-	-	25,110 ⁽²⁾	nm ⁽¹⁾

Notes:

(1) "nm" means not meaningful.

(2) Reggie Thein is deemed to be interested in the 25,110 Shares held by Citibank Nominees Singapore Pte Ltd.

LETTER TO SHAREHOLDERS

5.2 **Substantial Shareholders' Interests in Shares.** The interests of the Substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

<u>Substantial Shareholders</u>	<u>Direct Interest</u>		<u>Deemed Interest</u>	
	Number of Shares	%	Number of Shares	%
Axiata Investments (Singapore) Limited	265,410,150	29.01	-	-
Khazanah Nasional	-	-	265,410,150 ⁽¹⁾	29.01
Axiata	-	-	265,410,150 ⁽¹⁾	29.01
Temasek	-	-	179,399,360 ⁽²⁾	19.61
Keppel Telecoms Pte Ltd	178,864,000	19.55	-	-
Keppel Communications Pte Ltd	-	-	178,864,000 ⁽³⁾	19.55
Keppel Data Centres Pte. Ltd.	-	-	178,864,000 ⁽³⁾	19.55
Keppel Telecommunications & Transportation Ltd	-	-	178,864,000 ⁽³⁾	19.55
Keppel	-	-	178,864,000 ⁽³⁾	19.55
SPH Multimedia Private Limited	124,453,000	13.60	-	-
Singapore Press Holdings Limited	-	-	124,453,000 ⁽⁴⁾	13.60

Notes:

- (1) Each of Khazanah Nasional and Axiata is deemed to be interested in the 265,410,150 Shares held by Axiata Investments (Singapore) Limited.
- (2) Temasek is deemed to be interested in the 179,399,360 Shares in which Keppel, 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 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.

LETTER TO SHAREHOLDERS

6. DIRECTORS' RECOMMENDATIONS

- 6.1 **Proposed Renewal of the Share Purchase Mandate.** The Directors are of the opinion that the renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Resolution 11, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of AGM.
- 6.2 **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions.** The Directors who are considered independent for the purposes of the Shareholders' Mandate (other than the Interested Directors) (the "**Independent Directors**"), have reviewed the scope, review procedures, the rationale and the benefits of the Shareholders' Mandate and are of the view that the renewal of the Shareholders' Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 12, being the Ordinary Resolution relating to the renewal of the Shareholders' Mandate set out in the Notice of AGM.
- 6.3 **Proposed Adoption of the M1 Share Option Scheme 2013.** All the Directors will be potentially eligible to participate in the 2013 Scheme. Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Resolution 13, being the Ordinary Resolution relating to the proposed adoption of the 2013 Scheme set out in the Notice of AGM, and Resolution 14, being the Ordinary Resolution relating to the grant of Options under the 2013 Scheme with a discount feature set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

- 7.1 **Appointment of Proxies.** Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf should sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 10 International Business Park, Singapore 609928, not less than 48 hours before the time appointed for the AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the meeting if he wishes to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
- 7.2 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the AGM.

8. INSPECTION OF DOCUMENTS

The following documents may be inspected at the office of the Company Secretary at 10 International Business Park, Singapore 609928, during normal business hours for not less than 14 days from the date of this Circular up to the date of the AGM:

- (a) the Annual Report of the Company for the financial year ended 31 December 2012;
- (b) the Memorandum and Articles; and
- (c) the rules of the proposed M1 Share Option Scheme 2013.

LETTER TO SHAREHOLDERS

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Yours faithfully
for and on behalf of the Board of Directors of
M1 LIMITED

TEO SOON HOE
Chairman

APPENDIX

FURTHER INFORMATION ON SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. **Rationale for the Shareholders' Mandate.** It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group and the Interested Persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Interested Persons or the obtaining of goods and services from them.

In view of the time-sensitive nature of commercial transactions, the obtaining of the Shareholders' Mandate pursuant to Chapter 9 of the Listing Manual will enable members of the EAR Group in the ordinary course of their businesses, to enter into the categories of Interested Person Transactions set out in paragraph 5 below with the specified classes of Interested Persons set out in paragraph 4 below, provided such Interested Person Transactions are on the EAR Group's normal commercial terms.

2. **Scope of the Shareholders' Mandate.** The Shareholders' Mandate will cover Interested Person Transactions as set out in paragraph 5 below.

The Shareholders' Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Shareholders' Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

3. **Benefit to Shareholders.** The Shareholders' Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided they are undertaken on the EAR Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Shareholders' Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into Interested Person Transactions within the scope of the Shareholders' Mandate. This will substantially reduce administrative time and expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives, without compromising corporate objectives and adversely affecting the business opportunities available to the EAR Group.

4. **Classes of Interested Persons.** The Shareholders' Mandate will apply to the Interested Person Transactions (as described in paragraph 5 below) which are carried out with the following classes of Interested Persons:

- (a) Temasek (being a Controlling Shareholder of the Company) and its associates (excluding Keppel and its associates);
- (b) Khazanah Nasional (being a Controlling Shareholder of the Company) and its associates (excluding Axiata and its associates);
- (c) Keppel (being a Controlling Shareholder of the Company) and its associates; and
- (d) Axiata (being a Controlling Shareholder of the Company) and its associates.

APPENDIX

Transactions with Interested Persons which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

5. **Categories of Interested Person Transactions.** The Interested Person Transactions with the Interested Persons (as described in paragraph 4 above) which will be covered by the Shareholders' Mandate and the benefits to be derived therefrom are as follows:

(a) **General Transactions**

The following transactions are in connection with the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of the EAR Group's day-to-day operations):

- (i) the provision and obtaining of info-communications traffic delivery, network infrastructure, content, applications, products and services;
- (ii) the provision and obtaining of general services for office space, network equipment and network infrastructure;
- (iii) the provision and obtaining of warehousing and storage services and facilities;
- (iv) the provision and obtaining of professional, consultancy, subcontracting and outsourcing services; and
- (v) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (i) to (iv) above.

The transactions set out in paragraphs (i) to (v) above arise in the normal course of business of the Company and/or are necessary for the day-to-day operations of the Company. In addition, in relation to the transactions relating to the provision and obtaining of network infrastructure and the provision and obtaining of general services for network infrastructure as set out in paragraphs (i) and (ii) above, the Company will disclose the nature of such transactions during the forthcoming financial year in its Annual Report, and in the Annual Reports for subsequent financial years that the Shareholders' Mandate continues to be in force.

(b) **Treasury Transactions**

Treasury transactions ("**Treasury Transactions**") comprise the placement of funds with an Interested Person. The EAR Group may be able to benefit from competitive rates and quotes in an expedient manner in addition to third party financial institutions.

6. **Review Procedures for Interested Person Transactions.** The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders:

(a) **General Transactions**

Review Procedures

In general, there are procedures established by the EAR Group to ensure that Interested Person Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual

APPENDIX

business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(aa) ***Provision of Services or the Sale of Products***

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (ii) where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such services or products, the Approving Authority (as defined below) will take into consideration factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, payment terms, contractual compliance, duration of contract and strategic purposes of the transaction will be taken into account.

(bb) ***Obtaining of Services or the Purchasing of Products***

The review procedures are:

- (i) all purchases or leases made by the EAR Group, including purchases or leases from Interested Persons, are governed by the same internal control procedures as applicable to the obtaining of services or the purchasing of products from third parties, including the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best products and/or services on the best terms. In determining whether the price and terms offered by vendors, including Interested Persons, are fair and reasonable, the Approving Authority (as defined in sub-paragraph (ii) below) will take into consideration factors such as, but not limited to, delivery schedules, specification compliance, contractual compliance, payment terms, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and
- (ii) in the event that quotations from unrelated third party vendors cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item), the approving authority within the authorised monetary limits of the EAR Group ("**Approving Authority**"), being either the Board, Chief Executive Officer ("**CEO**"), or Chief Financial Officer ("**CFO**") or Heads of Departments of the EAR Group (as long

APPENDIX

as they have no interest, direct or indirect in that transaction), will determine whether the price and terms offered by the Interested Persons are fair and reasonable. If the Approving Authority has an interest in the transaction, whether direct or indirect, the reasonableness of the price and terms shall be determined by the Audit Committee.

(b) **Treasury Transactions**

In relation to the placement with any Interested Person of its funds, the Company will require that quotations shall be obtained from the Interested Person and at least two of the principal bankers of the EAR Group for rates for deposits with such bankers of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with the Interested Person, provided that the interest rate quoted is not less than the highest of the rates quoted by such principal bankers.

7. **Approving Authorities.** In addition to the review procedures (as described in paragraph 6 above), in order to ensure that the Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has internal control procedures which detail matters such as the constitution of internal Approving Authorities and their monetary jurisdictions.

In the event that a member of the Approving Authority (where applicable) has an interest in relation to any Interested Person Transaction, whether direct or indirect, he will abstain from reviewing that particular transaction. In such instances, an alternative Approving Authority will be responsible for reviewing that transaction.

8. **Register of Interested Person Transactions.** The Company will maintain a register of all transactions carried out with Interested Persons pursuant to the Shareholders' Mandate and shall include all information pertinent to the evaluation of the Interested Person Transactions such as, but not limited to, the identity of the Interested Person, the amount of the Interested Person Transaction, the basis of determining the transaction prices and supporting evidence and quotations obtained to support such basis.

The register of Interested Person Transactions shall be prepared, maintained and monitored by a personnel of the Company (who shall not be interested in any of the Interested Person Transactions) who is duly delegated to do so by the Audit Committee.

9. **Review by the Audit Committee.** The Audit Committee shall review the Interested Person Transactions on a quarterly basis. In addition, the Audit Committee shall review the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with on a half-yearly basis.

If, during these half-yearly reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, to ensure that the mandated Interested Person Transactions will be conducted based on the EAR Group's normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, it will, in consultation with the Board, take such actions as it deems proper in respect of such procedures and/or modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons to ensure that Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

APPENDIX

10. **Validity Period of the Shareholders' Mandate.** If approved by Shareholders at the AGM which is scheduled to be held on 5 April 2013, the Shareholders' Mandate will be renewed from the date of passing of the Ordinary Resolution relating to the renewal of the Shareholders' Mandate, and will (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next Annual General Meeting of the Company. Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the next Annual General Meeting of the Company and at each subsequent Annual General Meeting of the Company, subject to the satisfactory review by the Audit Committee of its continued application to the transactions with the Interested Persons.