



M1 annual report 2005

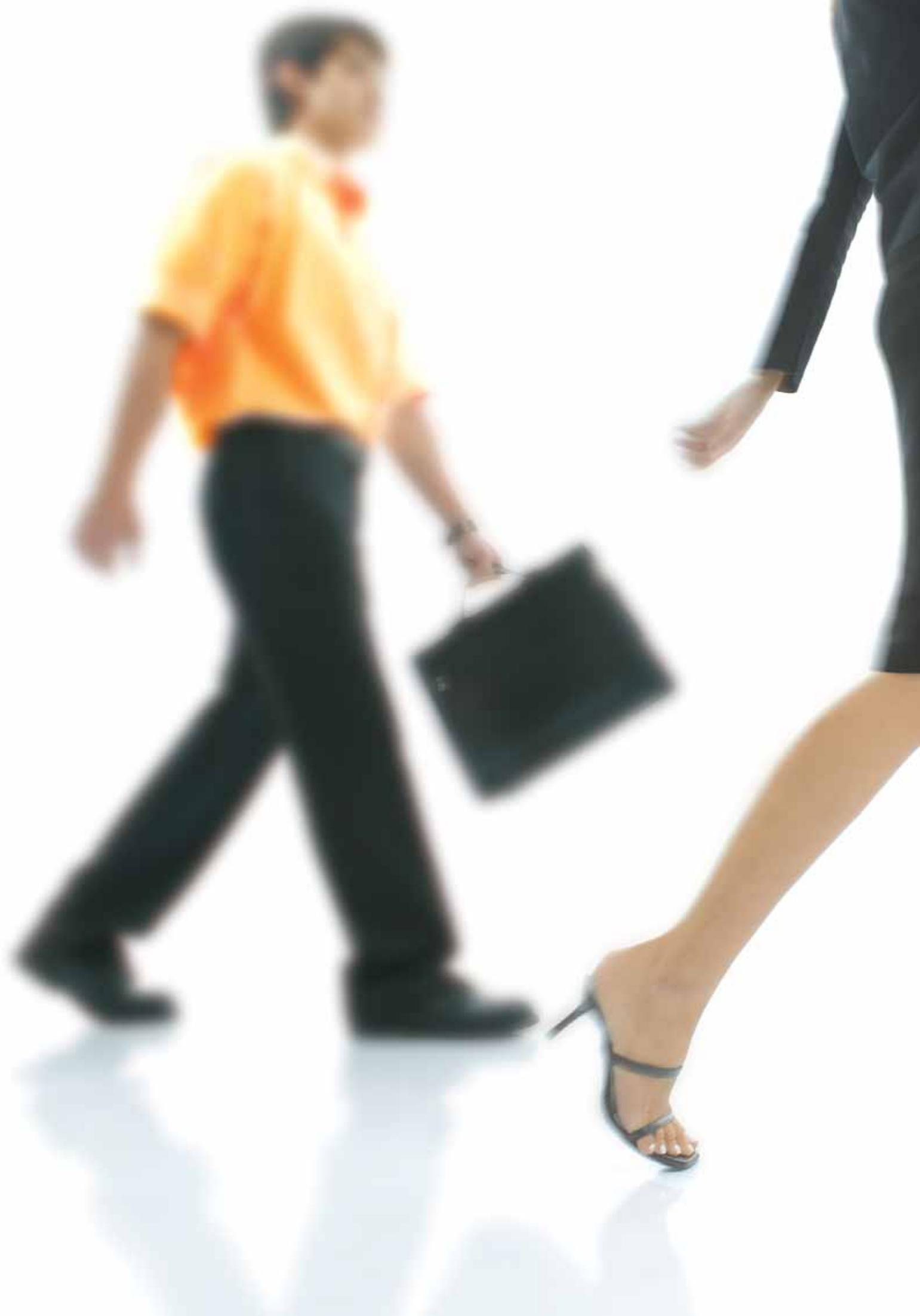
one
step
ahead.

M1 annual report 2005

MobileOne Ltd

10 International Business Park
Singapore 609928
www.m1.com.sg

Reg.No.: 199206031W





this one's for you.

Customer-focused:

Understanding your needs, and meeting them.

M1, Singapore's most exciting and innovative mobile and IDD service provider, was launched in April 1997. Since then, it has made significant inroads into the local mobile communications market, gaining considerable brand presence and market share. M1 aims to be the leader in personal voice and data communications, focusing on value, quality and customer service.

- 04 Performance Highlights
- 14 Chairman's Message
- 16 CEO's Message
- 18 Operating and Financial Review
- 26 Board of Directors
- 30 Senior Management
- 34 At One with Everyone
- 37 Corporate Governance
- 47 Particulars of Directors & Senior Management
- 56 Financial Statements
- 99 Major Properties
- 100 Shareholding Information
- 103 Corporate Information



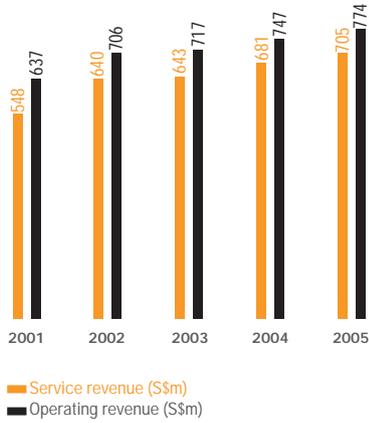
growing since
day **one.**

Results-oriented:

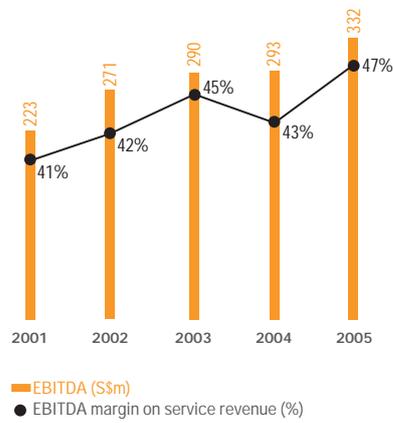
Committed to delivering sustainable returns.

performance highlights

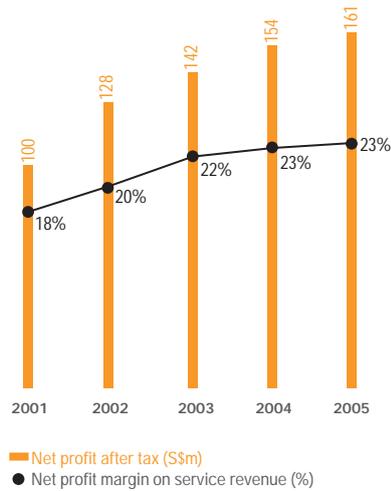
Operating and Service Revenue



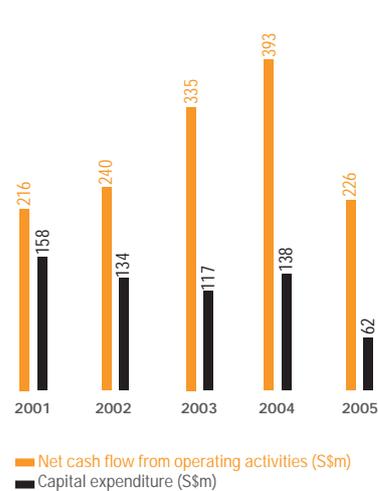
EBITDA



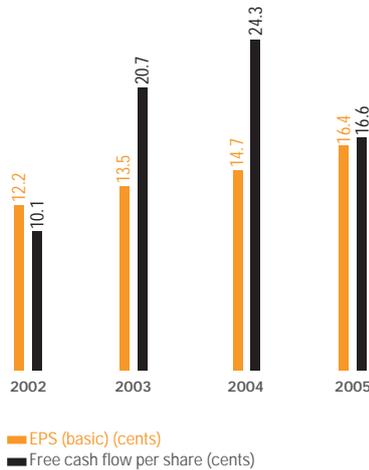
Net Profit After Tax



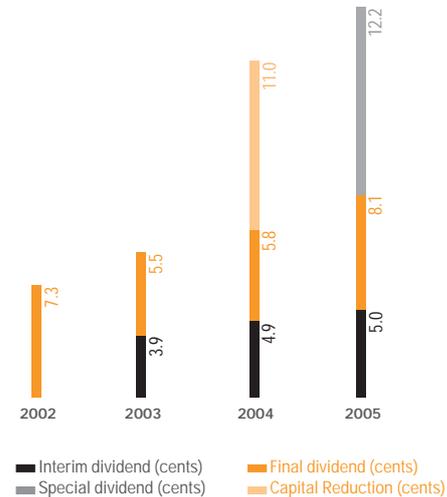
Cash Flow & Capital Expenditure



EPS & Free Cash Flow Per Share



Cash Return Per Share



FINANCIAL HIGHLIGHTS

	2005	2004	Change (%)
Number of mobile customers ('000)			
Postpaid	809	800	1.1
Prepaid	436	362	20.4
Total	1,246	1,162	7.2
Market shares* (%)			
Postpaid	29.5	30.6	–
Prepaid	28.8	29.0	–
Overall	29.3	30.1	–
Singapore mobile penetration rate* (%)	97.8	91.0	–
Average revenue per user (ARPU, S\$ per month)			
Postpaid	60.1	61.4	(2.1)
Prepaid	21.0	19.5	7.7
Non-voice as % of postpaid ARPU (%)	19.6	17.6	–
Minutes of use per active customer (MOU, minutes per month)			
Postpaid	337	313	7.7
Prepaid	137	47	191.5
Total international retail minutes (million)	210	172	22.1
Average monthly churn rate (%)	1.5	1.6	–
Average acquisition cost per gross connection	103	141	(27.0)
Average retention cost per customer	97	98	(1.0)

* Based on IDA statistics as at December 2005

OPERATING HIGHLIGHTS

	2005	2004	Change (%)
Operating revenue (S\$m)	773.8	747.1	3.6
Mobile telecommunications services	582.9	569.6	2.3
International call services	121.8	111.4	9.3
Others	0.2	0.0	nm
Handset sales	68.9	66.0	4.4
EBITDA	332.4	292.8	13.5
Net profit after tax	161.0	153.9	4.6
Per share (cents)			
Earnings	16.4	14.7	11.6
Dividend** (declared)	13.1	10.7	22.4
Net assets	47.1	41.1	14.6
Return on equity (%)	37.2	35.3	–
Return on capital employed (%)	25.1	23.9	–

** Excludes special dividend

Note: Figures may not add up due to rounding off





there is
only one.

Innovating the way we serve:

Finding new and different ways to
improve our customers' mobile lives.



one step
at a time.

Creating a 3G world:

Evolving our network and services to the next phase of communication.





one
plus
one.

Transcending borders:

Delivering enhanced services through
unique partnerships.



the
special
one.

A specialist mobile services provider:
Doing what we do best.



one vision.

"M1 continued to build on its strategic alliances and partnerships to deliver enhanced services, especially to the roaming segment, and develop new business opportunities."

In 2005, M1 achieved a net profit of S\$161 million, an increase of 4.6% over the previous year which had benefited from an adjustment due to the revision in corporate tax rate. Excluding tax adjustments, net profit growth would have been 10.4%. Earnings before interest, tax, depreciation and amortisation (EBITDA) grew strongly by 13.5% to S\$332 million, representing a margin of 47.2% on service revenue. Net profit margin was 22.8% of service revenue, comparable to the previous year despite the additional depreciation and amortisation expenses relating to the investment in 3G network equipment and licence. These results reflect continued topline growth and prudent cost management.

2005 marked an epoch in M1's development with the commercial launch of 3G service in February. While this is an important milestone for M1 and the industry as a whole in Singapore, for customers the transition will be a gradual one. We were mindful during the year that 3G handsets had not reached a stage of design and functionality that would see mass market appeal and 3G in 2005 was clearly an early adopters' market. Hence our focus has been on customer education and developing relevant services and content, rather than driving handset sales. Nonetheless, the last quarter of 2005 saw an acceleration in take-up and we expect to see some impact in revenue terms in the coming year.

With 3G facilitating the convergence of the mobile and internet worlds, it remains to be seen what will capture the imaginations of customers out of the myriad possibilities that 3G can offer. At M1, our continuous focus on innovation and listening to our customers will position us to ride the new wave and develop such opportunities into a sustainable business.

This year will see continued technology advancements in the 3G arena which will bring higher speed capabilities to the 3G network and narrow the gap with the fixed network. M1 will further improve the network during the course of the year. At the same time, other wireless technologies for broadband internet access also afford possible new opportunities. As a specialist wireless service provider, M1 sees Wireless Broadband Access (WBA) service as a prospective extension in a related market space. In May 2005, M1 obtained a licence and spectrum for the deployment of WBA service. We are evaluating the possible technology options and business models for the roll-out of WBA network and services which will complement our core mobile business.

In 2005, M1 continued to build on its strategic alliances and partnerships to deliver enhanced services, especially to the roaming segment, and develop new business opportunities. As well as growing the share of roamers from Vodafone partner networks, the M1-Vodafone partnership saw further progress with the launch of Blackberry from Vodafone

and the implementation of Vodafone Data Roaming. During the year, M1's other strategic alliance, the Asia Mobility Initiative, expanded with the entry of Celcom of Malaysia and Excelcomindo of Indonesia - both subsidiaries of Telekom Malaysia Group. M1's ties with Telekom Malaysia have deepened further with the latter, together with Khazanah Nasional Berhad, making a strategic investment in M1. This partnership uniquely positions M1 to meet the communication needs arising from the strong social and business relationships between Malaysia and Singapore. M1 will leverage this relationship to identify new services, revenue streams and other potential operational synergies.

Arising from the new shareholding structure, I am pleased to welcome Mr Ganen Sarvananthan and Mr Yusof Annuar bin Yaacob to the M1 Board of Directors. I would also like to thank Mr Michael Grant, who stepped down from the Board of Directors in October 2005, for his service on the Board.

M1 remains committed to a sustainable dividend policy for our shareholders. For the final dividend in respect of 2005, the Board of Directors is recommending a payment of 8.1 cents per share. Taken together with the interim dividend of 5.0 cents per share paid in September 2005, this translates to a dividend payout ratio of 80% of net profit for 2005 and is an improvement on the 70% payout in the previous year. As well as maintaining a sustainable dividend policy, M1 regularly reviews its funding requirements and capital structure, and aims to return to shareholders cash in excess of its current and foreseeable requirements. Thus, a special dividend of 12.2 cents per share is also proposed, which amounts to a return of S\$120 million to shareholders.

In 2006, we expect to see some of the key developments of 2005 start to bear fruit. While building on these, we will continue to protect and grow our existing sources of revenue. With this, and barring any material adverse event or change in market conditions, we estimate to achieve single digit growth in net profit after tax for 2006.

On behalf of the Board of Directors, I wish to thank M1 staff, customers, shareholders and partners for your continued support of M1.



Lim Chee Onn
Chairman



"M1 achieved our business and financial objectives for 2005, notwithstanding the rapidly changing market conditions."

one voice.

I am pleased to report that M1 achieved our business and financial objectives for 2005, notwithstanding the rapidly changing market conditions. The main areas of growth in 2005 came from the prepaid segment, international call services and non-voice services.

With the increasing maturity of the mobile market and high level of mobile penetration, most of the growth in customer numbers came from the prepaid market. In revenue terms, we saw strong growth of 33% during the year. Part of this segment is typically quite transient in nature, eg tourists and foreigners working in Singapore, or users who have a specific short term requirement. While this represents scope for continued growth, it also means that customer numbers are not the key indicator. In terms of number of lines, the prepaid segment comprises 35% of our customer base as at end 2005, but accounted for 11% of mobile telecommunications revenue for the year.

Over time, we expect the features of prepaid service and postpaid service to converge and the distinction between a prepaid and postpaid customer to narrow. This has been happening already, as more of the value-added services available to postpaid customers have become available to prepaid customers, including seamless roaming and access to the MiWorld portal. In 2005, this accelerated further, with new price plans and changes to registration requirements bringing the prepaid service features closer to postpaid. M1 was the first to launch a prepaid card with free incoming calls and a daily deduction of a subscription amount. The strong growth in prepaid customers during the year can be attributed to the popularity of this price plan which was subsequently copied by the competition. In November, the prepaid market faced another shake-up with the introduction of more stringent registration guidelines by the regulator. We expect to see some negative impact on the reported prepaid customer base once the grace period for registering existing cards comes to an end, as dormant cards are unlikely to be registered and will therefore be cancelled.

M1 will adapt to the changing dynamics of the prepaid market and continue to develop innovative ways to address those customer segments best served by prepaid service.

One such is the partnership, announced in December 2005, with PLDT and Smart Communications of the Philippines to address the Filipino community in Singapore.

International call service continues to be an area of growth for M1, although over time the pace of growth has slowed compared to when the market was first liberalised six years ago. In 2005, international call service revenue grew 9% and contributed 17% of service revenue. In traffic terms, M1 is still a relatively small player with an estimated 7-8% share of outgoing retail international minutes. This points to continued scope for growth as we continue to make inroads into the market, particularly in the fixed line corporate segment. While we recognise the increasing competition in this space, particularly from the growth in use of voice over internet protocol (VOIP) as a solution, we also see this as a potential opportunity to harness.

An important component of our international call service revenue comes from customers who use roaming services, both M1 customers roaming overseas and overseas customers roaming onto the M1 network while in Singapore. With growing affluence in the region, lower cost of travel and increasing trade and investment links, the traveller segment is an important growth opportunity that M1 seeks to tap. Our partnership initiatives – the regional alliance, Asia Mobility Initiative, and M1's partnership with the global mobile communications group, Vodafone – play a key role in realising this potential, as does our new partnership with Telekom Malaysia forged through the acquisition of its strategic stake in M1 in 2005.

Non-voice service continues to be a key source of growth for M1, with non-voice revenue contributing 20% of average revenue per user. Much of this growth comes from data services, which saw revenue increase by 14% in 2005. About 30% of the postpaid customer base accesses MiWorld, our mobile portal, at least once a month using 2.5G. This augurs well for the future of 3G services which M1 commercially launched in February 2005, the first mobile operator in Singapore to do so. Although the take up of 3G is still in its infancy and there was no significant 3G revenue in 2005, we believe this represents the start of the transition into a new era of mobile communications. This is not a transition that will happen overnight, as we have all along emphasised. It will be an evolutionary process as customers progressively upgrade their handsets to 3G; more relevant and interesting content and services are developed; and customers get acquainted with the possibilities offered by 3G. Over time, more and more customers will use the device in every pocket and handbag not just as a communication tool, but also as a medium of information and entertainment.

As part of this drive, during the year, M1 worked with partners to develop local content for delivery via 3G, including Asia's

first Chinese 3G drama and first English 3G thriller drama, as well as to showcase videos made by young filmmakers from local tertiary institutions and user-created content. Increasingly, content providers, including global brand names, are recognising the significance of the mobile phone as a means to reach their target audience. Progressively, M1 will build up the main content pillars of movies, music and sports adapted to a mobile lifestyle for the consumer market.

A further area of growth lies in the enterprise segment. In the mobile voice market, this has not been a large segment for M1 to date. But increasing innovation and faster network speeds, especially with 3G, will afford new opportunities for providing data products and services, and we are focusing greater resource on growing this customer segment. We will also leverage our partnership with Vodafone to draw on a suite of business solutions to address the enterprise market.

Internally the Company has undergone a re-organisation to better align resources to strategic priorities, particularly with regard to developing the enterprise market and strategic alliances. Given our proven strengths and track record, and our ability to adapt quickly to change, I believe we are well positioned to meet these new opportunities and challenges.

In the spirit of **1 life. live it.** I would like to highlight other aspects of M1's corporate life, beyond the operating and financial performance. For the third time running in Singapore, M1 was the presenting sponsor for the Cirque du Soleil's magical and inspiring performance of "Quidam". 2005 also saw the successful debut of the M1 Singapore Fringe Festival, by The Necessary Stage, an event which has been lauded for making a significant impact on the arts scene in Singapore. We are honoured to have been recognised for this and other involvement in the arts with the Distinguished Patron of the Arts Award. As part of our community involvement, M1 also actively supported a number of charitable causes, with particular focus on youth at risk and children with chronic illnesses. As well as direct corporate contributions and staff-led fundraising activities, many M1 staff offered their hearts and time as active volunteers, organising and participating in monthly activities, such as movie screenings, outings, birthday parties and Christmas carnival, with the beneficiary organisations.

In closing, I would like to extend my deepest appreciation to all M1 staff for their hard work and dedication to M1, and I look forward to working together to meet our goals and objectives for the coming year.


Neil Montefiore
Chief Executive Officer

operating and financial review



COMPANY OVERVIEW

M1 provides cellular mobile communications services to over one million customers in Singapore as well as offers international call services to both mobile and fixed line customers. Widely recognised as an innovative operator with an established brand, M1 aims to be the leader in personal voice and data communications, focusing on quality, customer service, innovation and value.

M1's mobile services comprise a wide range of voice, non-voice and value-added services provided on its nationwide dual-band GSM900/1800 and W-CDMA networks. Customers may subscribe to M1's services on a postpaid or prepaid basis by choosing from a variety of price plans. For international call services, M1 offers mobile and fixed line customers International Direct Dial services using the prefix 002 and 021, and International Calling Card service using the prefix 1818. M1 also sells international wholesale minutes to other international service providers.

In 2005, M1 achieved a net profit after tax of S\$161.0 million, which was an increase of 4.6% over 2004's S\$153.9 million. Net profit margin on service revenue was 22.8%, while operating revenue grew 3.6% to S\$773.8 million. Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 13.5% to S\$332.4 million, translating to an EBITDA margin on service revenue of 47.2%.

As at 31 December 2005, M1 had a total of about 1,246,000 mobile customers, comprising 809,000 postpaid customers and 436,000 prepaid customers. M1's overall market share as at December 2005 was 29.3%¹. M1's market share of postpaid customers was 29.5%¹ and that of prepaid was 28.8%¹.

In May, M1 successfully secured spectrum in the 2.5GHz band for deployment of Wireless Broadband Access (WBA) services in the spectrum auction conducted by the IDA. M1 is currently evaluating options for the roll-out of WBA services, which will complement our mobile service offerings.

MARKET DEVELOPMENTS

As at 31 December 2005, Singapore's cellular mobile penetration was 97.8%, which was 5.6 percentage points higher than that a year ago¹. Given the maturity of the cellular mobile market in Singapore, growth in customer numbers and penetration is limited. During the year, a significant portion of the market's growth was driven by the prepaid segment, and this was reflected in M1's performance.

With effect from 1 November 2005, the regulatory authorities implemented more stringent prepaid registration requirements and controls. These include production of specific identification documents for verification, use of a prescribed electronic registration system and imposition of a prescribed limit of prepaid cards that can be sold to an individual customer. A six-month transition period has been allowed for existing prepaid customers to be registered. Following the expiry of this transition period, unregistered cards are to be disconnected. This is expected to have some negative impact on the reported prepaid customer base.

Other sources of growth for M1 during the year were non-voice services and international call services, and going forward, these will continue to be important. M1 continues to focus on developing and introducing innovative and exciting products and services in order to encourage customers to use their mobile phones for new forms of communication, information and entertainment. As for international call services, growth will come from gaining market share in the corporate fixed line segment and increasing roaming usage by travellers, both inbound and outbound.

¹ Based on published IDA statistics as at December 2005

“A major highlight of the year for M1 was the commercial launch of 3G services on the W-CDMA network in February, making it the first mobile operator to do so in Singapore.”

OPERATING REVIEW

M1 continued to build on its strong brand by reinforcing the “1 life. live it” brand message - that M1 aims to empower customers to live life to the fullest through M1’s communication solutions, which keep customers engaged, entertained and informed wherever they are. In February, against a global field of competitors, M1 won the “Best Broadcast Commercial” award at the 2005 GSM Association Awards ceremony held in Cannes, France, for the “1 life. live it” television commercial.

M1 was the presenting sponsor for Quidam, the third Cirque du Soleil performance in Singapore sponsored by M1. The sponsorship elevated M1’s brand positioning through an integrated marketing communications programme that spanned across all product groups. The show took place in the third quarter and in the run-up to the opening, various marketing and advertising initiatives were held to leverage on M1’s sponsorship.

Mobile Services

A major highlight of the year for M1 was the commercial launch of 3G services on the W-CDMA network in February, making it the first mobile operator to do so in Singapore. The higher network speeds enabled by 3G support services like video calls, video streaming and faster data access, opening up new possibilities for entertainment, information and communications while on the move.

In line with expectations, initial adoption of 3G services was gradual, given that available 3G handset models were not yet sufficiently appealing in form and function to the mass market. More attractive models have started to be introduced since the last quarter of the year and these will help boost the adoption rate. Thus, in 2005, rather than seeking to drive 3G handset sales, M1 focused on developing and introducing 3G contents and services, and educating customers on the possibilities offered by 3G as a medium of information and entertainment. Beyond faster access to all the content available on the MiWorld mobile portal, services offered on 3G include access to news from Channel News Asia, CNN and Bloomberg TV; streaming of music videos, trailers of new movie releases and sports video clips; and



downloading of MP3 songs. M1 also teamed up with content partners to offer a range of exclusive, localised made-for-3G content which included Asia’s first Chinese 3G drama – “P.S... I Luv U” and first English 3G thriller drama – “POV Murder”, Channel U’s Project SuperStars, TV12’s Project Pilot, MediaCorp Classics video clips of popular Mandarin TV dramas of yesteryear, as well as showcased work by film students from local tertiary institutions.

In 2005, M1 saw strong growth in the prepaid segment, with prepaid mobile telecommunications revenue growing 33% as a result of an expansion in the customer base as well as improved ARPU. The strong showing may be attributed to the introduction of various innovative price plans and service enhancements in the year. These included the Free Incoming Calls Plan introduced in February, which was a first in Singapore and proved to be highly popular, and was followed by Free SMS Plan in May, both of which involved a unique daily deduction of a fixed amount, akin to a subscription. The Chat EZ Plan, aimed at customers with high voice usage, was revamped in October to make it more attractive to customers. In the year, there were several product enhancements to M1’s prepaid service, including the introduction of GPRS and roaming SMS. Following the implementation of more stringent requirements for customer registration for prepaid service in November, roadshows and incentives were introduced to encourage existing customers to register.

The postpaid segment continued to be the mainstay of M1’s mobile business. Although postpaid customers accounted for 65% of M1’s mobile customer base as at end December 2005, they contributed 89% of mobile telecommunications revenue in 2005. During the year, M1 undertook several marketing initiatives to grow and retain the postpaid base. This included a new postpaid price plan - Suntalk Super - aimed at giving customers the flexibility to use the bundled dollars within the plan for local voice calls, SMS and IDD calls. The average monthly postpaid churn rate in 2005 was 1.5%, which was a slight improvement over 2004’s 1.6%. This reflects M1’s continued emphasis on retaining our customers through attractive loyalty programmes and activities. At the same time,



M1 managed to reduce both acquisition and retention costs compared to the previous year.

With continued focus on growing data services and developing customer usage of such services, non-voice services' contribution to ARPU increased to 19.6% in 2005, from 17.6% in 2004. The year saw the launch of several products and services, the key ones being the following:

- **Movie Ticketing**, a service that allows M1 customers to book and pay for cinema tickets through the MiWorld mobile portal
- **Cyber Message Centre**, which provides customers with an easy and convenient means of sending messages, including pictures, personal videos and MP3 files, from their personal computers to mobile phones in Singapore and overseas
- **BlackBerry® from Vodafone**, a wireless communications solution, for both consumer and business segments, that gives wireless access to e-mail, phone, organiser, corporate data and the Internet
- **BubbleTALK™**, which allows users to send a voice message to another party, who will be alerted via an SMS and can retrieve the voice message at a later time
- **Watch-a-Video**, a video delivery service that allows customers to subscribe to more than 20 different channels of programmes
- **Multi-SIM**, two SIM cards with a single number, a service that allows customers to switch effortlessly between different mobile devices while using a single mobile number

International Call Services

M1's total international outgoing retail minutes grew by 22.1% in 2005 to 210 million minutes, from 2004's 172 million minutes, while international call service revenue (retail plus wholesale & bilateral) grew 9.3% to S\$121.8 million from 2004's S\$111.4 million. This growth was on the back of a strong Singapore economy, which translated into buoyant consumer sentiment and business activities. M1 also implemented various price-related retail promotions to stimulate customer usage, such as free IDD calls to selected countries on the prepaid M Card and special promotions catering to niche segments and customer communities.

Sales & Distribution

M1 has an extensive network of operator-owned retail shops (M1 Shop) and operator-appointed distributor outlets throughout Singapore that serve the consumer segment and a corporate sales unit that serves the business segment. As at 31 December 2005, M1 operated a total of 12 M1 Shop outlets (comprising 6 main shops and 6 mini shops). In addition, M1 runs an e-shop, which provides online sale of mobile phones and accessories.

Customer Service

Customer satisfaction continued to be the mainstay of M1's customer service proposition in 2005. With 3G, M1 took an important step forward to introduce customers to the new service by welcoming them on video calls. This initiative was very effective in guiding customers into this new experience and their feedback was very positive.

The year was also notable for M1's continuing success in uplifting its service delivery while keeping operational costs down. M1 continued to win industry awards for service excellence (Excellent Service Award (EXSA)) and call centre management (Contact Centre Association of Singapore (CCAS) annual awards), taking the inaugural Special Award for People Innovation in Call Centre.

“M1 continued to enhance its 3G network coverage and quality in response to market requirements and customer feedback.”



Network

M1 continued to enhance its 3G network coverage and quality in response to market requirements and customer feedback. M1 also enhanced its 2G network coverage in several new building developments island-wide.

During the year, the company completed technical trials of three wireless broadband technologies and commenced a technical trial using a pre-WiMAX and Meshed WiFi combination for wireless broadband service.

Strategic Alliances and Partnerships

M1-Vodafone

M1 continued to leverage on its partnership with Vodafone to enhance the communications experience of customers. Besides services such as welcome SMS and short-code dialling when overseas in countries with a Vodafone network, M1 customers enjoyed access to a growing network of GPRS, 3G and CAMEL (Customised Application for Mobile Network Enhanced Logic) prepaid roaming destinations on the Vodafone global footprint. As at end December 2005, M1 had established GPRS roaming with 32 Vodafone networks, and 3G roaming with 15 Vodafone networks out of its world-wide coverage of 33 networks in 25 countries. CAMEL prepaid roaming is available for M1 customers with Vodafone partners in 14 countries.

In April, M1 launched **BlackBerry® from Vodafone** with attractive roaming bundles for both corporate and individual customers in Singapore. BlackBerry, developed by Research In Motion (RIM), is a leading wireless communications solution that allows users to stay connected with wireless access to e-mail, phone, organiser, corporate data and the Internet.

In December, M1 launched **Vodafone Data Roaming (VDR)**, which offers a single data tariff for M1 customers roaming on Vodafone networks. This service, which was initially available in 8 countries and will be further extended, gives M1 customers up to 60% savings on data charges when roaming on Vodafone networks.

Asian Mobility Initiative

Asia Mobility Initiative (AMI) is a grouping of mobile operators in the region, formed to enhance customer experience, especially in the area of mobile data, through inter-operator collaboration. The current members are M1 (Singapore), Celcom (Malaysia), Excelcomindo (Indonesia), D-TAC (Thailand), Smart (Philippines) and Telstra (Australia). Celcom and Excelcomindo are subsidiaries of Telekom Malaysia Group. In March, three members – M1, D-TAC and Smart – implemented **AsiaConnect**, a tariff plan that gives customers of the three operators a flat rate for voice calls made while roaming on one another's network. Besides that, customers also enjoy special rates for GPRS roaming and free SMS.

During the year, SunShare Investments Ltd, a joint venture company of TM International Sdn Bhd, a wholly-owned subsidiary of Telekom Malaysia Bhd, and Khazanah Nasional Bhd, acquired a strategic stake in M1. While M1 already cooperates with Telekom Malaysia and Celcom through AMI, this development serves to further strengthen the relationship and opens up opportunities to explore potential areas of synergy.

M1-PLDT

In December, M1 and PLDT Singapore entered into a partnership to provide prepaid mobile services targeted at the Filipino community in Singapore. The service, which will be launched in 2006, will be marketed under the Smart brand. Smart Communications, a wholly-owned subsidiary of PLDT, is the leading mobile operator in the Philippines and the Smart brand is a household name to Filipinos. As well as basic voice and SMS services, Filipino-centric contents, m-commerce and other value-added services will be offered.

FINANCIAL REVIEW

Operating Revenue

Operating revenue	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m	YoY Change
Mobile telecommunications services	582.9	569.6	2.3%
International call services	121.8	111.4	9.3%
Others	0.2	*	nm
Total service revenue	704.9	681.1	3.5%
Handset sales	68.9	66.0	4.4%
Total	773.8	747.1	3.6%

* denotes less than S\$0.05 million

"nm" denotes not meaningful

Total operating revenue grew 3.6% year-on-year to S\$773.8 million, due mainly to higher service revenue from a larger customer base, especially the prepaid segment, as well as growth in international call service revenue. The following are more details on each segment:-

Mobile Telecommunications

Mobile telecommunications revenue	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m	YoY Change
Post-paid	516.9	520.0	-0.6%
Pre-paid	66.0	49.6	33.1%
Total	582.9	569.6	2.3%

Average revenue per user (ARPU, S\$ per month)

Post-paid	60.1	61.4	-2.1%
Pre-paid	21.0	19.5	7.7%
Non-voice services as contribution to ARPU (%)	19.6	17.6	-

Mobile telecommunications revenue increased 2.3% to S\$582.9 million, driven by growth in prepaid revenue of 33.1% to S\$66.0 million. M1 was first to launch free incoming call cards for the prepaid segment in February 2005, and this contributed to a 20.4% increase in prepaid customers to 436,000 as at end 2005 as well as higher prepaid ARPU, which grew 7.7% to S\$21.0 per month for 2005. Postpaid revenue decreased by a slight 0.6% to S\$516.9 million. M1's postpaid customers grew by 1.1% to 809,000 as at end 2005, but postpaid ARPU fell by 2.1% to S\$60.1 per month for 2005 as more customers optimised their service plans. Non-voice services' contribution to ARPU increased from 17.6% to 19.6% due to higher usage of data services, such as multi-media message services, access to M1's mobile portal MiWorld and music and ringtone downloads.

International Call Service

International call service revenue	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m	YoY Change
Retail	110.9	99.0	12.0%
Wholesale & bilateral	11.0	12.4	-11.3%
Total	121.8	111.4	9.3%

International call service revenue increased 9.3% to S\$121.8 million as retail traffic grew year-on-year from 172 to 210 million minutes in 2005. Wholesale revenue constitutes a relatively small portion of M1's international call services and is dependent on spare capacity available, thus varies from year to year.

Handset Sales

Handset sales increased 4.4% to S\$68.9 million, driven mainly by higher handset selling prices from the increased sale of new mid- to high-end handsets.

Operating Expenses

	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m (Restated) ³	YoY Change
Cost of sales	258.9	262.8	-1.5%
Staff costs	90.3	89.0	1.5%
Advertising & promotion	23.1	24.3	-4.9%
Depreciation & amortisation	120.3	99.5	20.9%
Provision for bad & doubtful debt	20.3	22.1	-8.1%
Other general & administrative expenses	52.0	57.7	-9.9%
Total	564.8	555.5	1.7%

Total operating expenses increased 1.7% to S\$564.8 million due to 3G network expenses. However, as a percentage of operating revenue, it decreased 1.4% point to 73.0% – a result of prudent cost management.

Cost of Sales

	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m	YoY Change
Handset cost	120.4	124.5	-3.3%
Traffic expenses	37.9	36.5	3.8%
Leased circuit cost	36.1	35.5	1.7%
Other cost	64.5	66.3	-2.7%
Total	258.9	262.8	-1.5%

Cost of sales fell 1.5% to S\$258.9 million mainly due to lower customer acquisition cost and lower “other” cost (which comprised base station facilities expenses, billing fees, licence fees and connection incentives).

Staff Costs

Staff costs increased 1.5% to S\$90.3 million as M1 commenced recognising stock option expense in 2005 (in accordance with FRS102). Also, 2004 comparative figures have been restated in compliance with the provisions of the standard.

Advertising & Promotion Expenses

Advertising and promotion expenses fell 4.9% to S\$23.1 million.

Depreciation & Amortisation

Depreciation and amortisation expense increased 20.9% to S\$120.3 million mainly due to commencement of 3G network depreciation and licence amortisation during the year.

Provision for Bad & Doubtful Debt

Provision for bad and doubtful debt fell 8.1% to S\$20.3 million due to adjustment for over-provision.

Other General & Administrative Expenses

Other general and administrative expenses fell 9.9% to S\$52.0 million as a result of lower repair and maintenance expenses

Finance Costs

Finance costs remained constant at S\$10.3 million for both 2005 and 2004, as M1's debt position did not change during the year.

Taxation

Provision for taxation increased 40.7% to S\$40.8 million. Included in 2005 and 2004 were tax adjustments of S\$1.7 million and S\$9.6 million respectively for reversal of over-provision in prior years and tax rate reduction.

Net Profit

	2005	Year Ended 31 Dec 2004	YoY
	S\$m	S\$m	Change
		(Restated) ³	
Net profit	161.0	153.9	4.6%
Net profit margin (%) (on service revenue)	22.8	22.6	-

Consequently, net profit improved 4.6% to S\$161.0 million, and margin improved to 22.8%.

EBITDA

	2005	Year Ended 31 Dec 2004	YoY
	S\$m	S\$m	Change
		(Restated) ³	
EBITDA	332.4	292.8	13.5%
EBITDA margin (%) (on service revenue)	47.2	43.0	-

EBITDA increased 13.5% to S\$332.4 million in 2005, and margin improved to 47.2%.

Capital Expenditure and Commitments

Capital expenditure incurred in 2005 was S\$62.3 million, down from S\$137.7 million in the previous year due to delayed requirements for capacity build-up.

Capital commitment as at 31 December 2005 was minimal.

Liquidity and Capital Resources

	Year Ended 31 Dec		
	2005 S\$m	2004 S\$m (Restated) ³	YoY Change
Profit before tax	201.8	182.9	10.3%
Net change in working capital	(98.6)	106.9	-192.2%
Other adjustments for non-cash items & interest paid	122.4	102.8	19.1%
Net cash provided by operating activities	225.7	392.6	-42.5%
Net cash used in investing activities	(63.4)	(137.1)	-53.8%
Net cash provided by/ (used in) financing activities	(99.4)	(222.5)	-55.3%
Net change in cash and cash equivalents	62.8	33.0	90.3%
Cash and cash equivalents at beginning of financial period	112.6	79.6	41.5%
Cash and cash equivalents at end of financial period	175.4	112.6	55.8%
Free cash flow ²	163.4	255.0	-35.9%

² Free cash flow refers to net cash flow from operating activities less capital expenditure

Operating cash flow fell 42.5% to S\$225.7 million due to payment for fixed assets of prior years. Hence, free cash flow also fell 35.9% to S\$163.4 million despite lower year-on-year capital expenditure.

Gearing

As at end of December 2005, net debt-to-equity ratio was 16%, down from 34% a year ago. Interest coverage ratio (EBITDA/Interest) strengthened from 28.4x to 32.4x over the same period.

³ With the adoption of FRS102 share-based payment, 2004 comparative figures have been restated (please refer to page 67 for details)

board of directors



1. Lim Chee Onn, 61

Chairman

Appointed to M1's Board of Directors on 1 November 1999, Mr. Lim is also the Executive Chairman of Keppel Corporation Limited; Chairman of Keppel Land Limited and Singapore-Suzhou Township Development Pte Ltd; and a Director of the Monetary Authority of Singapore and k1 Ventures Limited.

Mr. Lim was in the Civil Service until he was elected as Member of Parliament (MP) for Bukit Merah in July 1977. He was Secretary-General, National Trades Union Congress, from May 1979 to June 1983; and concurrently Minister without Portfolio, Prime Minister's Office, from September 1980 to July 1983, and remained as MP, Bukit Merah constituency until August 1991. He was then elected MP for Marine Parade GRC from September 1991 to December 1992.

Mr. Lim is Co-Chairman of the Philippines-Singapore Business Council; Consultant for the People's Government of Yunnan Province, PRC; and Deputy Chairman of the Seoul International Business Advisory Council. He is a member of the Singapore-US Business Council and the Suzhou Industrial Park (SIP) Development Advisory Committee, and a Singapore Representative in the ASEAN Business Advisory Council. He is also Global Counsellor of The Conference Board's Global Advisory Council on Economic Issues and member of the INSEAD Singapore International Council.



2. Neil Montefiore, 53

Chief Executive Officer

Appointed to M1's Board of Directors on 8 November 2002, Mr. Montefiore has been M1's Chief Executive Officer since April 1996.

Prior to joining M1, Mr. Montefiore was the Director of Mobile Services at Hongkong Telecom CSL Ltd, the largest cellular operator in Hong Kong. He also held the position of Managing Director of telecommunications companies in Hong Kong and the United Kingdom, including Paknet Ltd which launched the world's first public packet radio data network.

His earlier years at various units in the Cable and Wireless Group saw him managing and specialising in telecommunication products, projects and services in Hong Kong and the Far East, as well as Bahrain, Saudi Arabia and the United Kingdom. He is a Fellow of the Institution of Electrical Engineers and a Fellow of the Chartered Institute of Marketing (CIM).



3. Roger Barlow, 56

Mr. Barlow was appointed to M1's Board of Directors on 22 May 2002. Mr. Barlow is Chairman and founder of RJB Consultants Limited, a telecommunications consultancy company operating in Asia and based in Hong Kong. He advises clients on many aspects of telecommunications with a focus on SE Asia.

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

one



mind.

4. Low Huan Ping, 49

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

Previously, Mr. Low was Chief Executive Officer of SPH AsiaOne Ltd, a subsidiary of Singapore Press Holdings Limited; Chairman of CyberWay Pte Ltd; and a board member of Singapore Cable Vision Limited. Prior to that, Mr. Low also at the Ministry of Defence headed various IT departments and division units.

5. Hsuan Owyang, 77

On 8 November 2002, Mr. Owyang was appointed to M1's Board of Directors. He is also Chairman of the East Asian Institute; Pro-Chancellor of Nanyang Technological University, and a member of the International Council of the Asia Society. He currently holds directorships in several companies including N.M. Rothschild & Sons (Singapore) Limited and CapitalLand Limited.

Mr. Owyang was previously a Director and General Manager of Overseas Union Bank Limited; Deputy Chairman of the Post Office Savings Bank; a board member of the Monetary Authority of Singapore; and Chairman of the Housing and Development Board.

In 1993, Mr. Owyang was awarded the Meritorious Service Medal by the Government of Singapore.

6. Ganen Sarvananthan, 31

Mr. Ganen Sarvananthan was appointed to M1's Board of Directors on 16 November 2005. He is Director, Investments at Khazanah Nasional Berhad and is also a member of the Board of Directors of TM International Sdn Bhd.

Mr. Sarvananthan is a barrister-at-law (Lincoln's Inn, London). Prior to joining Khazanah, he was a Director, Investment Banking Department at UBS Investment Bank, Hong Kong. He had also worked in UBS Investment Banking offices in London and Singapore.



7. Arthur Seet Keong Hoe, 59

Mr. Seet was appointed to M1's Board of Directors on 16 January 1998. Mr. Seet is the Executive Vice-President (Special Duties) of Singapore Press Holdings Limited where he had previously held the positions of General Manager, Circulation and General Manager, Finance.

Mr. Seet has also held various finance positions within Times Publishing Bhd; and within Singapore Newspaper Services Pte Ltd, including Financial Controller and General Manager, Circulation. He is a member of the Institute of Certified Public Accountants of Singapore.



8. Teo Soon Hoe, 56

Mr. Teo was appointed to M1's Board of Directors on 7 May 1996. He is an Executive Director and Group Finance Director of Keppel Corporation Limited.

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



9. Reggie Thein, 64

On 8 November 2002, Mr. Thein was appointed to M1's Board of Directors. He is currently also a Director and Audit Committee member of several listed companies in Singapore, among them Haw Par Corporation Limited and BIL International Limited (formerly Brierley Investments Ltd).

Mr. Thein is a member of the Governing Council of the Singapore Institute of Directors; a Fellow of the Institute of Chartered Accountants of England and Wales; and member of the Institute of Certified Public Accountants of Singapore.

Mr. Thein was previously a Senior Partner of PricewaterhouseCoopers; Vice-Chairman of Coopers & Lybrand, and Managing Partner of its management consulting services firm.

In 1999, Mr. Thein was awarded the Public Service Medal by the President of Singapore.

one



heart.

10. Thio Su Mien, 67

Dr. Thio was appointed to M1's Board of Directors on 8 November 2002. She currently holds various directorships including SIA Engineering Company Limited, Manulife (Singapore) Pte Ltd and Econ International Limited.

Dr. Thio is an Advocate and Solicitor of the Supreme Court of Singapore and is currently a Senior Executive Director of TSMP Law Corporation.

Previously Dean of the Faculty of Law at the University of Singapore, Dr. Thio has held various positions in professional bodies and institutions, and sat on the board of subsidiaries of multinational corporations in Singapore. She has served on the Board of Legal Education; chaired one of the Disciplinary Committees set up by the Chief Justice; was an Accredited Arbitrator at the Singapore International Arbitration Centre, as well as served as Judge and Senior Vice-President of the World Bank Administrative Tribunal; and as a member of the Asian Development Bank Administrative Tribunal.

11. Patrick Yeoh Khwai Hoh, 67

Appointed to M1's Board of Directors on 8 November 2002, Mr. Yeoh also holds directorships at other companies, including Oversea-Chinese Banking Corporation Limited and Accuron Technologies Pte Ltd (formerly known as Singapore Precision Industries 2000 Pte Ltd). He is also an Advisor to Nuri Holdings (S) Pte Ltd.

His previous posts include various positions at Development Bank of Singapore Ltd, including President and Director.

In 1999, Mr. Yeoh was awarded the Public Service Star by the President of Singapore.

12. Yusof Annuar Yaacob, 40

Mr. Yusof Annuar bin Yaacob was appointed to M1's Board of Directors on 16 November 2005. He is the Chief Executive Officer of TM International Sdn Bhd and sits on the various Boards within the TM Group. He is also the Board Director for OCB Berhad and Dialog Telekom Ltd.

Mr. Yusof is an Accountant by profession and has had both investment banking and corporate management experience throughout his career. His investment-banking career included stints at S.G. Warburg & Co (now known as UBS) and ING Barings Securities. He was previously an Executive Director at OCB Berhad and a Board member of a number of other public listed companies.

13. Michael John Grant, 52

On 20 August 2004, Mr. Grant was appointed to M1's Board of Directors. He is also Chairman of Cable & Wireless America and Great Eastern Telecommunications' Limited (Grand Cayman).

Previously, Mr. Grant was Chief Executive of the Strategic Rail Authority (UK), a Board Director of Monaco Telecom, and a Board Director of British Railways Board and Director of Finance, Eurotunnel Group.

Mr. Grant resigned from the M1 Board on 27 October 2005.

senior management



1. Neil Montefiore
Chief Executive Officer
(Please refer to pg26)



2. Karen Kooi Lee Wah
Chief Financial Officer



3. Patrick Michael Scodeller
Chief Technical Officer



4. Lina Lee
Chief Information Officer



5. Sharon Tan Gim Bee
Director, Consumer Marketing



6. Poopalasingam Subramaniam
Director, Enterprise & Alliances

one for all.



7. Lim Sock Leng
Director, Corporate Development



8. Claudine Lim Hsi Yun
Director, Strategic Planning
& Investor Relations



9. Chin Ming Lek
Director, Human Resources



10. Terence Teo Hoon Beng
Director, Customer Service



11. Chan Weng Keong
General Manager,
Management Assurance Services



12. Chua Swee Kiat
General Manager,
Corporate Communications



all for one

2. Karen Kooi Lee Wah

Chief Financial Officer

Ms. Kooi joined M1 as Chief Financial Officer in August 1995. She was a key member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, Ms. Kooi held various senior financial positions with large public listed companies, namely Singapore Press Holdings Limited, City Developments Limited and Hai Sun Hup Group Limited. She has over 20 years of experience in finance, covering treasury management, acquisition, business analysis, risk management, tax planning and credit control. Ms. Kooi is a Fellow of the Chartered Association of Certified Accountants (United Kingdom) and holds a Master of Business Administration degree in Investment and Finance (Distinction) from the University of Hull in the United Kingdom.

5. Sharon Tan Gim Bee

Director, Consumer Marketing

Ms. Tan joined M1 in November 1996, and has held various positions in the Sales and Marketing department before her recent appointment. Prior to joining M1, she held the position of Marketing and Communications Manager at Seagate Technology International Pte Ltd. Ms. Tan began her career in Canon Singapore Pte Ltd, followed by Compaq Computer Asia Pte Ltd, and in total, she has more than 20 years experience in the field of marketing. Ms. Tan holds a Master of Business Administration degree from University of Nottingham, and a Bachelor of Social Science (Honours) degree from the National University of Singapore.

3. Patrick Michael Scodeller

Chief Technical Officer

Mr. Scodeller joined M1 in 1995. He is responsible for the planning, operations and maintenance of the cellular and international networks. He was a key member of the senior management team that planned, built and launched M1's networks from inception. He has over 26 years of experience in the telecommunications industry, including various positions held with Cable and Wireless plc in the United Kingdom, Hong Kong (with Hong Kong Telecom CSL Limited) and Malaysia. Mr. Scodeller is an Incorporated Engineer and a member of the Institution of Incorporated Engineers. He holds a National Diploma in Telecommunications from PTT College, Transvaal, Republic of South Africa.

6. Poopalasingam Subramaniam

Director, Enterprise & Alliances

Mr. Subramaniam joined M1 in 1999. Prior to joining M1, he worked for Singapore Press Holdings Limited, where he last held the position of Director of Advertising Sales, having joined as Advertising Manager (Sales) in 1990. He began his career in 1982 as an Administrative Officer with the Telecommunication Authority of Singapore. He has 20 years of sales and marketing experience, having worked at New Zealand Milk Product (S) Pte Ltd from 1983 to 1990. Mr. Subramaniam holds a Bachelor of Business Administration (Honours) degree from National University of Singapore and a Bachelor of Law (Honours) degree from University of London, United Kingdom.

4. Lina Lee

Chief Information Officer

Ms. Lee joined M1 in 1996. She is responsible for the development and operation of M1's information technology infrastructure and business systems, including systems that support billing, customer care, call centers, marketing and enterprise resource planning. Ms Lee was a member of the senior management team responsible for the planning, development and launch of M1's commercial operations. Prior to joining M1, she worked for Singapore Telecommunications Limited between 1975 and 1995. Ms. Lee has over 25 years of experience in information technology. She holds a Bachelor of Electrical Engineering (Honours) degree from University of Malaya and a Master of Science degree in Industrial Engineering from University of Singapore.

7. Lim Sock Leng

Director, Corporate Development

Ms. Lim joined M1 in October 1995. Prior to joining M1, she was with the Administrative Service of the Singapore Civil Service, involved in policy making, financial control and planning, and has held positions in various Ministries including the Ministry of Home Affairs, the Ministry of Finance and the Ministry of Communications. Ms. Lim holds a Bachelor of Arts (Honours) degree from the University of Tasmania, Australia.

8. Claudine Lim Hsi Yun

Director, Strategic Planning
& Investor Relations

Ms. Lim joined M1 in February 1998 and has held positions in the Corporate Development and Finance departments before taking on her current appointment in February 2006. Prior to joining M1, she was based in Hong Kong for two years with Cable & Wireless Asia Pacific working on business development projects. Ms. Lim commenced her career with the Administrative Service of the Singapore Civil Service and has held appointments in various Ministries. She obtained a Bachelor of Arts (Honours) degree in Philosophy, Politics and Economics from the University of Oxford, United Kingdom, on a President's and Overseas Merit Scholarship, and a Masters of Science degree in Finance and Economics from the London School of Economics and Political Science, United Kingdom.

11. Chan Weng Keong

General Manager,
Management Assurance Services

Mr. Chan joined M1 in January 2006. He has over 15 years' work experience with Ernst & Young Chartered Accountants, Morgan Guaranty Trust of New York, Standard Chartered Bank, The Singapore Exchange and Overseas Chinese Banking Corporation. Based in London, Singapore and Japan, he held various international and local roles with these organisations covering areas such as back office regionalisation, operational reviews, systems consultancy, business solution design and methodology development, investigations, external and internal audits. He has also performed reviews on behalf of the Bank of England and The National Audit Office in the United Kingdom. Mr. Chan has a Masters degree in Systems Analysis and Design from The City University (United Kingdom), together with a Bachelor of Arts degree (Honours) in Accounting and Finance from the Middlesex Polytechnic (United Kingdom). He is also a Fellow Chartered Certified Accountant (United Kingdom).

9. Chin Ming Lek

Director, Human Resources

Mr. Chin joined M1 in August 1995. He began his career with the Administrative Service in the Singapore Civil Service in 1971. His last appointment was Deputy Director at the Ministry of Labour. In 1980, Mr. Chin joined Straits Steamship Ltd (renamed Keppel Land Ltd), where he served as Industrial Relations Manager and then as Divisional Personnel Manager. In 1989 he was transferred to the parent company, Keppel Corporation Limited, where he last held the position of Group Personnel Manager. He has more than 20 years of experience in the field of human resource and employee relations. Mr. Chin holds a Bachelor of Science (Honours) degree from the University of Singapore.

12. Chua Swee Kiat

General Manager,
Corporate Communications

Mr. Chua joined M1 in September 1997. Prior to joining M1, he spent two years as the Managing Partner of a franchised business. Between 1984 and 1995, he held various corporate and marketing communications positions with Shell Eastern Petroleum, including Marketing Communications Manager and Head of Media and Information Services. Mr. Chua holds a Masters degree in Public Relations from the University of Stirling, United Kingdom.

10. Terence Teo Hoon Beng

Director, Customer Service

Mr. Teo joined M1 in March 1998. He has more than 20 years of experience in service and operations management. Prior to joining M1, he was the Vice-President of Operations at Citibank (1993 - 1998), Card Operations Manager at Standard Chartered Bank (1989 - 1992) and Customer Service Manager at American Express International Inc (1981 - 1988). Mr. Teo holds a Bachelor of Business Administration degree from the University of Singapore.

at one with



“People are the building blocks of M1, and M1 believes in bringing out the best in our employees through constant training and development.”

M1 and the community:

M1 continued to maintain its active involvement and significant investment in the community. In supporting the various causes and activities, M1 engaged and built relations with the different segments of Singapore society, demonstrating its care, concern and commitment towards responsible corporate citizenry.

Amongst others, the arts, sports and charities benefited from M1's corporate support. Charity projects supported by M1 also received active contributions and participation from M1 employees, customers and business partners.

M1's established sponsorship programmes contributed to an interesting and exciting year in the Singapore arts calendar. The ever-popular Cirque du Soleil from Montreal, Canada thrilled Singaporeans with another spectacular production in Quidam. Our longstanding but evolving partnership with local theatre company, The Necessary Stage, resulted in the M1 Singapore Fringe Festival which made its debut to highly positive acclaim. And another continuing arts partnership between M1 and the National Arts Council saw the launch of the inaugural Noise Festival. For this and other involvement in the arts, M1 was bestowed the Distinguished Patron of the Arts Award.

In schools, the M1 Rugby Series remained a key event of the Singapore Rugby Union, popularising the sport amongst students. The many categories of the competition, which involved both touch and contact rugby, enjoyed healthy levels of participation from primary, secondary and junior college students.

everyone .

M1 took its corporate philanthropy and volunteerism practices and programmes to another level during the year. As part of a new initiative, four children's charities – Beyond Social Services, Club Rainbow, Salvation Army (Children's Home) and CARE – were "adopted" and a formal structure put in place to administer these and other charity-related activities.

Members of the M1 SunCare Club – M1 employee volunteers' group – and many other M1 employees had a very busy and successful year organizing social and fundraising activities for beneficiaries of the four adopted charities. Such activities also provided great opportunities for warm and meaningful interaction between members of the M1 family and their "adopted siblings" from the charities.

Through its corporate and customer donation programmes as well as fundraising events such as golf tournament and a carnival that were keenly supported by our business partners and employees respectively, M1 raised about S\$400,000 for the various charities and projects.

M1 and its employees:

People are the building blocks of M1, and M1 believes in bringing out the best in our employees through constant training and development.

Putting beliefs into practice, M1 has a pool of internal trainers within the Customer Service and M1 Shop departments, where frontline staff are being constantly trained and groomed to provide quality service to customers.

In the Customer Service department, a 3-week training programme is provided to every new staff who comes aboard. This equips them with the necessary product knowledge and customer handling skills required. As they progress in their careers, competency-based programmes such as Handling Difficult Customers, Creative Problem-Solving and Interpersonal Skills are provided to further enhance their skills. For staff with supervisory roles, their people management skills is honed with specialised training in coaching and counseling, along with other performance management tools.

M1 Shop has adopted a customer-centric approach, which identifies and focuses on elevating the service level

culture through a campaign titled "All Heart, All Smiles". Under this campaign, regular morning briefings and classroom training are conducted to equip staff with the relevant skills and attitude to better serve customers. In addition, staff's knowledge on mobile technology and 3G products is enhanced through Data Communications training.

Moving forward, M1's staff will remain an invaluable asset to its growth and success, and M1 will continuously invest in them to develop them to their fullest potential.

M1 and its shareholders:

M1 remains committed to maintaining open communications with shareholders, analysts and interested parties, and encouraging engagement with its senior management.

During the year, M1 continued to release quarterly, interim and full-year results to the public within 21 days of period end, and all materials relating to results and presentations were immediately made available on our website, after mandatory posting with the Singapore Exchange (SGX). Presentations, followed by question and answer sessions, were also held on the same day of every results' announcement, including face-to-face briefings conducted jointly for analysts and the media for half and full-year results.

As at end December 2005, the free float[^] of M1 shares was 47% with the majority shares continued to be held by institutional investors across Asia, UK and USA. As such, senior management's time is focused accordingly. For year 2005, M1 undertook two roadshows covering Hong Kong, UK and USA, and participated in three investor conferences – one in Hong Kong, and two in Singapore. In addition, M1 participated in an SGX Investment Seminar and presented to over 300 private investors, followed with a question and answer session.

Through the Investor Relations team, M1 responded to enquiries from shareholders, analysts and other interested parties. Shareholders are encouraged to make use of M1 Investor Relations' website at (www.m1.com.sg) for corporate information and the latest update on the Company. During the year, the website was revamped and is now more appealing, comprehensive and user-friendly. Apart from the usual timely update on news, results, event calendar and

[^] Free float shares is defined as total issued shares less the number of shares held by substantial shareholders (ie. holding a stake of 5% or more)

annual reports, new additions include an on-demand audio webcast of our most recent half-year results' briefing as well as a web (html) version of our latest annual report.

M1's Annual General Meeting (AGM), held on 31 March 2005, provided shareholders the opportunity to ask questions of the board, including the chairmen of the audit, remuneration and nomination committees.

M1 is committed to creating long-term value for our shareholders, and therefore, continues to favour a sustainable dividend policy and will strive to return excess cash to shareholders in absence of value-enhancing opportunities.

In line with this approach, M1 announced an increased dividend payout ratio to 80% of FY2005 net profit after tax, up from 70% in the previous year. In addition, a special dividend of S\$120 million or 12.2 cents per share has been proposed. On a per share basis, this will translate to a total declared payout of 25.3 cents for FY2005, compared to 21.7 cents for FY2004.

In terms of total shareholder return (comprising capital gains plus cash distributions made in the year), M1's return to shareholders for year 2005 was 22.4% on amount invested at the start of the same year, compared to 27.1% for year 2004.

Financial calendar for 2006

Date	Event/Announcement
18 January 2006	Release of FY2005 full-year results
28 March 2006	Annual General Meeting
April 2006*	Payment of FY2005 final and special dividends (subject to shareholders' approval at AGM)
April 2006*	Release of FY2006 first-quarter results
July 2006*	Release of FY2006 half-year results
September 2006*	Payment of FY2006 interim dividends (if applicable)
October 2006*	Release of FY2006 third-quarter results

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

corporate governance

MobileOne Ltd is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its shareholders and maximise long-term shareholder value. This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited "SGX-ST".

1 Board of Directors

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

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

Currently the Board comprises twelve Directors, all of whom save for the Chief Executive Officer ("CEO") are non-executive and five of whom are independent. The Board consists of respected individuals from different backgrounds and whose core competencies, qualifications, skills and experience are extensive and complementary. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 47 to 53 of the Annual Report.

To facilitate effective management, certain functions have been delegated to various board committees, namely the Nominating Committee, Remuneration Committee and Audit Committee, each of which has its own written terms of reference. Members of the Board and each board committee through 2005 are set out below:

Name	Status	Board	Nominating Committee	Remuneration Committee	Audit Committee
Non-executive					
Lim Chee Onn	N	Chairman			
Roger Barlow	I	Member		Member	
Michael John Grant ¹	N	Member			
Low Huan Ping	N	Member		Member	
Hsuan Owyang	I	Member		Chairman	
Ganen Sarvananthan ²	N	Member			
Arthur Seet Keong Hoe	N	Member			Member
Teo Soon Hoe	N	Member		Member	
Reggie Thein	I	Member	Member		Chairman
Thio Su Mien	I	Member	Chairman		Member
Patrick Yeoh Khwai Hoh	I	Member	Member		Member
Yusof Annuar Yaacob ²	N	Member			
Executive					
Neil Montefiore	N	Member			

N: Non-independent
I: Independent

¹ Mr Michael John Grant resigned as a Director of the Company with effect from 27 October 2005.

² Messrs Ganen Sarvananthan and Yusof Annuar Yaacob were appointed as Directors of the Company with effect from 16 November 2005.

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

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election
Lim Chee Onn	61	Chairman & Director	01.11.1999	25.3.2004
Neil Montefiore	53	Executive Director	08.11.2002	31.3.2005
Roger Barlow	56	Director	22.05.2002	25.3.2004
Michael John Grant	52	Director	20.08.2004	31.3.2005
Low Huan Ping	49	Director	01.09.1994	25.3.2004
Hsuan Owyang	77	Director	08.11.2002	31.3.2005
Ganen Sarvananthan	31	Director	16.11.2005	Not applicable
Arthur Seet Keong Hoe	59	Director	16.01.1998	31.3.2005
Teo Soon Hoe	56	Director	07.05.1996	31.3.2005
Reggie Thein	64	Director	08.11.2002	14.4.2003
Thio Su Mien	67	Director	08.11.2002	14.4.2003
Patrick Yeoh Khwai Hoh	67	Director	08.11.2002	14.4.2003
Yusof Annuar Yaacob	40	Director	16.11.2005	Not applicable

In order to ensure that the Board is able to fulfil its responsibilities, prior to the Board meetings, management provides the Board with financial and operating reports reviewing performance in the most recent quarter, and papers containing relevant background or explanatory information required to support the decision-making process. Directors are also provided with monthly management financial statements setting out actual against budget as well as previous year's comparatives and explanations on any material variances.

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

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

The Board meets at least once every quarter. Additional meetings may be held as and when necessary to consider substantive matters that require attention before the next scheduled meeting. During the year, six Board meetings were held. The Company's Articles of Association provide for telephonic and videoconference meetings. The number of Board meetings held in the year, as well as the attendance of every Board member at those meetings was as follows:

Director	Number of Board Meetings Held in 2005	Number of Board Meetings Attended
Lim Chee Onn	6	5
Neil Montefiore	6	6
Roger Barlow	6	6
Michael John Grant	6	3
Low Huan Ping	6	6
Hsuan Owyang	6	3
Ganen Sarvananthan	0 ¹	0
Arthur Seet Keong Hoe	6	4
Teo Soon Hoe	6	6
Reggie Thein	6	5
Thio Su Mien	6	6
Patrick Yeoh Khwai Hoh	6	4
Yusof Annuar Yaacob	0 ¹	0

¹ Number of meetings held since Messrs Ganen Sarvananthan and Yusof Annuar Yaacob's appointment as Directors of the Company with effect from 16 November 2005.

Briefings were also held during the year to ensure that Directors were updated on latest compliance requirements as well as industry developments.

2 Chairman and Chief Executive Officer

(Code of Corporate Governance Principle 3)

Mr Lim Chee Onn is the Chairman of the Company and Mr Neil Montefiore is the Chief Executive Officer ("CEO"). They each perform separate functions to ensure that there is an appropriate balance of authority and responsibilities, and that accountability and independent decision-making are not compromised.

3 Nominating Committee ("NC")

(Code of Corporate Governance Principles 4 & 5)

The NC comprises entirely independent Directors, namely Dr Thio Su Mien (NC Chairman), Mr Reggie Thein and Mr Patrick Yeoh Khwai Hoh.

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

- (a) Decide and propose to the Board for approval and implementation a set of objective performance criteria to be applied from year to year for evaluating the performance of the Board, as well as decide and propose to the Board for approval and implementation a process by which the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board can be assessed;
- (b) Evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board in accordance with the assessment process and performance criteria referred to in (a) above;
- (c) Consider, review and recommend to the Board any new Board appointment or re-appointment, whether of Executive or Non-executive Directors;
- (d) Determine whether or not a Director is independent (taking into account the circumstances in the Code of Corporate Governance and other salient factors);
- (e) Decide whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company; and
- (f) Other matters (if any) that the NC should consider, review or approve or in respect of which it should take any other action, as set out in the Code of Corporate Governance.

The number of NC meetings held in 2005 and the attendance of each member at those meetings were as follows:

NC Member	Number of NC Meetings Held in 2005	Number of NC Meetings Attended
Thio Su Mien	4	4
Reggie Thein	4	4
Patrick Yeoh Khwai Hoh	4	4

On 30 August 2005, SunShare Investments Ltd ("SunShare") submitted to the Chairman of the Board and Chairman of the NC a request for the appointment of 2 of their nominees as directors to the Board on the basis that SunShare would be a substantial shareholder of the Company, subject to IDA's approval of SunShare's shareholding in the Company which was subsequently obtained. After due consideration by the NC, the NC recommended to the Board the appointment of Messrs Ganen Sarvananthan and Yusof Annuar Yaacob as Directors of the Company. The Board accepted the recommendations of the NC, subject to IDA's approval. Messrs Ganen Sarvananthan's and Yusof Annuar Yaacob's appointment as Directors of the Company was effective on 16 November 2005.

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

For this purpose, the NC appointed an independent consultant to conduct the evaluation process. For the evaluation of the Board as a whole, this was based on the framework established and used in the previous year, while for the evaluation of individual Directors a new framework was developed as this was the inaugural individual evaluation undertaken. The consultant provided summarised findings, interpretation of findings and preliminary recommendations for the Board's consideration.

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

- Board composition and independence
- Board role and functioning
- Information management
- Managing company performance
- Managing risk and adversity
- Developing company leadership
- Corporate integrity and social responsibility
- Direction development and management

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

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

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

4 Remuneration Committee ("RC")

(Code of Corporate Governance Principles 7 & 8)

In 2005, the RC comprised Mr Hsuan Owyang, Mr Roger Barlow, Mr Low Huan Ping and Mr Teo Soon Hoe, all of whom are Non-executive Directors and independent of management and free from any business or relationships which may materially interfere with the exercise of their independent judgement. The RC is chaired by Mr Owyang who is an independent Director.

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

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

- (a) Recommend to the Board a framework of remuneration for the Board of Directors and key executives;
- (b) Determine specific remuneration packages for each executive Director and the CEO or executive of similar rank if the CEO is not an executive Director;
- (c) Recommend to the Chairman of the Board for endorsement the remuneration of the CEO;
- (d) Consider and approve guidelines on salary, bonus and other terms and conditions for members of senior management;
- (e) Decide on long-term incentive benefits including the Company's Share Option Scheme and the scope of eligibility for such long-term incentive benefits;
- (f) Approve the granting of share options under the Company's Share Option Scheme and administer the Share Option Scheme in accordance with the rules of the Scheme; and
- (g) Ensure that remuneration of the Board of Directors is in compliance with the Code of Corporate Governance.

The number of RC meetings held in 2005 and the attendance of each member at those meetings were as follows:

RC Member	Number of RC Meetings Held in 2005	Number of RC Meetings Attended
Hsuan Owyang	4	4
Roger Barlow	4	4
Low Huan Ping	4	4
Teo Soon Hoe	4	4

5 Disclosure on Remuneration

(Code of Corporate Governance Principles 8 & 9)

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

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

Directors' fees are subject to shareholder approval at the Annual General Meeting. Each Non-executive Director is paid a fixed fee, the amount of which takes into account the level of responsibilities held. The framework for determining fees paid to each Non-executive Director in 2005 was as follows:

Board	Chairman	S\$35,000 per annum
	Director	S\$25,000 per annum
Audit Committee	Chairman	S\$15,000 per annum
	Director	S\$10,000 per annum
Nominating Committee	Chairman	S\$10,000 per annum
	Director	S\$6,000 per annum
Remuneration Committee	Chairman	S\$10,000 per annum
	Director	S\$6,000 per annum

The annual remuneration of Non-executive Directors for 2005 was as follows:

Non-Executive Director	Position Held	Director's Fee
Lim Chee Onn	Board Chairman	S\$35,000
Roger Barlow	Board member, RC member	S\$31,000
Michael John Grant ¹	Board member	S\$20,548
Low Huan Ping	Board member, RC member	S\$31,000
Hsuan Owyang	Board member, RC chairman	S\$35,000
Ganen Sarvananthan ²	Board member	S\$3,151
Arthur Seet Keong Hoe	Board member, AC member	S\$35,000
Teo Soon Hoe	Board member, RC member	S\$31,000
Reggie Thein	Board member, AC chairman, NC member	S\$46,000
Thio Su Mien	Board member, NC chairman, AC member	S\$45,000
Patrick Yeoh Khwai Hoh	Board member, AC member, NC member	S\$41,000
Yusof Annuar Yaacob ²	Board member	S\$3,151

¹ Prorated based on 300 days as Mr Michael John Grant resigned as a Director of the Company with effect from 27 October 2005.

² Prorated based on 46 days as Messrs Ganen Sarvananthan and Yusof Annuar Yaacob were appointed as Directors of the Company with effect from 16 November 2005.

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

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

	Fixed	Bonuses	Retirement/ CPF Contribution	Benefits- in - kind	Number of Share Options Granted
Above S\$1,250,000 to S\$1,500,000					
Neil Montefiore	40%	35%	8%	17%	1,000,000
Above S\$500,000 to S\$750,000					
Patrick Michael Scodeller	42%	20%	8%	30%	380,000
Above S\$250,000 to S\$500,000					
Karen Kooi Lee Wah	62%	23%	3%	12%	550,000
Lina Lee	64%	24%	3%	9%	200,000
Poopalasingam Subramaniam	65%	24%	3%	8%	200,000
Terence Teo Hoon Beng	65%	24%	3%	8%	200,000

In February 2005, options were granted to the above members of the senior management team as part of the Company's Share Option Scheme, further details of which can be found on pages 58 to 59 of the Annual Report.

6 Audit Committee ("AC")

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

The AC comprises Mr Reggie Thein as Chairman, Mr Arthur Seet Keong Hoe, Dr Thio Su Mien and Mr Patrick Yeoh Khwai Hoh as members, all of whom are Non-executive Directors and a majority of whom, including the Chairman, are independent. Two of the members, including the Chairman, are qualified accountants.

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

- (a) Review with external auditors the audit plan, their evaluation of the systems of internal controls, their annual reports and their management letters and management's response;
- (b) Review quarterly and annual financial statements before submission to the Board for its approval;
- (c) Review the assistance given by management to external auditors;
- (d) Review the independence and objectivity of the external auditors;
- (e) Review the nature and extent of non-audit services performed by external auditors;
- (f) Examine the scope of internal audit procedures and the results of the internal audit;
- (g) Ensure that a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls and risk management, is conducted at least annually;
- (h) Meet with the external and internal auditors without the presence of management at least annually;
- (i) Ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (j) Investigate any matter which falls within the AC's terms of reference, availing itself of access to and co-operation of management and the discretion to invite any Director or executive officer to attend its meetings, and requisitioning reasonable resources to enable it to discharge its functions properly;

- (k) Review interested persons transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- (l) Consider and recommend the appointment/re-appointment of external auditors and the audit fees; and
- (m) Obtain regular updates from management on key enterprise-wide risks faced by the Group, so that the AC can clearly define its oversight responsibilities and review the process available to manage these risks.

The number of AC meetings held in 2005 and the attendance of each member at those meetings were as follows:

AC Member	Number of AC Meetings Held in 2005	Number of AC Meetings Attended
Reggie Thein	4	4
Arthur Seet Keong Hoe	4	4
Thio Su Mien	4	3
Patrick Yeoh Khwai Hoh	4	4

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

During the year, the AC reviewed the financial statements of the Group quarterly before submitting them to the Board for its approval and the announcement of the financial results. The AC also reviewed and monitored the Group's financial condition, internal and external audits, exposure to risks and the effectiveness of the Group's system of accounting, internal controls and risk management programme.

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

7 Risk Management

(Listing Manual Rule 1207(4)(d))

The Company has in place a company-wide Enterprise Risk Management ("ERM") programme, which encompasses operational risk, financial risk, business risk and strategic risk, and which has accountability clearly assigned across all departments / functional units. Each department / functional unit in the company has in place an ERM plan, whereby risks pertaining to it are identified, degree of impact assessed, priorities assigned according to likelihood of occurrence and impact on the department / unit, and risk response action points developed to mitigate the risks.

The ERM plan is reviewed annually and simulation test exercises are conducted regularly to test staff familiarity with the plan. On the operational side, a company-wide Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) are in place to address operational exigencies. Like the ERM, the BCP and DRP are subject to regular review and exercises are also conducted to test staff response to emergencies like fire.

To further improve the Company's ERM programme, an independent consultant was engaged by the Company to conduct a third-party review of the ERM programme. Specifically, the objectives of the review were to assess the adequacy of the existing ERM framework and make recommendations to address any gaps and areas for improvement; develop a reporting framework to assist Directors in fulfilling their duties in respect of risk management; and develop a communication plan to promote awareness of risk management within the organisation.

The review concluded that the Company's ERM framework has in place the essential principles and processes to identify, monitor and treat risks across the business. In addition, recommendations were made by the consultant to strengthen the ERM programme, including, among other things, improvements to processes and reporting framework; the setting up of a Corporate Risk Management Team comprising senior management staff with direct reporting line to Audit Committee to better focus on risk management; and the development of a Risk Management Policy and Manual to formalise and document the structure, roles and responsibilities, processes and reporting requirements. The Company is in the process of implementing the consultant's recommendations.

8 Internal Controls

(Code of Corporate Governance Principle 12)

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and in place throughout the year and up to and as of the date of this report, is adequate to meet the needs of the Group in its current business environment. The Audit Committee has reviewed the effectiveness of internal controls.

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

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

9 Internal Audit

(Code of Corporate Governance Principle 13)

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

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

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

10 Communication with Shareholders

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

A number of communication channels are used to account to shareholders for the performance of the Company. These include the annual report, quarterly results and other announcements made through the SGXNET, press releases and the Company's website, as well as through the Annual General Meeting (AGM). Presentations given at appropriate intervals to representatives of the investment community are also made available on the Company's website.

During the year, the Company continued to release information on its quarterly, interim and full-year results within three weeks from the close of the relevant period in the form of financial statements, management's discussion and analysis of performance and outlook, and a presentation containing highlights and a review of financial and operating performance. Information on major new initiatives through the year was also made public as soon as feasible. In addition, the Company participated in several investor conferences, including an SGX Investment Seminar in June 2005 which attracted over 300 private investors, and presentations done were made available on the Company's website.

The Annual Report and notice of AGM were sent to all shareholders two weeks prior to the AGM which was held on 31 March 2005. Under Article 65 of the Company's Articles of Association, shareholders may vote in person or by proxy and equal effect is given to votes whether cast in person or by proxy. During the AGM, shareholders had the opportunity to voice their views and direct questions to Directors, including the Chairman and the chairmen of the Board committees, as well as to senior management.

Last but not least, through its Investor Relations team, the Company managed ongoing communication with the investment community throughout the year and responded diligently and promptly to all enquiries from shareholders, analysts and other interested parties.

11 Securities Transactions

(Listing Manual Rule 710(2))

The Group has issued a Code for Dealings in M1 Shares ("the Code") for the guidance of Directors, management and officers. The Code, which is based on SGX-ST Best Practices Guide with respect to dealings in securities, stipulates that Directors, management and officers of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's half and full year results and two weeks before the announcement of the Group's first and third quarter results and ending on the date of the announcement of such results; or when they are in possession of unpublished price-sensitive information on the Group. The Code is incorporated as part of the Group's Human Resources Manual and is available on the Intranet accessible by all staff. A reminder is also circulated to Directors, management and officers every quarter before the commencement of the period during which dealings in shares are prohibited and to those with access to price-sensitive and confidential information.

12 Interested Person Transactions and Material Contracts

(Listing Manual Rule 907 & 1207(8))

Interested person transactions carried out during the financial year by the Group were as follows:

	Aggregate Value of All Transactions (Excluding Transactions Less than S\$100,000)*
	2005 S\$'000
Transactions for the Purchase of Goods and Services[^]	
Celcom (Malaysia) Berhad	125
Transactions for the Sale of Goods and Services[^]	
Celcom (Malaysia) Berhad	161
Telekom Malaysia Berhad	492

* The Company does not have a shareholders' mandate pursuant to Rule 902 of the Listing Manual of the SGX-ST

[^] As defined in Chapter 9 of the Listing Manual of the SGX-ST

The companies referred to above have, on 28 October 2005, become "interested persons" as defined in Chapter 9 of the Listing Manual of the SGX-ST.

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

particulars of directors

(as at 31 December 2005)

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>LIM CHEE ONN, 61 yrs</p> <p>Bachelor of Science 1st class Hons, University of Glasgow</p> <p>Master in Public Administration, Kennedy School of Government, Harvard University</p> <p>Member of Wharton Society of Fellows, University of Pennsylvania</p> <p>Honorary Doctor of Engineering, Glasgow University</p>	<p>01.11.1999</p>	<p>PRESENT APPOINTMENTS</p> <p>Executive Chairman Chairman Chairman & Chairman Exco</p> <p>Honorary Chairman Director Director Director</p> <p>PAST APPOINTMENTS</p> <p>Chairman Director Director Director Director Director Director Director Director Director Director</p>	<p>- Keppel Corporation Limited - Keppel Land Ltd - Singapore-Suzhou Township Development Pte Ltd - National Heritage Board (Statutory Board) - k1 Ventures Limited - Monetary Authority of Singapore - Keppel Energy Pte Ltd</p> <p>- National Heritage Board (Statutory Board) - Singapore Airlines Ltd - Glory Central Holdings Ltd - Kepital Holdings Pte Ltd - Keppel Harbour Redevelopment Ltd - Keppel Power Systems Pte Ltd <i>(dissolved w.e.f 17 Jan 2003)</i> - Keppel Telecoms Pte Ltd - k1 eBiz Holdings Pte Ltd - NatSteel Ltd - Temasek Holdings (Pte) Ltd - Parksville Development Pte Ltd</p>
<p>NEIL MONTEFIORE, 53 yrs</p> <p>Bachelor of Science (Electrical & Electronic Engineering) Upper 2nd class Hons, University of Portsmouth</p> <p>Fellow, Institution of Electrical Engineers</p> <p>Fellow, Chartered Institute of Marketing (CIM)</p>	<p>08.11.2002</p>	<p>PRESENT APPOINTMENTS</p> <p>Director Director Director Director Director</p> <p>PAST APPOINTMENTS</p> <p>Director</p>	<p>- M1 Capital Ltd - M1 Shop Pte Ltd - Wireless Intellect Labs Pte Ltd - Stream plc - Energy Market Authority (Statutory Board) - Singapore Repertory Theatre</p> <p>- DataOne (Asia) Pte Ltd</p>

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>ROGER BARLOW, 56 yrs</p> <p>Bachelor of Science (Economics), University of London</p> <p>Master of Arts, University of Essex</p>	22.05.2002	<p>PRESENT APPOINTMENTS</p> <p>Director Director Chairman & Director Director</p> <p>PAST APPOINTMENTS</p> <p>Director Director Director Director Director Director Alternate Director Director</p>	<p>- M1 Capital Ltd - M1 Shop Pte Ltd - RJB Consultants Limited - Hong Kong - RJB Consultants Limited - British Virgin Islands</p> <p>- Cable & Wireless Network Services (Singapore) Pte Limited - Great Eastern Telecommunications Ltd - Pacific Link Communications Limited - Pacific Link Communications Services Limited - Personal Communications Limited - Reach Global Networks Limited - Reach Networks (Thailand) Limited - Reach Ltd - Reach Web Holdings Limited</p>
<p>LOW HUAN PING, 49 yrs</p> <p>Bachelor of Arts (Hons), Master of Arts, Cambridge University</p> <p>Master of Science, National University of Singapore</p> <p>Advanced Management Program, Harvard University</p>	01.09.1994	<p>PRESENT APPOINTMENTS</p> <p>Director Director Director Director Director Director</p> <p>PAST APPOINTMENTS</p> <p>Director Director Chairman</p>	<p>- SPH Multimedia Private Limited - BuzzCity Pte Ltd - SPH AsiaOne Ltd - Zaobao.com Ltd - iFast Corporation Pte Ltd - iFast Financial Pte Ltd</p> <p>- Singapore Cable Vision Limited - American Bourses Corporation Pte Ltd - Cyberway Pte Ltd</p>

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>HSUAN OWYANG, 77 yrs</p> <p>Master of Business Administration, Harvard University</p>	08.11.2002	<p>PRESENT APPOINTMENTS</p> <p>Chairman Chairman Chairman Deputy Chairman Chairman Director Director</p> <p>PAST APPOINTMENTS</p> <p>Chairman Chairman Chairman Chairman Chairman Chairman Director Chairman Chairman</p> <p>Chairman Chairman Director Chairman</p>	<p>- East Asian Institute - NM Rothschild & Sons (Singapore) Limited - Ayala International Holdings Ltd - CapitaLand Limited - CapitaMall Trust Management Ltd - NM Rothschild China Holding AG - Franke Singapore Pte Ltd</p> <p>- CapitaLand Residential Ltd - Transpac Capital Pte Ltd - Transtech Venture Management Pte Ltd - Transpac Industrial Holdings Ltd - Urban Management Co (1987) Pte Ltd - Transpac Ventures I Ltd - Asia Venture Fund Ltd - Keppel TatLee Finance Limited - DBS Land Ltd - TLB Land Ltd (formerly Pan Malayan Holdings Ltd) - Transtech Capital Investments I Ltd - Transtech Capital Investments II Ltd - General Securities Trading Pte Ltd - The Institute of Policy Studies</p>
<p>GANEN SARVANANTHAN, 31 yrs</p> <p>LLB (Hons) University College London</p> <p>Barrister-at-law Lincoln's Inn</p> <p>Securities and Financial Derivatives Representative Financial Services Authority (UK)</p>	16.11.2005	<p>PRESENT APPOINTMENTS</p> <p>Director Director Director Director</p>	<p>- TM International Sdn Bhd - Feringghi Capital Ltd - Santubong Investments BV - SunShare Investments Ltd</p>

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>TEO SOON HOE, 56 yrs</p> <p>Bachelor of Business Administration, University of Singapore</p> <p>Member, Wharton Society of Fellows, University of Pennsylvania</p>	07.05.1996	<p>PRESENT APPOINTMENTS</p> <p>Chairman</p> <p>Chairman</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>PAST APPOINTMENTS</p> <p>Chairman & Director</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>Director</p> <p>Director</p>	<p>- Keppel Telecommunications & Transportation Ltd</p> <p>- Keppel Philippines Holdings Inc</p> <p>- Keppel Corporation Limited</p> <p>- Keppel Offshore & Marine Ltd</p> <p>- Keppel Land Limited</p> <p>- k1 Ventures Limited</p> <p>- Singapore Petroleum Company Limited</p> <p>- Keppel Energy Pte Ltd</p> <p>- Keppel Insurance Pte Ltd</p> <p>- Keppel Philippines Marine, Inc</p> <p>- Keppel-SPH Investment Pte Ltd</p> <p>- Southern Bank Bhd</p> <p>- Steamers Kimanis Shipping Pte Ltd</p> <p>- Steamers Perak Shipping Pte Ltd</p>
<p>REGGIE THEIN, 64 yrs</p> <p>Fellow, Institute of Chartered Accountants of England and Wales</p> <p>Member, Institute of Certified Public Accountants (Singapore)</p>	08.11.2002	<p>PRESENT APPOINTMENTS</p> <p>Director</p> <p>Governing Council Member</p> <p>PAST APPOINTMENTS</p> <p>Director</p> <p>Director</p> <p>Director</p>	<p>- BIL International Ltd</p> <p>- FJ Benjamin Holdings Ltd</p> <p>- Grand Banks Yachts Limited <i>(formerly known as GB Holdings Limited)</i></p> <p>- GuocoLand Ltd</p> <p>- Haw Par Corporation Limited</p> <p>- Keppel Telecommunications & Transportation Ltd</p> <p>- Lindeteves - Jacoberg Ltd</p> <p>- MFS technology Ltd</p> <p>- Pearl Energy Limited</p> <p>- Energy Support Management Pte Ltd</p> <p>- Ascendas Pte Ltd</p> <p>- Singapore Institute of Directors</p> <p>- Goodwood Park Hotel Limited</p> <p>- Central Properties Limited</p> <p>- Hotel Malaysia Limited</p>

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>THIO SU MIEN, 67 yrs</p> <p>LL.M and LL.B (Hons) University of Malaya, Singapore</p> <p>PhD, London School of Economics and Political Science</p> <p>Advocate and Solicitor, Supreme Court of Singapore</p>	08.11.2002	<p>PRESENT APPOINTMENTS</p> <p>Director Director Director Director Senior Executive Director</p> <p>PAST APPOINTMENTS</p> <p>Director Director Judge Member</p> <p>Director</p> <p>Director</p>	<p>- Econ International Limited - SIA Engineering Company Limited - Manulife (Singapore) Pte Ltd - Seiko Instruments Singapore Pte Ltd - TSMP Law Corporation</p> <p>- Goodpack Limited - Vickers Capital Ltd - The World Bank Administrative Tribunal - Asian Development Bank Administrative Tribunal - Dresdner Kleinwort Wasserstein (South East Asia) Limited <i>(formerly known as Dresdner (South East Asia) Ltd)</i> - Dresdner Kleinwort Wasserstein (Nominees) Pte Ltd <i>(formerly known as Dresea Nominees Pte Ltd)</i></p>
<p>PATRICK YEOH KHWAI HOH, 67 yrs</p> <p>Bachelor of Science (Hons) University of Malaya, Singapore</p>	08.11.2002	<p>PRESENT APPOINTMENTS</p> <p>Director Director Chairman Director Advisor Advisor Director</p> <p>Director</p> <p>PAST APPOINTMENTS</p> <p>Member</p> <p>Director Director</p>	<p>- Oversea-Chinese Banking Corporation Limited - Times Publishing Ltd - Tuan Sing Holdings Ltd - Three on the Bund Ltd - Nuri Holdings (S) Pte Ltd - The EDB Society - Accuron Technologies Pte Ltd <i>(formerly known as Singapore Precision Industries 2000 Pte Ltd)</i> - GITI Tire Company Ltd</p> <p>- Economic Development Board (EDB)'s Entrepreneur Development Fund Loans Committee - Singapore Food Industries Ltd - Singapore Aerospace Manufacturing Pte Ltd</p>

Name of Director/Age, Academic & Professional Qualifications	M1 Directorship: Date First Appointed	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
		TITLE	COMPANY
<p>YUSOF ANNUAR YAACOB, 40 yrs</p> <p>Chartered Institute of Management Accountants</p>	16.11.2005	<p>PRESENT APPOINTMENTS</p> <p>Director Director Director Director Director Director Director Director Director Director Director Director Director Director Director Director</p> <p>PAST APPOINTMENTS</p> <p>Director Director Director Director Director Director Director Director</p>	<p>- OCB Berhad - Celcom (Malaysia) Berhad - TM International Sdn Bhd - Indocel Holding Sdn Bhd - Telekom Management Services Sdn Bhd - TM International (L) Limited - SunShare Investments Ltd - TM International Leasing Incorporated - Telekom Networks Malawi Limited - Cambodia Samart Communication Co. Ltd - TM International (Bangladesh) Ltd - Dialog Telekom Limited - Sotelgui S.A. - Telekom Malaysia (USA) Inc - Telekom Malaysia (UK) Limited - Telekom Malaysia (S) Pte Ltd - Telekom Malaysia (Hong Kong) Limited - MTT Network (Private) Limited</p> <p>- General Soil Engineering Holdings Berhad - Can-One Berhad - KFC Holdings (Malaysia) Berhad - Kumpulan O'Connor's (Malaysia) Sdn Bhd - Ibufood Corporation Sdn Bhd - Ajcan Sdn Bhd - Aik Joo Can Factory Sdn Bhd - Canzo Sdn Bhd - Agrow Builders Sdn Bhd</p>
<p>MICHAEL JOHN GRANT, 52 yrs (Resigned on 27 October 2005)</p> <p>Bachelor of Science, Hons Civil Engineering</p> <p>Fellow, Association of Corporate Treasurers, UK</p> <p>Fellow, Institution of Civil Engineers, Chartered Engineer</p> <p>Advanced Management Programme, Harvard University</p> <p>Master of Business Administration (Finance), City University Business School, London</p>	20.08.2004	<p>PRESENT APPOINTMENTS</p> <p>Director Director</p> <p>PAST APPOINTMENTS</p> <p>Director Director Director Director Director Director</p>	<p>- Great Eastern Telecommunications Limited - Grand Cayman - Cable & Wireless Holdings Inc - USA</p> <p>- Monaco Telecom - Monaco - Cable & Wireless Internet Services Inc - Cable & Wireless USA, Inc - USA - British Railways Board - UK - Strategic Rail Authority - UK - Liverpool Vision - Eurotunnel Finance Ltd - Railtrack Developments Ltd</p>

particulars of senior management

(as at 31 December 2005)

Name of Senior Management	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
	PRESENT DIRECTORSHIPS	PAST DIRECTORSHIPS
Karen Kooi Lee Wah	- M1 Capital Ltd - M1 Shop Pte Ltd - Wireless Intellect Labs Pte Ltd	- None
Patrick Michael Scodeller	- None	- None
Lina Lee	- None	- None
Terence Teo Hoon Beng	- None	- None
Chin Ming Lek	- Keppel Credit Union Co-operative Ltd	- Travelmore Pte Ltd
Poopalasingam Subramaniam	- None	- None
Sharon Tan Gim Bee	- None	- None
Lim Sock Leng	- None	- None
Claudine Lim Hsi Yun	- None	- None
Chua Swee Kiat	- None	- None
Chan Weng Keong	- None	- None

financial statements

56	Directors' Report
61	Statement by Directors
62	Auditors' Report to the Members of MobileOne Ltd
63	Consolidated Profit and Loss Statement
64	Balance Sheets
65	Statements of Changes in Shareholders' Equity
66	Consolidated Cash Flows Statement
67	Notes to the Financial Statements

directors' report

The directors are pleased to present their report to the members together with the audited financial statements of MobileOne Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2005 and the balance sheet of the Company as at 31 December 2005.

1. DIRECTORS

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

Lim Chee Onn	Chairman
Neil Montefiore	Chief Executive Officer
Roger John Barlow	
Low Huan Ping	
Hsuan Owyang	
Ganen Sarvananthan	(appointed on 16 November 2005)
Arthur Seet Keong Hoe	
Teo Soon Hoe	
Reggie Thein	
Thio Su Mien	
Yusof Annuar bin Yaacob	(appointed on 16 November 2005)
Patrick Yeoh Khwai Hoh	

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

**Ordinary Shares of S\$0.20 each
Held in the Name of Directors**

Name of Director	At Beginning of Financial Year	At End of Financial Year	As at 21 January 2006
MobileOne Ltd			
Lim Chee Onn	46,500	46,500	46,500
Neil Montefiore	446,400	1,546,400	1,546,400
Teo Soon Hoe	46,500	46,500	46,500
Reggie Thein	27,900	27,900	27,900
Thio Su Mien	46,500	46,500	46,500
Patrick Yeoh Khwai Hoh	4,650	4,650	4,650

**Options to Subscribe for
Ordinary Shares of S\$0.20 each
Held in the Name of Directors**

Name of Director	At Beginning of Financial Year	At End of Financial Year	As at 21 January 2006
MobileOne Ltd			
Neil Montefiore	3,500,000	3,100,000	3,100,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. DIRECTORS' CONTRACTUAL BENEFITS

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

directors' report (cont'd)

5. SHARE OPTIONS

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

The Remuneration Committee is responsible for administering the Scheme. The Remuneration Committee members are Mr Hsuan Owyang (Chairman of Committee), Mr Roger John Barlow, Mr Low Huan Ping, and Mr Teo Soon Hoe.

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

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

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

The subscription price may not be less than the par value of the ordinary shares of the Company.

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

Date of Grant	Balance as at 1 January 2005 or Date of Grant	Exercised	Cancelled	Balance as at 31 December 2005	Subscription Price
9 November 2002	7,975,000	(4,337,500)	(52,000)	3,585,500	S\$1.25
4 February 2004	5,830,000	(891,000)	(70,000)	4,869,000	S\$1.50
3 February 2005	7,130,000	–	(120,000)	7,010,000	S\$1.81
	20,935,000	(5,228,500)	(242,000)	15,464,500	

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

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

Name of Director	Options Granted During Financial Year	Aggregate Options Granted Since Commencement of Scheme to End of Financial Year	Aggregate Options Exercised Since Commencement of Scheme to End of Financial Year	Aggregate Options Outstanding at End of Financial Year	Subscription Price
Neil Montefiore	1,000,000	4,900,000	(1,800,000)	3,100,000	S\$1.25 – S\$1.81

No options were granted to non-executive directors since the commencement of the Scheme and no employees have received 5% or more of the total options available under the Scheme.

6. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act. The functions performed are detailed in the Report on Corporate Governance.

directors' report (cont'd)

7. AUDITORS

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

On behalf of the board of directors



Lim Chee Onn
Chairman

Singapore
1 February 2006



Neil Montefiore
Chief Executive Officer

statement by directors

In the opinion of the directors, the accompanying balance sheets, consolidated profit and loss statement, statements of changes in shareholders' equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005, and of the results of the business, changes in shareholders' equity and cash flows of the Group and changes in shareholders' equity of the Company for the financial year then ended. At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors



Lim Chee Onn
Chairman



Neil Montefiore
Chief Executive Officer

Singapore
1 February 2006

auditors' report to the members of MobileOne Ltd

We have audited the accompanying financial statements of MobileOne Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 63 to 98 for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005, and of the results, changes in shareholders' equity and cash flows of the Group and the changes in shareholders' equity of the Company for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and its subsidiaries, which are incorporated in Singapore and audited by us, have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG
Certified Public Accountants

Singapore
1 February 2006

consolidated profit and loss statement for the financial year ended 31 december 2005

		2005	2004
		S\$'000	S\$'000
	Notes		(Restated)
Operating revenue	3	773,827	747,085
Operating expenses	4	(564,833)	(555,513)
Other revenue	5	3,105	1,642
Finance costs	6	(10,261)	(10,291)
Profit before tax		201,838	182,923
Taxation	7	(40,804)	(29,000)
Net profit for the year		161,034	153,923
Earnings per share (cents)	8		
Basic		16.4	14.7
Diluted		16.3	14.6
EBITDA	9	332,415	292,753

The accounting policies and explanatory notes on pages 67 to 98 form an integral part of the financial statements.

balance sheets as at 31 december 2005

	Notes	GROUP		COMPANY	
		2005 S\$'000	2004 S\$'000 (Restated)	2005 S\$'000	2004 S\$'000 (Restated)
Non-current assets					
Fixed assets	10	743,070	797,506	741,753	795,979
Licences and spectrum rights	11	94,465	97,641	94,465	97,641
Staff loans	12	624	495	624	495
Interests in subsidiaries	13	–	–	3,585	2,485
		838,159	895,642	840,427	896,600
Current assets					
Inventories	14	5,814	4,321	278	495
Trade debtors	15	81,470	80,607	81,371	80,271
Other debtors	16	20,125	17,971	18,119	16,374
Due from related parties	17	11	81	356	1,041
Cash and cash equivalents	18	175,436	112,589	174,946	112,241
		282,856	215,569	275,070	210,422
Current liabilities					
Creditors	19	(227,701)	(321,845)	(207,730)	(304,650)
Due to related parties	17	(2,339)	(2,180)	(15,136)	(13,775)
Tax payable		(37,419)	–	(37,419)	–
		(267,459)	(324,025)	(260,285)	(318,425)
Net current assets/(liabilities)		15,397	(108,456)	14,785	(108,003)
Non-current liabilities					
Long-term borrowing	20	(250,000)	(250,000)	(250,000)	(250,000)
Deferred tax liabilities	7	(137,976)	(134,591)	(137,776)	(134,391)
Derivative liability		(1,685)	–	(1,685)	–
Net assets		463,895	402,595	465,751	404,206
Represented by:					
Issued share capital	21	196,791	195,746	196,791	195,746
Share premium		6,566	654	6,566	654
Hedging reserve		(1,685)	–	(1,685)	–
Capital reserve		1,822	668	1,822	668
Retained profits		260,401	205,527	262,257	207,138
Total shareholders' equity		463,895	402,595	465,751	404,206

The accounting policies and explanatory notes on pages 67 to 98 form an integral part of the financial statements.

statements of changes in shareholders' equity for the financial year ended 31 december 2005

	Notes	GROUP		COMPANY	
		2005 S\$'000	2004 S\$'000 (Restated)	2005 S\$'000	2004 S\$'000 (Restated)
Issued share capital					
	21				
Balance at beginning of financial year		195,746	210,065	195,746	210,065
Issuance of 5,228,500 (2004 : 2,051,000) ordinary shares of S\$0.20 each at S\$1.25/S\$1.50 per share for cash on exercise of employee share options		1,045	410	1,045	410
Capital distribution		–	(14,729)	–	(14,729)
Balance at end of financial year		196,791	195,746	196,791	195,746
Share premium					
Balance at beginning of financial year		654	341	654	341
Transfer from capital reserve on exercise of employee share options		191	–	191	–
Premium on issuance of ordinary shares on exercise of employee share options		5,721	2,154	5,721	2,154
Capital distribution		–	(1,841)	–	(1,841)
Balance at end of financial year		6,566	654	6,566	654
Hedging reserve					
Balance at beginning of financial year		–	–	–	–
Adoption of FRS 39	2.2	(9,900)	–	(9,900)	–
As restated		(9,900)	–	(9,900)	–
Fair value changes on interest rate swap		8,215	–	8,215	–
Balance at end of financial year		(1,685)	–	(1,685)	–
Capital reserve – employee share options					
Balance at beginning of financial year		–	–	–	–
Adoption of FRS 102	2.2	668	–	668	–
As restated		668	–	668	–
Transfer to share premium on exercise of employee share options		(191)	–	(191)	–
Expenses on share options		1,345	668	1,345	668
Balance at end of financial year		1,822	668	1,822	668
Retained profits					
Balance at beginning of financial year		206,195	260,063	207,806	261,047
Adoption of FRS 102	2.2	(668)	–	(668)	–
As restated		205,527	260,063	207,138	261,047
Capital distribution		–	(99,057)	–	(99,057)
Dividends on ordinary shares	26	(106,160)	(109,402)	(106,160)	(109,402)
Net profit for the year		161,034	153,923	161,279	154,550
Balance at end of financial year		260,401	205,527	262,257	207,138
Total shareholders' equity					
		463,895	402,595	465,751	404,206

The accounting policies and explanatory notes on pages 67 to 98 form an integral part of the financial statements.

consolidated cash flows statement for the financial year ended 31 december 2005

	Notes	2005 S\$'000	2004 S\$'000 (Restated)
Cash flows from operating activities:			
Profit before tax		201,838	182,923
Adjustments for:			
Depreciation of fixed assets		114,976	99,460
Loss on disposals of fixed assets		729	2,600
Amortisation of licences/spectrum rights		5,340	79
Share option expenses		1,345	668
Interest on bank loan		10,261	10,291
Operating cash flows before working capital changes		<u>334,489</u>	<u>296,021</u>
Changes in:			
Inventories		(1,493)	37
Trade debtors		(863)	(6,224)
Other debtors		(2,154)	959
Non-current staff loans		(129)	195
Creditors		(94,143)	112,302
Related parties		229	(393)
Cash generated from operations		<u>235,936</u>	<u>402,897</u>
Interest paid		<u>(10,263)</u>	<u>(10,263)</u>
Net cash flows from operating activities		<u>225,673</u>	<u>392,634</u>
Cash flows from investing activities:			
Purchase of fixed assets		(62,264)	(137,668)
Purchase of licences and spectrum rights		(2,164)	–
Proceeds from disposals of fixed assets		995	521
Net cash flows used in investing activities		<u>(63,433)</u>	<u>(137,147)</u>
Cash flows from financing activities:			
Capital distribution		–	(115,627)
Dividends paid on ordinary shares by the Company		(106,160)	(109,402)
Proceeds from issuance of share capital on exercise of employee share options		6,767	2,564
Net cash flows used in financing activities		<u>(99,393)</u>	<u>(222,465)</u>
Net changes in cash and cash equivalents		62,847	33,022
Cash and cash equivalents at beginning of financial year	18	<u>112,589</u>	<u>79,567</u>
Cash and cash equivalents at end of financial year	18	<u>175,436</u>	<u>112,589</u>

The accounting policies and explanatory notes on pages 67 to 98 form an integral part of the financial statements.

notes to the financial statements

1. CORPORATE INFORMATION

MobileOne Ltd (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore. Its registered office and principal place of business is at 10 International Business Park, Singapore 609928.

The principal activities of the Company and its subsidiaries (collectively, the "Group") are the provision of mobile telecommunications services, international call services, mobile retail sales, after sales support, customer services, research and development of mobile telecommunications product and services and investment holding.

There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

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

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below:

(a) Adoption of new FRSs

On 1 January 2005, the Group and the Company adopted the following accounting standards mandatory for annual financial periods beginning on or after 1 January 2005.

- FRS 39, Financial Instruments: Recognition and Measurement
- FRS 102, Share-based Payment

i) *FRS 39, Financial Instruments: Recognition and Measurement*

The Group and the Company have adopted FRS 39 prospectively with effect from 1 January 2005. At that date, loans and receivables within the scope of FRS 39 were measured at amortised cost using the effective interest rate method. Any differences between the carrying values and amortised costs at that date were recognised in retained profits.

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new FRSs (cont'd)

i) FRS 39, *Financial Instruments: Recognition and Measurement* (cont'd)

On 1 January 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 January 2005 were recognised in retained profits as at 1 January 2005.

According to FRS 39, on 1 January, all derivative financial instruments held by the Group and the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in retained profits.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 January 2005 resulted in recognition of a derivative liability arising from an interest rate swap and a corresponding hedging reserve of S\$9,900,000 as at 1 January 2005. The interest rate swap was revalued to fair value of S\$1,685,000 at 31 December 2005 and the adjustment was taken against the hedging reserve.

ii) FRS 102, *Share-based payment*

The effect of adopting FRS 102 on the Group and the Company was the recognition of an expense and a corresponding capital reserve for share options granted to employees (including the executive director) and non-executive directors.

The Group and the Company have applied FRS 102 retrospectively in accordance with the transitional provisions of FRS 102 in respect of equity-settled awards. As a result, the Group and the Company have applied FRS 102 only to equity-settled awards granted after 22 November that had not vested on 1 January 2005.

Under the transitional provisions of FRS 102, the change in accounting policy resulted in the following:

- At 1 January 2005, increase/(decrease) in the Group's and the Company's:
 - ❖ Capital reserve by S\$668,000; and
 - ❖ Retained profit by (S\$668,000)
- For the year ended 31 December 2005, decreases in the Group's:
 - ❖ Net profit for the year by S\$1,345,000 (2004: S\$668,000) due to an increase in the employee share option expense;
 - ❖ Basic earnings per share by 0.1 cents (2004: 0.1 cents); and
 - ❖ Diluted basic earnings per share by 0.1 cents (2004: 0.1 cents).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) Other new and revised FRSs adopted

The Group and the Company have adopted the following new and revised accounting standards on 1 January 2005 which did not result in any significant change in accounting policies:

- FRS 1 (revised), Presentation of Financial Statements
- FRS 2 (revised), Inventories
- FRS 8 (revised), Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 10 (revised), Events after the Balance Sheet Date
- FRS 16 (revised), Property, Plant and Equipment
- FRS 24 (revised), Related Party Disclosures
- FRS 27 (revised), Consolidated and Separate Financial Statements
- FRS 32 (revised), Financial Instruments: Disclosure and Presentation
- FRS 33 (revised), Earnings Per Share

(c) FRS not yet effective

The Group has not applied the FRS 107, Financial Instruments: Disclosures, that has been issued but is only effective for the Group and Company for the financial year beginning 1 January 2007. FRS 107 will supersede the current FRS 32 on the disclosure requirements for financial instruments. The Group and the Company expect the adoption of this standard will have no financial effect on their financial statements in the period of initial application.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date of the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to initial recognition, fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

2.7 Depreciation

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

Leasehold buildings	-	10 - 30 years
Networks and related application systems	-	10 - 13 years
Application systems and computers	-	3 - 5 years
Motor vehicles	-	5 years
Furniture, fittings and equipment	-	3 -7 years

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Depreciation (cont'd)

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

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

2.8 Licences and spectrum rights

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

Licences and spectrum rights are amortised on a straight-line basis over the estimated economic useful lives of 13 to 17 years commencing from the date of commercial launch of services. Where the services for which the licence or rights is granted have yet to commence, no amortisation is made. The amortisation period and the amortisation method are reviewed at least at each financial year end. The amortisation expense is recognised in the profit and loss statement through the 'depreciation and amortisation expenses' line item.

2.9 Financial assets

Financial assets of the Group within the scope of FRS 39 comprise loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables of the Group are carried at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss statement when the loans and receivable are derecognised or impaired, as well as through the amortisation process.

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial assets (cont'd)

Trade and other debtors

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

Provision is made for uncollectible amounts when there is objective evidence that the group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.11 below.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and time deposits. They are carried in the balance sheets, classified and accounted for under FRS 39.

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

2.10 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below.

Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are generally expensed as incurred.

Trade and other creditors

Liabilities for trade and other creditors, which are normally settled on 30-90 days terms, and amounts due to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Impairment of financial assets

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

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

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

2.12 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Derecognition of financial assets and liabilities (cont'd)

(a) Financial assets (cont'd)

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss statement.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

2.13 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. The Group does not use derivative financial instruments for speculative purposes.

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

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

The fair values of forward currency contracts and interest rate swap are calculated using rates quoted by the Group's bankers assuming the agreements were to be liquidated at balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Derivative financial instruments and hedging activities (cont'd)

The Group has the following types of hedges for the purpose of hedge accounting:

- Fair value hedges; and
- Cash flow hedges.

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

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

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

(a) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to the profit and loss statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the profit and loss statement.

(b) Cash flow hedges

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

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

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Derivative financial instruments and hedging activities (cont'd)

(b) Cash flow hedges (cont'd)

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

2.14 Inventories

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

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

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

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Employee benefits

Defined contribution plan

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employees' entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

Employee share incentive

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

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

The cost of equity-settled transactions is amortised and recognised in the profit and loss statement on a straight-line basis over the vesting period, with a corresponding increase in capital reserve. The cumulative expenses are revised at each balance sheet date to reflect the current best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expenses recognised at the beginning and end of a reporting period is charged or credited to the profit and loss statement with a corresponding adjustment to capital reserve.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In accordance with the transitional provisions of FRS 102 in respect of equity-settled awards, the Group has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income tax

(a) Current tax

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

(b) Deferred tax

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income tax (cont'd)

(c) Sales tax

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

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

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

2.18 Impairment of non-financial assets

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

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

notes to the financial statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Revenue recognition

Revenue of the Group comprises fees earned from telecommunication services rendered, sales of handset and software licences.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Service revenue is recognised at the time when such services are rendered. Revenue billed in advance of the rendering of services is deferred on the balance sheet as unearned revenue.
- Revenue from sale of prepaid cards but for which services have not been rendered is deferred on the balance sheet as unearned revenue. Upon termination of the prepaid cards, any unutilised value of the prepaid cards will be taken to the profit and loss statement.
- Revenue from sale of handset is recognised upon the passing of risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the handsets sold.
- Revenue from sale of software licences is recognised upon acceptance of the software by the customers.

2.20 Customer acquisition and retention costs

Customer acquisition and retention costs are accounted for in the profit and loss statement when incurred.

2.21 Operating leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Functional and foreign currencies

- (a) The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be S\$. Sales price and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in S\$.
- (b) Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss statement.

2.23 Related parties

An entity or individual is considered to be a related party of the Group for the purposes of the financial statements if:

- (a) it possesses ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- (b) it is subject to common control or common significant influence.

2.24 Segment reporting

The Company and its subsidiaries operate in Singapore in one business segment, that of provision of mobile telecommunications services, international call services, mobile retail sales, after sales support, customer services and research and development of mobile telecommunications product.

notes to the financial statements (cont'd)

3. OPERATING REVENUE

	GROUP	
	2005	2004
	S\$'000	S\$'000
Mobile telecommunications	582,911	569,621
International call services	121,838	111,414
Handset sales	68,900	66,007
Others	178	43
	773,827	747,085

4. OPERATING EXPENSES

	GROUP	
	2005	2004
	S\$'000	S\$'000
Cost of sales	138,454	138,272
Cost of handsets sold	120,418	124,512
Staff costs	90,289	89,011
Advertising and promotion expenses	23,064	24,313
Depreciation and amortisation	120,316	99,538
Provision for doubtful debts	20,325	22,135
General and administrative expenses	51,967	57,732
	564,833	555,513

4. OPERATING EXPENSES (cont'd)

Total operating expenses included the following:

	GROUP	
	2005	2004
	S\$'000	S\$'000
Non-audit fees paid to auditors of the Company	23	42
CPF contributions	8,441	8,394
Share-based payments	1,345	668
Directors' remuneration	1,610	1,548
Foreign exchange loss, net	330	367
Loss on disposals of fixed assets	729	2,600

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

	GROUP	
	2005	2004
	S\$'000	S\$'000
Short term employee benefits	2,963	3,034
CPF contributions	77	103
Share-based payments	452	230
Total compensation paid to key executives	3,492	3,367

5. OTHER REVENUES

	GROUP	
	2005	2004
	S\$'000	S\$'000
Interest income from banks	3,000	1,398
Others	105	244
	3,105	1,642

6. FINANCE COSTS

	GROUP	
	2005	2004
	S\$'000	S\$'000
Interest on a syndicated bank loan	10,261	10,291

notes to the financial statements (cont'd)

7. TAXATION

Major components of income tax expense for the years ended 31 December were:

	GROUP	
	2005 S\$'000	2004 S\$'000
Current taxation	37,419	–
Deferred taxation	3,385	29,000
Income tax expense	40,804	29,000

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

	GROUP	
	2005 %	2004 %
Statutory rate	20.0	20.0
Adjustments for the tax effect of:		
Reduction in tax rate	–	(5.2)
Expenses not deductible for tax purposes	1.1	1.0
Others	(0.9)	–
Effective tax rate	20.2	15.8

Analysis of deferred tax liabilities:

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Balance at beginning of year	134,591	105,591	134,391	105,391
Provision for the year	3,385	29,000	3,385	29,000
Balance at end of year	137,976	134,591	137,776	134,391

Deferred tax assets and liabilities

Deferred taxes at 31 December were related to the following:

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Deferred tax liabilities				
Difference in depreciation	138,308	135,471	138,066	135,228
Deferred tax assets				
Provisions for unconsumed annual leave and doubtful debts	(332)	(880)	(290)	(837)
Net deferred tax liabilities	137,976	134,591	137,776	134,391

8. EARNINGS PER SHARE

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

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

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

	GROUP	
	2005	2004
Net profit attributable to shareholders for basic and diluted earnings per share (S\$'000)	161,034	153,923
Weighted average of ordinary shares on issue applicable to basic earnings per share	982,574,489	1,048,640,287
Effect of dilutive securities:		
Share options	2,989,310	2,413,315
Adjusted weighted average of ordinary shares on issue applicable to diluted earnings per share	985,563,799	1,051,053,602

9. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

EBITDA is defined as follows:

	GROUP	
	2005 S\$'000	2004 S\$'000
Profit before tax	201,838	182,923
Adjustments for:		
Amortisation of licences/spectrum rights	5,340	79
Depreciation of fixed assets	114,976	99,460
Interest on bank loans	10,261	10,291
EBITDA	332,415	292,753

notes to the financial statements (cont'd)

10. FIXED ASSETS

Group	Leasehold Buildings S\$'000	Networks and Related Application Systems S\$'000	Application Systems & Computers S\$'000	Motor Vehicles S\$'000	Furniture, Fitting & Equipment S\$'000	Capital Work-in- Progress S\$'000	Total S\$'000
Cost:							
At 1 January 2004	75,784	850,410	143,632	1,332	11,478	87,628	1,170,264
Additions/(transfers upon completion)	1,293	18,969	12,031	187	457	104,731	137,668
Disposals	(662)	(17,057)	(5,821)	(154)	(236)	–	(23,930)
At 31 December 2004 and 1 January 2005	76,415	852,322	149,842	1,365	11,699	192,359	1,284,002
Additions/(transfers upon completion)	426	203,094	3,822	142	381	(145,601)	62,264
Disposals	–	(180)	(6,975)	(84)	(375)	–	(7,614)
At 31 December 2005	76,841	1,055,236	146,689	1,423	11,705	46,758	1,338,652
Accumulated depreciation:							
At 1 January 2004	13,459	292,323	93,970	705	7,388	–	407,845
Charge for the year	3,917	73,770	20,172	194	1,407	–	99,460
Disposals	(366)	(14,564)	(5,650)	(49)	(180)	–	(20,809)
At 31 December 2004 and 1 January 2005	17,010	351,529	108,492	850	8,615	–	486,496
Charge for the year	3,753	89,074	20,702	220	1,227	–	114,976
Disposals	–	(97)	(5,342)	(80)	(371)	–	(5,890)
At 31 December 2005	20,763	440,506	123,852	990	9,471	–	595,582
Net carrying amount:							
At 31 December 2004	59,405	500,793	41,350	515	3,084	192,359	797,506
At 31 December 2005	56,078	614,730	22,837	433	2,234	46,758	743,070

10. FIXED ASSETS (cont'd)

Company	Networks and						Total S\$'000
	Leasehold Buildings S\$'000	Application Systems S\$'000	Application Systems & Computers S\$'000	Motor Vehicles S\$'000	Furniture, Fitting & Equipment S\$'000	Capital Work-in- Progress S\$'000	
Cost:							
At 1 January 2004	75,784	850,410	142,004	1,292	7,907	87,628	1,165,025
Additions/(transfers upon completion)	1,293	18,969	11,945	187	157	104,731	137,282
Disposals	(662)	(17,057)	(5,661)	(154)	(221)	–	(23,755)
At 31 December 2004 and 1 January 2005	76,415	852,322	148,288	1,325	7,843	192,359	1,278,552
Additions/(transfers upon completion)	426	203,094	3,741	142	11	(145,601)	61,813
Disposals	–	(180)	(6,941)	(84)	(15)	–	(7,220)
At 31 December 2005	76,841	1,055,236	145,088	1,383	7,839	46,758	1,333,145
Accumulated depreciation:							
At 1 January 2004	13,459	292,323	92,549	665	5,370	–	404,366
Charge for the year	3,917	73,770	20,059	194	914	–	98,854
Disposals	(366)	(14,564)	(5,494)	(49)	(174)	–	(20,647)
At 31 December 2004 and 1 January 2005	17,010	351,529	107,114	810	6,110	–	482,573
Charge for the year	3,753	89,074	20,605	220	663	–	114,315
Disposals	–	(97)	(5,308)	(80)	(11)	–	(5,496)
At 31 December 2005	20,763	440,506	122,411	950	6,762	–	591,392
Net carrying amount:							
At 31 December 2004	59,405	500,793	41,174	515	1,733	192,359	795,979
At 31 December 2005	56,078	614,730	22,677	433	1,077	46,758	741,753

notes to the financial statements (cont'd)

11. LICENCES AND SPECTRUM RIGHTS

	GROUP AND COMPANY	
	2005 S\$'000	2004 S\$'000
Cost:		
Balance at beginning of financial year	98,097	98,097
Addition	2,164	–
Balance at end of financial year	100,261	98,097
Accumulated amortisation:		
Balance at beginning of financial year	456	377
Amortisation	5,340	79
Balance at end of financial year	5,796	456
Net carrying amount:		
At end of financial year	94,465	97,641
At beginning of financial year	97,641	97,720

12. STAFF LOANS

	GROUP AND COMPANY	
	2005 S\$'000	2004 S\$'000
Repayable within one year (included in Note 16)	210	205
Repayable after one year	624	495
	834	700

Staff loans are for purchase of motor vehicles. These loans are repayable in equal monthly instalments over periods of up to seven years and bear interest rate of up to 2% (2004: 2%) per annum.

13. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2005 are as follows:

Name of Company	Date and Country of Incorporation	Effective Interest of the Company		Cost of Investment		Principal Activities (Place of Business)
		2005 %	2004 %	2005 S\$'000	2004 S\$'000	
M1 Shop Pte Ltd	21 March 1996 Singapore	100	100	2,000	2,000	Sale of handsets and accessories (Singapore)
M1 Capital Ltd	27 June 1996 Singapore	100	100	25	25	Special purpose finance vehicle – inactive (Singapore)
Wireless Intellect Labs Pte Ltd	20 June 2001 Singapore	100	100	1,560	460	Research and development (Singapore)
				3,585	2,485	

Other than M1 Capital Ltd, the subsidiaries are audited by Ernst & Young, Singapore. There is no statutory audit requirement on the financial statements of M1 Capital Ltd as it was dormant during the financial year.

14. INVENTORIES

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
At lower of cost or net realisable value:				
Handsets	5,019	3,122	–	–
Accessories	795	1,199	278	495
	5,814	4,321	278	495

notes to the financial statements (cont'd)

15. TRADE DEBTORS

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Trade debtors are stated after deducting provision for doubtful debts of	20,613	15,594	20,613	15,594

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

For the financial year ended 31 December 2005, an impairment loss of S\$20,325,000 (2004: S\$22,135,000) was recognised in the profit and loss statement subsequent to a debt recovery assessment performed on trade debtors as at 31 December 2005.

16. OTHER DEBTORS

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Deposits	3,266	3,235	2,667	2,496
Staff loans (Note 12)	210	205	210	205
Prepayments	14,090	13,003	13,945	12,829
Sundry debtors	2,559	1,528	1,297	844
	20,125	17,971	18,119	16,374

17. DUE FROM/(TO) RELATED PARTIES

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Due from subsidiaries, trade	–	–	349	1,041
Due from other related parties	11	81	7	–
	11	81	356	1,041
Due to subsidiaries, trade	–	–	(12,957)	(11,595)
Due to other related parties	(2,339)	(2,180)	(2,179)	(2,180)
	(2,339)	(2,180)	(15,136)	(13,775)

The amounts due from/(to) related parties are unsecured, interest-free and expected to be repaid within the next 12 months.

18. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Time deposits	164,300	110,300	164,300	110,300
Cash and bank balances	11,136	2,289	10,646	1,941
	175,436	112,589	174,946	112,241

Cash and cash equivalents comprises cash on hand and at banks, and time deposits which earn interest at floating rates offered by short-term money market ranging from 1.36% to 4.00% (2004: 0.25% to 1.36%) per annum.

19. CREDITORS

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Trade creditors	55,498	29,825	45,205	19,454
Accrued operating expenses	72,419	73,842	63,053	67,275
Accrued capital expenditure	70,369	193,384	70,216	193,233
Unearned revenue	21,117	19,917	21,117	19,917
Interest payable	1,097	1,097	1,097	1,097
Directors' fees payable	357	339	357	339
Other creditors	6,844	3,441	6,685	3,335
	227,701	321,845	207,730	304,650

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

20. LONG-TERM BORROWING

	GROUP AND COMPANY	
	2005 S\$'000	2004 S\$'000
Unsecured bank loan	250,000	250,000

The loan is syndicated and repayable in full in 2007. It bears interest at a rate which is based on the variable Singapore Dollar Swap Offer Rate, payable semi-annually every November and May.

The Group had exchanged the variable Singapore Dollar Swap Offer Rate with a fixed interest rate by entering into an interest rate swap agreement with a financial institution whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore Dollar rate of 4.1% (2004: 4.1%) per annum semi-annually every November and May. The interest rate swap has the same notional amount and maturity period as the syndicated loan of S\$250 million.

notes to the financial statements (cont'd)

21. SHARE CAPITAL

	GROUP AND COMPANY	
	2005 S\$'000	2004 S\$'000
Authorised:		
Balance at beginning and end of financial year 3,000,000,000 (2004: 3,000,000,000) ordinary shares of S\$0.20 each	600,000	600,000
Issued and fully paid:		
Balance at beginning of financial year 978,728,478 (2004: 1,050,325,749) ordinary shares of S\$0.20 each	195,746	210,065
Issued during the financial year 5,228,500 (2004: 2,051,000) ordinary shares of S\$0.20 each at S\$1.25/S\$1.50 per share for cash on exercise of employee share options	1,045	410
Cancelled during the financial year Nil (2004: 73,648,271) ordinary shares of S\$0.20 each pursuant to capital distribution	–	(14,729)
Balance at end of financial year 983,956,978 (2004: 978,728,478) ordinary shares of S\$0.20 each	196,791	195,746

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following were significant transactions entered into by the Group and the Company with related parties at market rates during the financial year:

	SALES		PURCHASES		INTEREST INCOME	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Subsidiaries	(7,139)	(7,684)	71,919	78,211	–	–
Other related companies	(974)	(45)	11,054	8,768	(11)	–

23. COMMITMENTS

Capital expenditure commitments

The Group discloses authorised and contracted for capital expenditure commitments when purchase orders are issued. The Group has the following commitments for capital expenditure which have not been provided for in the financial statements:

	GROUP AND COMPANY	
	2005 S\$'000	2004 S\$'000
Authorised and contracted for	–	2,070

Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) were S\$21,531,000 and S\$21,704,000 for the financial years ended 31 December 2005 and 2004 respectively.

The Group leases various properties and the future minimum lease payments are as follows:

	GROUP		COMPANY	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Within one financial year	11,402	10,394	8,936	7,568
After one financial year but not more than five financial years	12,096	12,000	11,379	10,384
More than five financial years	10,895	11,767	10,895	11,767
	34,393	34,161	31,210	29,719

notes to the financial statements (cont'd)

24. SHARE OPTIONS

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

The Remuneration Committee is responsible for administering the Scheme. The Remuneration Committee members are Mr Hsuan Owyang (Chairman of Committee), Mr Low Huan Ping, Mr Roger John Barlow and Mr Teo Soon Hoe.

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

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

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

The subscription price may not be less than the par value of the ordinary shares of the Company.

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

Granted on 9 November 2002:

	Balance at 1 January 2005	Exercised	Cancelled	Balance at 31 December 2005	Subscription Price
Directors	2,600,000	(1,400,000)	-	1,200,000	S\$1.25
Executive officers	3,373,500	(1,760,000)	(52,000)	1,561,500	S\$1.25
Other employees	2,001,500	(1,177,500)	-	824,000	S\$1.25
Total	7,975,000	(4,337,500)	(52,000)	3,585,500	

Granted on 4 February 2004:

	Balance at 1 January 2005	Exercised	Cancelled	Balance at 31 December 2005	Subscription Price
Directors	900,000	-	-	900,000	S\$1.50
Executive officers	2,010,000	(252,000)	(70,000)	1,688,000	S\$1.50
Other employees	2,920,000	(639,000)	-	2,281,000	S\$1.50
Total	5,830,000	(891,000)	(70,000)	4,869,000	

24. SHARE OPTIONS (cont'd)

Granted on 3 February 2005:

	Balance at 3 February 2005	Exercised	Cancelled	Balance at 31 December 2005	Subscription Price
Directors	1,000,000	–	–	1,000,000	S\$1.81
Executive officers	2,370,000	–	(120,000)	2,250,000	S\$1.81
Other employees	3,760,000	–	–	3,760,000	S\$1.81
Total	7,130,000	–	(120,000)	7,010,000	

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

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

Name of Director	Options Granted During Financial Year	Aggregate Options Granted Since Commencement of Scheme to End of Financial Year	Aggregate Options Exercised Since Commencement of Scheme to End of Financial Year	Aggregate Options Outstanding at End of Financial Year	Subscription Price
Neil Montefiore	1,000,000	4,900,000	(1,800,000)	3,100,000	S\$1.25 – S\$1.81

No options were granted to non-executive directors since the commencement of the Scheme and no employees have received 5% or more of the total options available under the Scheme.

The fair value of the share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2005 and 31 December 2004 are shown below:

Date of Grant	3 Feb 2005	4 Feb 2004
Dividend Yield (%)	5.78	5.85
Expected Volatility (%)	28	27
Risk-free interest rate (%)	2.41	2.75
Expected life of option (years)	6.1	6.1
Share price (S\$)	1.85	1.61
Exercise price (S\$)	1.81	1.50

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

notes to the financial statements (cont'd)

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's instruments are, in the normal course of business, exposed to interest rate, currency exchange rate, credit and liquidity risks. The Group's risk management strategy aims to minimise the adverse effects of financial risk on the financial performance of the Group. To this extent, financial instruments are used to cover potential commercial exposures and are not held for trade or speculative purposes.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligation.

The Group's policy is to manage its interest rate cost using variable and fixed rate debts. To manage this in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. As at 31 December 2005, after taking into account the effect of interest rate swap, the Group's borrowing was at fixed rate of interest.

Foreign currency risk

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

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

As at the balance sheet date, after taking into account the effects of forward foreign exchange contracts, the Group's currency exposures are insignificant.

Liquidity risk

The Group relies on its internal working capital and bank borrowings to fund most of its investing activities. There are sufficient revolving credit facilities available that meet short term funding requirements.

Credit risk

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

The Group's maximum exposure to credit risk in the event the counter-parties fail to perform their obligations as of 31 December 2005 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheets.

Fair values

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

Financial instruments carried at fair value

The Company has carried all derivative financial instruments at their fair value as required by FRS 39.

25. FINANCIAL INSTRUMENTS (cont'd)

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of current trade debtors, other debtors, due from related parties, cash and cash equivalents, creditors and due to related parties, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Derivative financial instruments and hedging activities

Derivative financial instruments included in the balance sheets at 31 December are as follows:

	GROUP AND COMPANY			
	2005		2004	
	Assets S\$'000	Liabilities S\$'000	Assets S\$'000	Liabilities S\$'000
Forward currency contracts	–	(80)	–	–
Interest rate swap	–	(1,685)	–	–

i) Cash flow hedge

As at 31 December 2005, the Company has an interest rate swap, which has a contract notional amount of S\$250 million (2004: S\$250 million), whereby it receives interest at the variable Singapore Dollar Swap Offer Rate and pays interest at a fixed Singapore Dollar rate of 4.1% (2004: 4.1%) per annum semi-annually every November and May. The swap is being used to hedge the exposure to changes in the fair value of its unsecured bank loan (Note 20). The interest rate swap has the same notional amount and maturity period as the syndicated loan of S\$250 million. This fair value is calculated using rates quoted by the Group's banker assuming the agreement were to be liquidated at balance sheet date.

The fair value of the swap agreement at 31 December 2005 amounts to S\$1,685,000, and had been recognised on the balance sheet as a derivative liability and hedging reserve. There was no impact to profit and loss statement.

ii) Fair Value hedge

As at 31 December 2005, the Company held two forward currency contracts (entered into during 2005) designated as fair value hedges of firm commitments. The terms of these contracts, which have been negotiated to match the terms of the commitment are as follows:

	Maturity	Exchange rate
Buy US\$ 2.5 million	20 Jan 06	1.6871
Buy US\$ 2.5 million	21 Feb 06	1.6677

The above fair value hedges were assessed to be highly effective and the change in fair value of the firm commitments attributable to the hedged foreign currency risk, amounting to S\$80,000 is recognised as a liability at 31 December 2005 with a corresponding loss recognised in the profit and loss statement.

notes to the financial statements (cont'd)

26. DIVIDENDS

	GROUP AND COMPANY	
	2005	2004
	S\$'000	S\$'000
<i>Declared and paid during the year:</i>		
Final - the previous year		
5.8 cents (2004: 5.5 cents) per ordinary share (one-tier tax)	56,993	57,848
Interim - the current year		
5.0 cents (2004: 4.9 cents) per ordinary share (one-tier tax)	49,167	51,554
	106,160	109,402

	GROUP AND COMPANY	
	2005	2004
	S\$'000	S\$'000
<i>Proposed but not recognised as a liability as at 31 December:</i>		
Final		
8.1 cents (2004: 5.8 cents) per ordinary share (one-tier tax)	79,701	56,766
Special		
12.2 cents (2004: Nil) per ordinary share (one-tier tax)	120,043	–
	199,744	56,766

The directors propose that a final dividend of 8.1 cents per ordinary share (one-tier tax) and a special dividend of 12.2 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2005 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

27. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 1 February 2006.

major properties

Name/Use	Address	Land Area (Sq m)	Date of Purchase	Lease Expiry Date*
Main Operations Centre (MOC) - Head office and Switch Centre	10 International Business Park, Singapore 609928	8,441	8 October 1996	28 February 2026
MiWorld Building - Office	9 International Business Park, Singapore 609915	6,850	15 February 2002	30 June 2022
Regional Operations Centre (ROC) - Office and Switch Centre	4 Aljunied Avenue 1, Singapore 389978	4,816	19 November 2001	30 May 2020

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

shareholding information

(as at 9 February 2006)

Authorised share capital:	S\$600,000,000
Issued and fully paid-up capital:	S\$197,028,795.60
Class of shares:	Ordinary shares of S\$0.20 each
Voting rights:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	4,046	59.66	3,716,037	0.38
1,000 - 10,000	2,444	36.04	7,229,192	0.73
10,001 - 1,000,000	281	4.14	13,755,414	1.40
1,000,001 AND ABOVE	11	0.16	960,443,335	97.49
TOTAL	6,782	100.00	985,143,978	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Raffles Nominees Pte Ltd	327,079,797	33.20
2	DBS Nominees Pte Ltd	180,583,408	18.33
3	Keppel Telecoms Pte Ltd	138,281,110	14.04
4	SPH Multimedia Pte Ltd	138,281,110	14.04
5	HSBC (Singapore) Nominees Pte Ltd	79,051,921	8.02
6	Citibank Nominees Singapore Pte Ltd	61,163,995	6.21
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	20,996,500	2.13
8	United Overseas Bank Nominees Pte Ltd	9,727,784	0.99
9	DB Nominees (S) Pte Ltd	2,219,140	0.23
10	Thioequities Pte Ltd	1,906,500	0.19
11	Merrill Lynch (Singapore) Pte Ltd	1,152,070	0.12
12	The Asia Life Assurance Society Ltd-Par Fund	673,320	0.07
13	BNP Paribas Nominees Singapore Pte Ltd	516,500	0.05
14	Lee Pineapple Company Pte Ltd	465,000	0.05
15	Montefiore Neil	446,400	0.05
16	Phillip Securities Pte Ltd	392,460	0.04
17	Macquarie Securities (S) Pte Ltd	364,400	0.04
18	Chia Kum Ho	350,000	0.04
19	Hwang Nian Huei	310,000	0.03
20	Betty Wu Lee	279,000	0.03
	TOTAL	964,240,415	97.90

shareholding information (cont'd)

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares			%
	Direct Interest	Deemed Interest	Total Interest	
SunShare Investments Ltd	247,922,160	–	247,922,160	25.17
Khazanah Nasional Berhad	–	247,922,160 ¹	247,922,160	25.17
TM International Sdn Bhd	–	247,922,160 ¹	247,922,160	25.17
Telekom Malaysia Berhad	–	247,922,160 ¹	247,922,160	25.17
Temasek Holdings (Private) Limited	–	139,304,490 ²	139,304,490	14.14
Keppel Telecoms Pte Ltd	138,281,110	–	138,281,110	14.04
Keppel Telecommunications & Transportation Ltd	–	138,281,110 ³	138,281,110	14.04
Keppel Corporation Limited	–	138,281,110 ³	138,281,110	14.04
SPH Multimedia Private Limited	138,281,110	–	138,281,110	14.04
Singapore Press Holdings Limited	–	138,281,110 ⁴	138,281,110	14.04
Newton Investment Management Limited	–	49,515,860	49,515,860	5.03

NOTES:

- (1) Khazanah Nasional Berhad, TM International Sdn Bhd and Telekom Malaysia Berhad are deemed to be interested in the 247,922,160 shares held by SunShare Investments Ltd.
- (2) Temasek Holdings (Private) Limited is deemed to be interested in the 139,304,490 shares held by Fullerton Fund Management Company Ltd, Fullerton (Private) Limited, Temasek Fullerton Alpha Pte Ltd, DBS Group Holdings Ltd group of companies and Keppel Corporation Limited group of companies.
- (3) Keppel Telecommunications & Transportation Ltd and Keppel Corporation Limited are deemed to be interested in the 138,281,110 shares held by Keppel Telecoms Pte Ltd.
- (4) Singapore Press Holdings Limited is deemed to be interested in the 138,281,110 shares held by SPH Multimedia Private Limited.

FREE FLOAT

As at 9 February 2006, approximately 41.72% of the issued share capital of the Company were held in the hands of the public (on the basis of information available to the Company)

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

corporate information

BOARD OF DIRECTORS

Lim Chee Onn, Chairman
Neil Montefiore, CEO
Roger Barlow
Michael John Grant *
Low Huan Ping
Hsuan Owyang
Ganen Sarvananthan **
Arthur Seet Keong Hoe
Teo Soon Hoe
Reggie Thein
Thio Su Mien
Patrick Yeoh Khwai Hoh
Yusof Annuar Yaacob **

AUDIT COMMITTEE

Reggie Thein, Chairman
Arthur Seet Keong Hoe
Thio Su Mien
Patrick Yeoh Khwai Hoh

REMUNERATION COMMITTEE

Hsuan Owyang, Chairman
Roger Barlow
Low Huan Ping
Teo Soon Hoe

NOMINATING COMMITTEE

Thio Su Mien, Chairman
Reggie Thein
Patrick Yeoh Khwai Hoh

COMPANY SECRETARIES

Eunice Phua Ling
Ong Hwee Yen

REGISTERED ADDRESS

10 International Business Park
Singapore 609928
Telephone : +65 6895 1111
Facsimile : +65 6899 3929
Reg. No. : 199206031W

SHARE REGISTRAR

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315
Telephone : +65 6536 5355
Facsimile : +65 6536 1360

AUDITORS

Ernst & Young
Certified Public Accountants
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315
Partner-in-charge (since 2003) : Kevin Kwok

PRINCIPAL BANKERS

ABN Amro Bank N.V., Singapore Branch
Citibank N.A., Singapore Branch
Oversea-Chinese Banking Corporation Limited

* Mr Michael John Grant resigned as a Director of the Company with effect from 27 October 2005.

** Messrs Ganen Sarvananthan and Yusof Annuar Yaacob were appointed as Directors of the Company with effect from 16 November 2005.

