



i'm 

annual report 2006

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, data and business communications, focusing on value, quality and customer service.

Contents

12	Performance Highlights
14	Chairman's Statement
16	CEO's Statement
18	Operating and Financial Review
34	Board of Directors
38	Senior Management
42	M1 and the Community
43	Investor Relations
45	Corporate Governance
56	Particulars of Directors & Senior Management
65	Financial Statements
112	Major Properties
113	Statistics of Shareholdings
116	Corporate Information



i'm mobile






With extensive network coverage, whether you're in the heart of the city or basking in the exotic beauty of an island getaway, we'll keep your world mobile.

i'm connected



The image features a solid orange background. A dark teal horizontal line runs across the middle of the frame, slightly below the center. In the lower right quadrant, below the teal line, there is a block of white text.

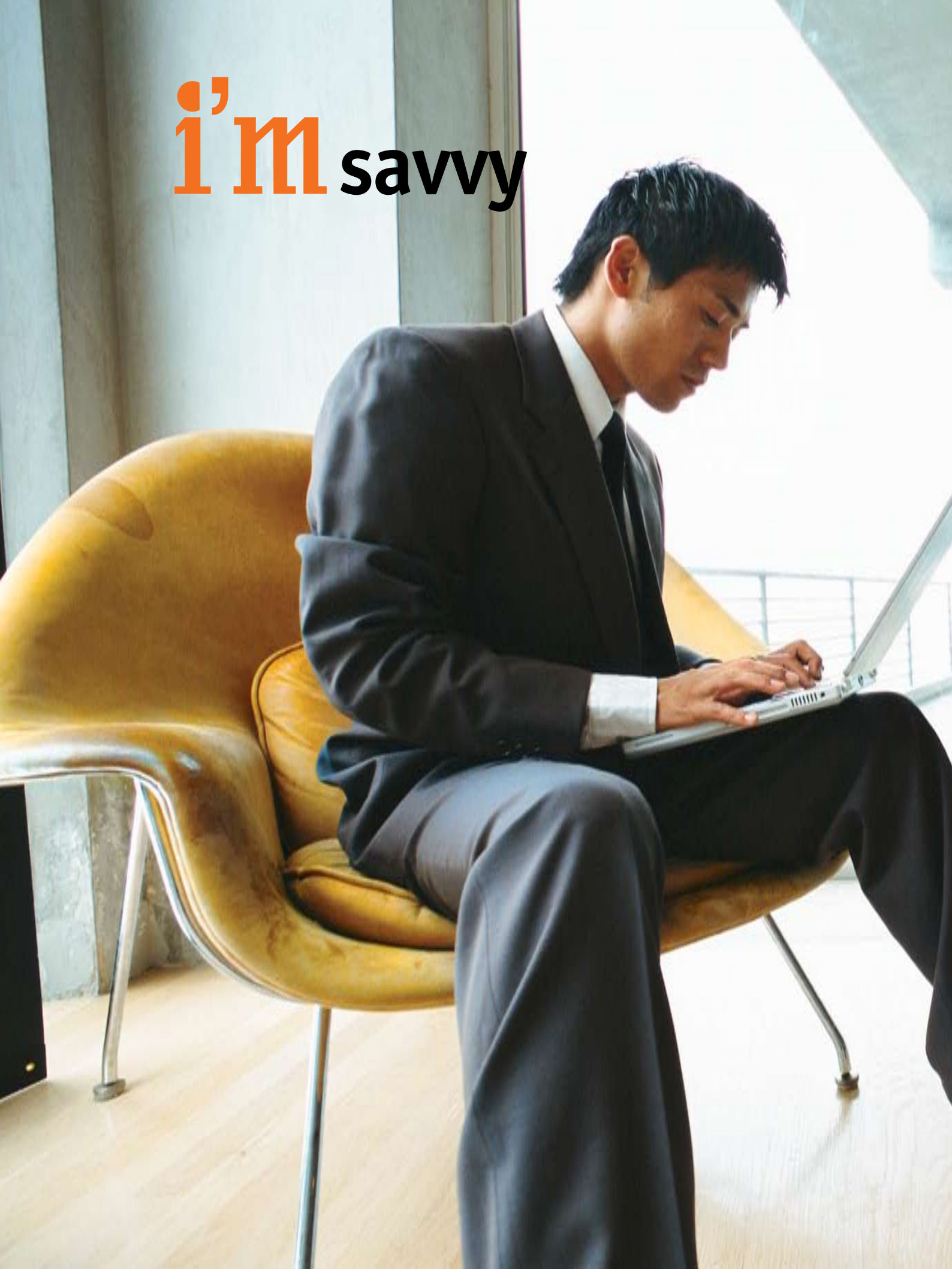
Stay in touch with your family, friends
and things that matter most in your life.
Be informed. Be entertained. Be connected.

i'm groovy



Music, videos, games, photography
- satisfying your need to share and
to engage, to watch and to listen,
to express and to play. Right now.

i'm savvy





Work can be as near or as far as you want it to be. Empowering you to make the world a smaller place, regardless of day or night. Taking your business with you wherever you go, whenever you want.

i'm living it

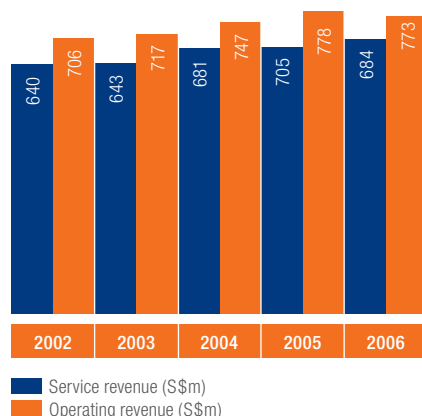
A world without walls between people, places, information and entertainment. We believe each and every one of our customers should be able to enjoy the world on their own terms, living the lives that they love and loving it. With M1, your world is open, full of possibilities with the freedom to live it to the fullest.

loving it with
111

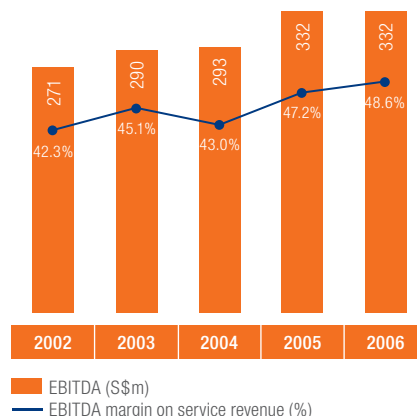


Performance Highlights

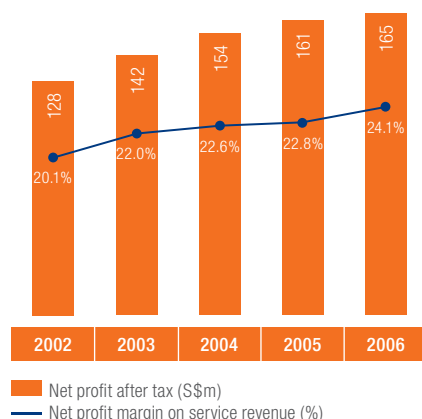
Operating Revenue and Service Revenue



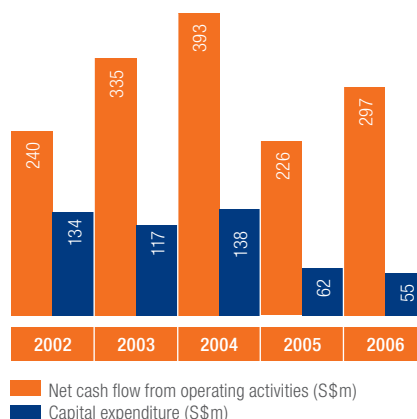
EBITDA



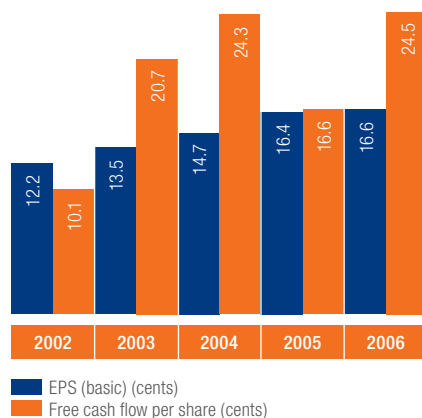
Net Profit After Tax



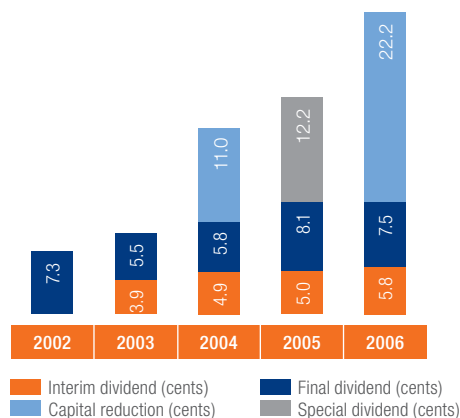
Cash Flow & Capital Expenditure



EPS & Free Cash Flow Per Share



Cash Return Per Share (declared)



Financial Highlights

	2006	2005	Change (%)
Operating revenue (S\$m)	773.0	778.2	(0.7)
Mobile telecommunications services	568.9	582.9	(2.4)
International call services	114.0	121.8	(6.4)
Others	0.7	0.2	250.0
Handset sales	89.4	73.3	22.0
EBITDA	331.7	332.4	(0.2)
Net profit after tax	164.6	161.0	2.2
Per share (cents)			
Earnings	16.6	16.4	1.2
Dividend (declared)	13.3	13.1	1.5
Net assets	38.6	47.1	(18.0)
Return on equity (%)	38.9	37.2	-
Return on capital employed (%)	26.0	25.1	-

Note: Figures may not add up due to rounding off

Operating Highlights

	2006	2005	Change (%)
Number of mobile customers ('000)			
Postpaid	809	809	-
Prepaid	528	436	21.1
Total	1,337	1,246	7.3
Market shares* (%)			
Postpaid	28.4	29.5	-
Prepaid	29.5	28.8	-
Overall	28.8	29.3	-
Singapore mobile penetration rate* (%)	103.4	97.8	-
Average revenue per user (ARPU, S\$ per month)			
Postpaid (exclude Data plan)	60.2	61.1	(1.5)
Data plan	34.7	23.9	45.2
Prepaid	19.0	21.0	(9.5)
Non-voice as % of blended ARPU (%)	20.5	19.4	-
Minutes of use per active customer (MOU, minutes per month)			
Postpaid	347	340	2.1
Prepaid	145	137	5.8
Total international retail minutes (million)	206	210	(1.9)
Average monthly churn rate (%)	1.5	1.5	-
Average gross acquisition cost per gross connection	140	136	2.9
Average gross retention cost per customer	118	102	15.7

* Based on IDA statistics as at December 2006

Chairman's Statement

In 2006, M1 achieved a net profit after tax of S\$164.6 million, a growth of 2.2% over the previous year. Net profit margin on service revenue increased by 1.3% points to 24.1% over the same period. Earnings before interest, tax, depreciation and amortisation (EBITDA) was stable at S\$331.7 million, representing a margin of 48.6% on service revenue.

While voice and text communication continue to be the mainstay of M1's business, we are seeing a meaningful contribution from data services which is the fastest area of growth. Focusing on new services and capabilities shall continue to be our priority. M1's 3G service entered its second year of commercial operations during the year. We saw strong growth momentum in the adoption of 3G despite a slow start. While usage of 3G-type services is still relatively low, the introduction of 3G data cards and attractive marketing plans contributed to the strong growth in data revenue. This year, M1 will focus on introducing innovative and new value-added services to help boost our customer base and 3G revenue.

M1 continues to be in the forefront of leveraging technology advances to meet our customers' increasingly sophisticated needs and demand for faster network access speeds. In the fourth quarter of 2006, M1 completed the implementation of High Speed Packet Access (HSPA) for our 3G network. With this, M1 became the first operator in Singapore to launch an island-wide HSPA network capable of supporting downlink access speeds of up to 3.6Mbps. We believe the faster network speeds will encourage our customers to use more multimedia services.

The new HSPA network enabled M1 to launch our wireless broadband service – *M1 Broadband* – in December 2006. The service is aimed at both consumer and business users with the key propositions of simplicity, affordability and most importantly, convenience of a wireless and portable service anywhere. Looking ahead, we plan to further upgrade the network to support downlink speeds of up to 14.4 Mbps by the end of 2007 and this will further strengthen M1 Broadband's position as a viable alternative to fixed broadband.

We continue to seek out alliances and partnerships to sustain our earnings growth. In 2006, M1 and Vodafone broadened the scope of the existing partnership to include Vodafone's business products and services, to strengthen M1's service proposition to our enterprise customers. The partnership also enabled us to launch M1 Broadband with a "plug-and-play" Mobile Connect USB Modem that can be used on any laptop or desktop computer and is available to M1 on an exclusive basis from Vodafone.

On the branding front, M1 continued to build on the strength of our brand and its wide appeal to consumers. In July 2006, we launched a brand campaign with the theme "*Make your World Mobile with M1*". This theme was an extension of our "*1 life. live it.*" brand philosophy and is aimed at bringing home the message that M1's services enhance and enrich every aspect of customers' lives, anytime, anywhere. M1's brand image and personality has been built up over the years and a significant contribution to this comes from advertising. I would like to take this opportunity to congratulate M1's Chief Executive Officer, Mr Neil Montefiore, on being conferred the

Lifetime Achievement Award by the Institute of Advertising Singapore (IAS) for his exceptional commitment and contributions to the advertising industry.

This year, M1 will continue to develop and grow non-voice services, especially by addressing the broadband market and enterprises. Notwithstanding the maturity of the Singapore market, we expect some scope for growth in our core mobile business, particularly the prepaid segment with the prospect of increasing tourist arrivals and foreigners working in Singapore, as well as when more value added services become available to prepaid customers.

In 2006, the government announced its plans for the development of a Next Generation National Broadband Network. The intention is for this network to offer ultra high speed broadband capacity on a wholesale carrier-neutral basis to retail service providers. This is expected to shift the telecommunications industry dynamics in the medium to long term. M1 believes that if implemented successfully, this will enable M1 to leverage the industry trend towards fixed-mobile convergence and expand our business beyond being a pure mobile player.

M1 continues to be committed to a sustainable dividend policy for our shareholders. In respect of 2006, the Board of Directors recommends a final dividend of 7.5 cents per share. Taken together with the interim dividend of 5.8 cents per share paid in September 2006, this is equivalent to a payout ratio of 80% of net profit for 2006.



In addition, given M1's continued strong cashflow and relatively low level of debt, and after taking into account M1's foreseeable operating and investment requirements, the Board is recommending to return S\$221.6 million to shareholders by way of a capital reduction. This will entail the cancellation of 10% of shares held as at the books closure date for the exercise. In so doing, M1 will improve its return on equity and earnings per share going forward, while each shareholder will maintain approximately the same level of proportionate shareholding in the Company.

In November 2006, Mr Arthur Seet stepped down as Director and Member of the Audit Committee following his retirement from Singapore Press Holdings. In the course of over 8 years of service on the M1 Board, Mr Seet played an important part in steering M1 through significant developments, especially the transition from a privately held joint venture to a public listed company. On behalf of the Board of Directors, I would like to express my appreciation to Mr Seet and to wish him well.

Finally, on behalf of the Board of Directors, I wish to thank M1 management, customers, shareholders and business partners for their continued support of M1.

A handwritten signature in black ink, appearing to read 'Lim Chee Onn', with a long, sweeping horizontal stroke extending to the right.

Lim Chee Onn
Chairman

CEO's Statement

During the year, M1 continued to focus on profit growth, amidst the competitive challenges of a mature and highly penetrated mobile phone market. With traditional voice revenue coming under pressure, M1's profit growth for 2006 came largely on the back of prudent and disciplined cost management initiatives, while achieving encouraging growth in prepaid customer base and non-voice services.

Most of M1's customer growth in 2006 was driven by the prepaid segment, and this was achieved despite the impact of implementing the new registration requirements mandated by the authorities and having to terminate a significant number of prepaid lines that had not met the registration deadline. Prepaid revenue came under pressure largely as a result of incentives to encourage registration during the first half the year. With the registration exercise completed, M1 focused on introducing new plans and benefits for the prepaid base. This included the Super M cards and top-up cards that offer super-sized value and additional benefits targeted at the cost conscious local users and foreign workers. In March, PLDT Singapore, in partnership with M1, launched a prepaid mobile service targeted at the Filipino community in Singapore. The *Smart Pinoy* service rides on M1's network infrastructure and offers voice, messaging and Filipino-centric contents to customers. Such a partnership arrangement is aimed at reaching out more effectively to niche customer segments and thereby growing revenue.

M1's strategy to grow and develop the retail consumer segment emphasises products and services that are relevant, innovative and exciting to customers. As voice revenue comes under increasing pressure, we look to

non-voice as a key source of growth. Examples of non-voice services that we introduced in 2006 include a 3G mobile channel which offers popular entertainment programmes on the MiWorld mobile portal, and services that appeal to the Internet generation such as Mobile Blogging, Mobile Podcast and m-Auction. In the year, we also partnered Celcom to offer free roaming 3G video calls and free IDD 3G video calls between Singapore and Malaysia to M1 customers, on a promotional basis, to encourage them to experience video call service.

Our increased focus on the enterprise sector bore fruit during the year with a host of new products and services targeted at this segment. M1 introduced the TalkShare Plan, which allows multiple users within an enterprise to share local voice airtime and SMS from a common bundle. Another useful product we introduced is the M1 Windows Mobile® Email, which enables customers to access office emails on Windows Mobile-powered devices on the move. Through our partnership with Vodafone, M1 launched the Vodafone Mobile Connect Card for laptop users to access the internet using M1's 3G network; Singapore's first 3G Router that enables customers to set up Wi-Fi hotspots anywhere in Singapore using 3G connectivity; and Singapore's first 3G-enabled BlackBerry® device. These innovative products and services positioned M1 well in the enterprise market and helped us compete for market share in this discerning and demanding segment.

2006 marked a significant milestone in M1's history with the company's entry into the broadband Internet market in December, as this represents a new market for M1. M1's wireless broadband service – branded *M1 Broadband* – rides on our new

HSPA network and offers both consumers and business customers a compelling and attractively-priced alternative to existing wired broadband offerings in the market. Besides having a choice of three price plans offering different downlink access speeds, our broadband customers enjoy Internet access with the added flexibility of being able to use the service wherever they are. More significantly, M1's move into the broadband space signals our intention to be a serious player in the home, office and mobile broadband environment, with the prospects improving as we further upgrade the speeds on M1's HSPA network.

The outlook for the Singapore economy in 2007 is positive and this bodes well for consumer spending sentiment. At the same time, competition in the local mobile phone market will remain keen and the expected introduction of enhanced Mobile Number Portability (MNP) towards the end of 2007 is likely to prompt increased marketing activity by all mobile operators as they take advantage of this event to acquire new customers, as well as seek to retain existing ones. Thus, we view enhanced MNP as both an opportunity and threat, and will be prepared to make the most of the former and defend against the latter.

Looking ahead, M1 believes there is still potential in the prepaid market and will continue to develop innovative services and partnerships to grow this segment, both in terms of customer numbers and usage. For the postpaid segment, the chief focus will be on further improving the revenue contribution from non-voice services. We believe a key aspect of this will be to harness the growing trends of the wired Internet world, such as community networking, user-generated content and online

advertising, to create revenue opportunities in the wireless world. Beyond our core business, M1 needs to create new business opportunities in order to continue to grow into the future. In this context, our increased focus on the enterprise segment and entry into the broadband Internet market are key steps in seeking more avenues of growth in the short term, while for the medium to long term, we are positioning M1 to leverage new technology developments and new industry trends to offer a wider suite of services beyond the wireless world.

In the area of contributing to the community, I am heartened that, besides working hard to meet our business targets, M1 management and employees continue to commit themselves to reaching out to the less privileged in society. Our employees, through the SunCare Club, gave generously of their time and effort in organising activities such as birthday parties and outings for children of our adopted charitable organisations. In addition, we raised more than S\$200,000 for these charities through activities such as M1 Staff Carnival and a golf tournament involving business partners. In the year, M1 also continued to support the development and promotion of the arts and sports in Singapore. We were the title sponsor of the M1 Singapore Fringe Festival 2006 and the corporate sponsor of Singapore Repertory Theatre, as well as continued our support of rugby development in schools. M1 is honoured to be recognised, for the fifth consecutive year, with the Distinguished Patron of the Arts Award for our contributions in this field.

In closing, I would like to express my sincere thanks and appreciation to all M1 employees for their dedication and hard work in the past year, and I look forward to working together with all to meet our objectives and targets for 2007.



Neil Montefiore
Chief Executive Officer



Operating and Financial Review

staying

Company Overview

M1 is an established brand that provides cellular mobile communication services to more than 1.3 million users in Singapore, international call services to mobile and fixed-line users, and wireless broadband Internet services to home, office and mobile users. M1 offers a wide range of mobile voice, non-voice and value-added services on its nationwide cellular network and is widely recognised as an innovative operator. With emphasis on quality, customer service, innovation and value, M1 aims to take the lead in personal voice and data communications. Customers subscribe to M1's services on either a postpaid or prepaid basis from a variety of price plans. M1's latest service offering, wireless broadband Internet access, was launched in December 2006 and provides customers with a choice of three service plans at different download access speeds.

For international call services, M1 offers mobile and fixed-line customers with International Direct Dial (IDD) services, using prefixes 002 and 021,

and an International Calling Card (ICC) service using prefix 1818. M1 also sells international wholesale minutes to other international service providers.

M1 commenced commercial operations in April 1997 with the launch of its GSM network. It subsequently rolled out a WCDMA network and began offering 3G services in February 2005. In December 2006, the 3G network was further upgraded with High Speed Packet Access (HSPA) to support broadband services at downlink speeds of up to 3.6Mbps.

The Company holds a facilities-based operator (FBO) licence and a telecommunication dealer's class licence issued by the Infocomm Development Authority (IDA), and a Media Development Authority (MDA) class licence. In April 2001, M1 also obtained an FBO licence for the provision of 3G mobile communication systems and services and in July 2005, M1 was granted the Wireless Broadband Access (WBA) Spectrum Right.

M1 was listed on the Singapore Exchange in December 2002.

ahead

We provide innovative solutions that keep you in touch.
At home, around town or around the globe.



Operating and Financial Review



Market Developments

In 2006, M1 achieved a net profit after tax of S\$164.6 million, which was 2.2% higher than 2005's S\$161.0 million. Net profit margin on service revenue was 24.1%, an improvement of 1.3 percentage points over 2005. Operating revenue was 0.7% lower at S\$773.0 million and service revenue 3.0% lower at S\$683.6 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) was 0.2% lower at S\$331.7 million, representing a margin of 48.6% on service revenue.

As at 31 December 2006, M1 had 1,337,000 mobile customers, comprising 809,000 postpaid customers and 528,000 prepaid customers. Based on market statistics published by the IDA, as at 31 December 2006, M1's market share of total mobile customer base was 28.8%, and M1's postpaid and prepaid market shares were 28.4% and 29.5% respectively.

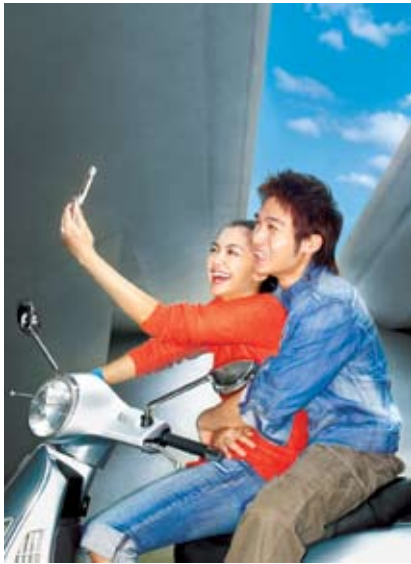
As at 31 December 2006, Singapore's cellular mobile penetration was 103.4%, which was 5.6 percentage points higher than a year ago.¹ Out of the total market cellular mobile customer base of 4,637,700, postpaid customers accounted for 61.3% and pre-paid customers, 38.7%.¹

The prepaid segment saw some market volatility during the first half of 2006 when mobile operators undertook an exercise to register their prepaid customers in compliance with more stringent registration requirements introduced by the Government. Following the expiry of the deadline for registering existing customers, unregistered cards were disconnected. Notwithstanding the impact of the registration, most of the growth in M1's customer base came from the prepaid segment.

Besides prepaid services, M1 saw progress in growing non-voice services and addressed the enterprise market with more innovative and relevant products and services. Moving ahead, with voice revenue coming under increasing pressure, M1 is looking to non-voice areas for revenue growth, and the Company has focused resources and efforts to develop and grow them.

A significant development in this area was the launch, in December 2006, of *M1 Broadband*, the wireless broadband Internet service targeted at the home, office and mobile user. The service currently offers download speeds of up to 3.6Mbps and this is expected to increase with further technological advances. The service marks M1's entry into the broader realm of the Internet world, beyond that of pure mobile play.

¹ Based on published IDA statistics as at December 2006



In another development, the IDA's plan to introduce an enhanced version of Mobile Number Portability (MNP) for fixed-line and mobile services by end-2007 will involve the introduction of a common centralised database. This will allow users to switch between telecom service providers and retain full use of their existing numbers and services. Market competition may increase in the run up to the introduction of MNP, but it is premature to ascertain any potential impact MNP may have on M1.

In March 2006, the IDA also announced plans to roll out an ultra high-speed National Broadband Network (NBN), which will connect all homes, schools and businesses. The new network is intended to offer carrier-neutral open access, which means it would be open to all service providers to reach connected customers.

As M1 is currently not in the fixed broadband business, it views the NBN as a new opportunity with potential commercial benefits.

For 2007, there will be further developments on the eventual structure and deployment of NBN, and M1 will evaluate its potential level of participation accordingly.

Operating Review

Mobile Services

The postpaid segment continues to be the mainstay of M1's mobile business. As at 31 December 2006, M1's postpaid customer base formed 60.5% of its total customer base, but the postpaid business contributed 89.1% of its total mobile telecommunications revenue for the year.

M1's postpaid customer base remained stable compared to the previous year, and customer churn averaged 1.5% per month, the same as to the previous year. M1's strategy to grow its 3G customer base bore fruit in 2006. On the back of the availability of a wider choice of 3G handsets, the rising appeal of 3G in the mass market and coupled with M1's attractive marketing programmes, the company grew its 3G customer base significantly over the previous year.

Looking ahead, M1 will ride on the 3G platform to introduce more innovative and relevant value-added services, to attract and retain customers, and to encourage them to increase usage.

Operating and Financial Review



ente

M1's postpaid revenue came under pressure during the year, mainly due to lower voice usage revenue.

The company continued to focus on non-voice services to grow revenue and these included continually introducing new content to the MiWorld portal, as well as driving adoption through marketing and promotional efforts. In addition, the year saw the launch of several innovative services, which were first-of-its-kind in Singapore:

- **m-Auction** available on MiWorld mobile portal. It allows customers to bid for the latest handsets and accessories;
- **Mobile Blogging** allows customers to update their blogs anywhere, anytime using SMS, MMS or MiWorld mobile portal on their mobile phones. The service supports the most popular blog sites in the blogging community;
- **Mobile Podcast** offers customers a wide selection of popular local and international podcast channels covering topics such as Business and Finance, Movies, Music, Sports, Health and Nature, News and Travel and Holiday.

rtaining you 24/7

2006 saw a new focus on developing the enterprise segment. M1 introduced an innovative subscription plan – TalkShare – that allows a group of three, five or ten enterprise users the flexibility of sharing local voice airtime and SMS, all bundled with the plan. M1 also launched M1 Windows Mobile® Email, a service that allows enterprise customers to securely and seamlessly access corporate emails with Windows Mobile-powered devices, on the go.

Other launches which leveraged M1's 3G network included Vodafone Mobile Connect Card (VMCC) for laptop users with a 3G data access plan at an attractive monthly subscription and, riding on this, Singapore's first portable 3G router which makes use of the VMCC to enable customers to set up their own Wi-Fi hotspots anywhere.

In the prepaid segment, M1's customer base grew 21% over the previous year. This was achieved despite the termination of a significant number of lines during the registration exercise carried out in the first half of the year. The exercise put pressure on prepaid revenue, primarily due to incentives given to encourage registration.

With the registration exercise completed, sequential improvement in prepaid revenue was seen. Among the various marketing initiatives M1 undertook for this segment, the highlight was the launch of the Super M card and top-up card that offer greater value and more benefits to customers, including free incoming calls and free IDD calls to selected popular call destinations.

March 2006 saw the launch of Smart Pinoy – a prepaid mobile service targeted at the Filipino community in Singapore. The service is the result of a partnership between M1 and PLDT Singapore, and rides on M1's network infrastructure. It offers voice and SMS (both local and international) and Filipino-centric content to customers.

Operating and Financial Review



International Call Services

International call services saw a decline in traffic and revenue in 2006, due mainly to market competition in the budget customer segment. M1 countered with a number of promotions of competitive rates on the 021 service, for selected destinations. The new rates were well received, raising both traffic and revenue in the later part of the year. Also contributory were the bundled offer of ICC and prepaid cards, and growth in the corporate segment. In the year, M1 was also active in targeting foreigners working in Singapore.

Sales & Distribution

M1 has an island-wide network of operator-owned retail shops (M1 Shop) and operator-appointed distributor outlets that serve the consumer segment and an enterprise sales team that serves the business segment. As at 31 December 2006, M1 operated a total of 13 M1 Shop outlets (comprising 7 main shops and 6 mini shops).

In addition, M1 runs an e-shop, which provides online sale of mobile phones and accessories.

Customer Service

M1 continues to lead the industry in customer service satisfaction, with strong focus on being relevant to customers and emphasis on creating memorable experiences for them. As the industry evolves to device convergence, M1 has equipped employees with the knowledge and skills needed to keep pace with developments which enable them to deliver a consistently high quality of service to customers. M1 makes a difference to customers by providing a level of service that is distinctly above the norm.

Network

The key highlight was the implementation of M1's island-wide High Speed Packet Access (HSPA) network in the fourth quarter, the first of its kind in Singapore. The network is currently capable of supporting

downlink access speeds of up to 3.6Mbps and enables M1 to offer more and faster multi-media services to customers, such as the *M1 Broadband* wireless Internet service.

In addition, M1 rolled out a wireless broadband access (WBA) service at Parco Bugis Junction shopping mall, using a Mesh Wi-Fi network and pre-WiMax as backhaul. The service gives surfers free Internet access till end-2007, with download speeds of up to 1Mbps. Unlike the typical Wi-Fi hot-spot network or WLAN (Wireless Local Area Network), Mesh Wi-Fi covers a wider area and offers a cost-effective solution through use of a series of Wi-Fi access points interconnected by radio links.

To support its growing 3G customer base, M1 continued to expand coverage and capacity of its 3G network.



M1-Vodafone Partnership

As part of M1's strategy to further penetrate and serve the enterprise business segment, the scope of the M1-Vodafone partnership was expanded at the beginning of 2006. Under the terms of the expanded agreement, M1 has access to a wide range of wireless business products and solutions from Vodafone and, in the course of the year, M1 launched several key products:

- **Vodafone Mobile Connect Card**, a data card capable of download speeds of up to 3.6Mbps;
- **3G-enabled BlackBerry® device**, an extension of M1's BlackBerry® service and portfolio of products launched earlier in partnership with Vodafone;
- **Vodafone 3G Router**, a portable device that works with the Vodafone Mobile Connect Card to provide shared Wi-Fi Internet connection;

- **Vodafone Mobile Connect USB Modem**, a portable and easy-to-install modem offered to customers as part of M1's wireless broadband Internet service.

The partnership has also helped enlarge M1's roaming footprint with the Vodafone Group. As at 31 December 2006, M1 had 3G roaming with 23 Vodafone networks and HSPA roaming with 12 Vodafone networks. The Vodafone Data Roaming service, which offers M1 customers a single data tariff while roaming on Vodafone networks, was expanded in 2006. As at 31 December 2006, the service was available in more than 50 countries and territories, up from 8 a year ago.

Operating and Financial Review

Our beauty in
NUMBERS



total operating revenue

\$773.0
million

➤ EBITDA Margin* 48.6%

➤ Net Profit Margin* 24.1%

* on service revenue

Operating and Financial Review

Financial Review

OPERATING REVENUE

Operating revenue	2006	Year Ended 31 Dec	YoY
	S\$'m	2005 S\$'m	Change
Mobile telecommunications services	568.9	582.9	-2.4%
International call services	114.0	121.8	-6.4%
Others	0.7	0.2	250.0%
Total service revenue	683.6	704.9	-3.0%
Handset sales	89.4	73.3	22.0%
Total	773.0	778.2	-0.7%

For 2006, M1's total operating revenue decreased 0.7% to S\$773.0 million, due mainly to lower total service revenue during the first three quarters of the year. For the first nine months of 2006, M1's performance was adversely affected in the prepaid segment by the registration exercise in first half of 2006, as well as by increased competition in the value segment for international call services. Further, mobile voice revenue remained under pressure, while data revenue will take time to contribute meaningfully. Nevertheless, on a sequential basis, total service revenue in the fourth quarter of 2006 increased 3.6%, reversing the decline of the previous quarters.

MOBILE TELECOMMUNICATIONS

	2006	Year Ended 31 Dec	
Mobile telecommunications revenue	S\$'m	2005 S\$'m	YoY Change
Post-paid	507.0	516.9	-1.9%
Pre-paid	61.9	66.0	-6.2%
Total	568.9	582.9	-2.4%
Average revenue per user (ARPU, S\$ per month)			
Post-paid (excluding Data plan)	60.2	61.1	-1.5%
Data plan	34.7	23.9	45.2%
Pre-paid	19.0	21.0	-9.5%
Non-voice services as contribution to blended ARPU (%)	20.5	19.4	-

Mobile telecommunications revenue decreased 2.4% to \$568.9 million due mainly to declines in the first three quarters of 2006. During the prepaid registration exercise in the first half of 2006, M1 introduced incentives to encourage prepaid users to register their cards. This had a negative effect on both prepaid revenue and ARPU, which declined 6.2% and 9.5% respectively in 2006. Postpaid revenue and ARPU declined 1.9% and 1.5% respectively as a result of lower chargeable voice usage. However, as a result of various initiatives launched in second half of 2006 (please refer to "Mobile Services" section of Operating and Financial Review), both postpaid and prepaid revenues as well as ARPU improved sequentially in the fourth quarter of 2006.

In view of the increased emphasis on mobile data offerings, M1 took the initiative to commence reporting Data plan ARPU separately. Data plan comprises mainly 3G SunSurf plans, Blackberry plans and M1 Broadband plans. Data plan ARPU increased 45.2% year-on-year to S\$34.7 for 2006 due mainly to increased take-up of 3G data cards on unlimited plans in the second half of 2006. The broadband plans launched in December 2006 were well-received but any revenue impact will only be felt in 2007.

Non-voice services' contribution to ARPU increased from 19.4% to 20.5% due to higher usage of data services, such as email, access to Internet, and video and music downloads.

Operating and Financial Review

INTERNATIONAL CALL SERVICES

	2006	Year Ended 31 Dec	YoY
International call service revenue	S\$'m	2005 S\$'m	Change
Retail	104.6	110.9	-5.7%
Wholesale & bilateral	9.4	11.0	-14.5%
Total	114.0	121.8	-6.4%

International call service revenue decreased 6.4% to \$114.0 million as traffic fell from 210 to 206 million minutes. The decline was due to continual pressure in the value segment. However, on a sequential basis, revenue and retail minutes in the fourth quarter of 2006 increased 8.0% and 11.8% respectively. This was due mainly to several initiatives introduced in the second half of 2006, including revised tariffs to several countries, bundled promotions with M1's international calling and prepaid cards, as well as growth in corporate segment IDD.

HANDSET SALES

Handset sales increased 22.0% YoY to \$89.4 million, driven mainly by higher volume and marginally higher selling prices.

OPERATING EXPENSES

	2006	Year Ended 31 Dec	YoY
	S\$'m	2005 S\$'m	Change
Cost of sales	270.6	263.3	2.8%
Staff costs	88.1	90.3	-2.4%
Advertising & promotion	17.6	23.1	-23.8%
Depreciation & amortisation	112.4	120.3	-6.6%
Provision for bad & doubtful debt	18.9	20.3	-6.9%
Other general & administrative expenses	51.4	52.0	-1.2%
Total	559.0	569.2	-1.8%

Total operating expenses decreased 1.8% to \$559.0 million due to lower traffic expenses, leased circuit cost, staff cost, advertising and promotion, depreciation and doubtful debt provision. As a percentage of operating revenue, it decreased 0.8 percentage point to 72.3%.

COST OF SALES

	2006 S\$m	Year Ended 31 Dec 2005 S\$m	YoY Change
Handset cost	137.2	120.4	14.0%
Traffic expenses	31.0	37.9	-18.2%
Leased circuit cost	30.1	36.1	-16.6%
Other cost	72.3	68.9	4.9%
Total	270.6	263.3	2.8%

Cost of sales increased 2.8% YoY to \$270.6 million. Main cost drivers were handset costs and dealers' commission which is classified under "Other" cost (comprising base station facilities expenses, billing fees, licence fees and dealers' commission). These were partly offset by lower traffic expenses and leased circuit costs.

STAFF COSTS

Staff costs decreased 2.4% to \$88.1 million mainly due to temporary shortfall in headcount.

ADVERTISING & PROMOTION EXPENSES

Advertising and promotion expenses fell 23.8% to \$17.6 million mainly due to lower media spend.

DEPRECIATION & AMORTISATION

Depreciation and amortisation expense decreased 6.6% to \$112.4m as a major system, which was upgraded and still in service, was fully depreciated in 2005.

PROVISION FOR BAD & DOUBTFUL DEBT

Provision for bad and doubtful debt fell 6.9% to \$18.9 million due to higher GST bad debt relief claimed in 2006.

OTHER GENERAL & ADMINISTRATIVE EXPENSES

Other general and administrative expenses decreased 1.2% to \$51.4 million as a result of lower general expenses partially offset by higher repair & maintenance expenses.

FINANCE COSTS

Finance costs remained stable at \$10.3 million for both 2006 and 2005, as M1's debt position did not change during the year.

TAXATION

Provision for taxation increased 8.8% to \$44.4 million, as 2005 benefited from a credit adjustment. The effective tax rate for FY2006 was 21.3%, higher than the statutory 20.0% due to non-deductible expenses.

Operating and Financial Review

NET PROFIT

	2006 S\$m	Year Ended 31 Dec 2005 S\$m	YoY Change
Net profit	164.6	161.0	2.2%
Net profit margin (%) (on service revenue)	24.1	22.8	-

Consequently, net profit improved 2.2% to \$164.6 million, and margin improved to 24.1%.

EBITDA

	2006 S\$m	Year Ended 31 Dec 2005 S\$m	YoY Change
EBITDA	331.7	332.4	-0.2%
EBITDA margin (%) (on service revenue)	48.6	47.2	-

EBITDA decreased slightly by 0.2% to \$331.7 million, but margin improved to 48.6% for 2006.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure incurred for FY2006 was \$54.6 million, down from S\$62.3 million in the previous year mainly due to lower spend for the 2G network.

Capital commitment as at 31 December 2006 was minimal.

LIQUIDITY AND CAPITAL RESOURCES

	2006 S\$'m	Year Ended 31 Dec 2005 S\$'m	YoY Change
Profit before tax	209.0	201.8	3.6%
Net change in working capital	(25.9)	(98.1)	-73.9%
Other adjustments for non-cash items & interest paid/received	114.2	122.0	-6.6%
Net cash provided by operating activities	297.3	225.7	31.8%
Net cash used in investing activities	(54.4)	(63.4)	-14.2%
Net cash used in financing activities	(249.7)	(99.4)	151.2%
Net change in cash and cash equivalents	(6.8)	62.8	-110.8%
Cash and cash equivalents at beginning of financial period	175.4	112.6	55.8%
Cash and cash equivalents at end of financial period	168.6	175.4	-3.8%
Free cash flow ⁽¹⁾	242.7	163.4	48.5%

⁽¹⁾ Free cash flow refers to net cash flow from operating activities less current year capex

Operating cash flow increased 31.8% to \$297.3 million as working capital improved due to lower payment for accrued capital expenditure. Hence, free cash flow also increased 48.5% to \$242.7 million as a result of the higher operating cash flow and lower capital expenditure.

GEARING

As at end of December 2006, net debt to equity ratio was 21.3%, up from 16.1% a year ago. Interest coverage ratio (EBITDA/Interest) remained stable at 32.3x for 2006, compared to 32.4x for 2005.

Board of Directors



- 1 Lim Chee Onn
- 2 Neil Montefiore
- 3 Roger Barlow
- 4 Low Huan Ping
- 5 Hsuan Owyang
- 6 Ganen Sarvananthan
- 7 Teo Soon Hoe
- 8 Reggie Thein
- 9 Thio Su Mien
- 10 Patrick Yeoh Khwai Hoh
- 11 Yusof Annuar Yaacob



Lim Chee Onn, 62
(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; Deputy Chairman, Seoul International Business Advisory Council; Economic Advisor to Jiangsu Provincial Government, PRC; and Consultant to People's Government of Yunnan Province, PRC. He is a member of the Singapore-US Business Council and the INSEAD Singapore International Council. He is also Member, Board of Trustees of The Conference Board and Counsellor, The Conference Board's Global Advisory Council on Economic Issues.

Neil Montefiore, 54
(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 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).

Board of Directors

Roger Barlow, 57

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.

Low Huan Ping, 50

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

Previously, Mr. Low was the 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 worked at the Ministry of Defence and headed various IT departments and division units.

Hsuan Owyang, 78

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 CapitaLand 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.

Ganen Sarvananthan, 32

Mr. Ganen Sarvananthan was appointed to M1's Board of Directors on 16 November 2005. He is Executive 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.

Teo Soon Hoe, 57

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.

Reggie Thein, 65

On 8 November 2002, Mr. Thein was appointed to M1's Board of Directors. He is currently also a Director and Audit Committee Chairman 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 in England and Wales; and member of the Institute of Certified Public Accountants of Singapore.

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

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

Thio Su Mien, 68

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.

Patrick Yeoh Khwai Hoh, 68

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.

Yusof Annuar Yaacob, 41

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 various Boards within the TM Group. He is also a 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.

Arthur Seet Keong Hoe, 60
(Resigned on 30 November 2006)

Mr. Seet was appointed to M1's Board of Directors on 16 January 1998. Mr. Seet was 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 Fellow of the Chartered Association of Certified Accountants and member of the Institute of Certified Public Accountants of Singapore.

Senior Management



Neil Montefiore
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 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).



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.



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 28 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 Engineering and Technology. He holds a National Diploma in Telecommunications from Telkom College, Republic of South Africa.



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.



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 current 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.



Poopalasingam Subramaniam
Director, Enterprise & Alliances

Mr. Subramaniam joined M1 in 1999. He has over 20 years of local and regional sales and marketing experience in telecommunications, media and fast moving consumer goods. He began his career at the Telecommunications Authority of Singapore and worked at New Zealand Milk Products (S) Pte Ltd and Singapore Press Holdings before joining M1. Mr. Subramaniam holds a Bachelor of Business Administration (Honours) degree from the National University of Singapore and a Bachelor of Law (Honours) degree from University of London.

Senior Management



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 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.



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.



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.



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 Master of Science degree in Finance and Economics from the London School of Economics and Political Science, United Kingdom.



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.



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 Oversea-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).

M1 and the Community



M1 is actively involved in the community, engaging and building relations with diverse segments of Singapore society. In 2006, it continued to support a range of causes and activities, demonstrating its care, concern and commitment as a responsible corporate citizen.

Supporting the arts

The second M1 Singapore Fringe Festival was successfully staged, with local and international artistes presenting multi-disciplinary and multi-dimensional works. Helmed by The Necessary Stage, this festival is a thematic exploration of the role of the arts in society and has been very positively received.

M1 also supported the annual programme of another leading theatre group, the Singapore Repertory Theatre as well as the series of lunchtime concerts organised by Tan Tock Seng Hospital for its patients and visitors.

For its consistent support of the arts, M1 was conferred the Distinguished Patron of the Arts Award for the fifth consecutive year.



Supporting charitable causes

M1 continued to support its four “adopted” charities namely Children-at-Risk Empowerment Association (CARE), Beyond Social Services, Club Rainbow and the children’s home of the Salvation Army. Employees and business partners played a crucial role in contributing generously to fund-raising events such as a golf tournament and a carnival that were organised by M1 for the benefit of these charities.

M1 customers did their part too through several other high profile charity projects that M1 was involved in. In Project Red which is a global cause to fight AIDS in Africa, a portion of the price of every designated “red” Motorola handset sold was contributed by M1 to the cause. M1 customers could also buy donation draw tickets via their mobile phones in a fund-raising project organised by local charity MILK (Mainly, I Love Kids).

Members of M1’s employee volunteers’ group, the SunCare Club, had another very active year putting some sunshine into the lives of the children of the “adopted” charities. Together with other M1 colleagues, they showed their care and commitment by organising gifts, parties and outings to the theatre and other interesting places for the children throughout the year.



Supporting sports

Making rugby fun and accessible to our children in schools remained the focus of M1 in its sponsorship of the Singapore Rugby Union. M1 also supported Intelligent Sport for the first time with the announcement of its sponsorship of the M1 Asia Challenge in which teams from enterprises in Singapore and the region compete in a series of “brain and brawn” activities.



Investor Relations

M1 and its shareholders

M1 is committed to maintaining open communications with shareholders, analysts and interested parties. During the year, M1 released quarterly, interim and full-year results to the public within one month of period end, and all materials and presentations relating to results 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 briefings conducted jointly for analysts and the media for half and full-year results.

As at 21 February 2007, the free float[^] of M1 shares was 39.3%, most of which was held by institutional investors across Asia, UK and USA. As such, senior management's time is focused accordingly. For year 2006, M1 undertook one roadshow covering UK and USA, and participated in three investor conferences – one in Hong Kong, and two in Singapore.

Through the Investor Relations team, M1 responded to enquiries from shareholders, analysts and other interested parties. We continue to encourage shareholders to make use of M1 Investor Relations' website at (www.m1.com.sg) for corporate information and the latest updates on the Company. Apart from the usual timely release of news, presentations and financial reports, shareholders can also access an on-demand audio webcast of our most recent quarterly results' briefing and Q&A session with the investment community.

M1's Annual General Meeting (AGM), held on 28 March 2006, provided shareholders the opportunity to ask questions of the board, including the chairmen of the audit, remuneration and nominating 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 the absence of value-enhancing opportunities.

In line with this approach, M1 maintained its dividend payout ratio at 80% of net profit after tax for FY2006, and total regular dividend declared for FY2006 was 13.3 cents per share, compared to 13.1 cents per share for FY2005.

In addition, during the announcement of M1's FY2006 results on 22 January 2007, M1 proposed a 10% capital reduction exercise to return approximately S\$221.6m to shareholders, compared to a special dividend of S\$120.8m proposed during FY2005 results' announcement.

In terms of total shareholder return (comprising capital gains plus cash distributions made in the year), M1's return to shareholders for year 2006 was 13.7% on amount invested at the start of the same year, compared to 22.4% for year 2005.

FINANCIAL CALENDAR FOR 2007

Date	Event/Announcement
22 January 2007	Release of FY2006 full-year results
3 April 2007	Annual General Meeting and Extraordinary General Meeting
April/May 2007*	Payment of FY2006 final dividend (subject to shareholders' approval at AGM)
April 2007*	Release of FY2007 first-quarter results
June 2007*	Payment of capital reduction proceeds (subject to relevant approvals)
July 2007*	Release of FY2007 half-year results
September 2007*	Payment of FY2007 interim dividend (if applicable)
October 2007*	Release of FY2007 third-quarter results

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

[^] 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)

1 life. live it.



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 eleven 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 56 to 63 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 2006 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	
Low Huan Ping	N	Member		Member	
Hsuan Owyang	I	Member		Chairman	
Ganen Sarvananthan	N	Member			
Arthur Seet Keong Hoe ¹	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	N	Member			
Executive					
Neil Montefiore	N	Member			

N: Non-independent

I: Independent

¹ Mr Arthur Seet Keong Hoe resigned as a Director of the Company with effect from 30 November 2006.

Corporate Governance

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	62	Chairman & Director	01.11.1999	25.3.2004
Neil Montefiore	54	Executive Director	08.11.2002	31.3.2005
Roger Barlow	57	Director	22.05.2002	25.3.2004
Low Huan Ping	50	Director	01.09.1994	25.3.2004
Hsuan Owyang	78	Director	08.11.2002	31.3.2005
Ganen Sarvananthan	32	Director	16.11.2005	28.3.2006
Arthur Seet Keong Hoe	60	Director	16.01.1998	31.3.2005
Teo Soon Hoe	57	Director	07.05.1996	31.3.2005
Reggie Thein	65	Director	08.11.2002	28.3.2006
Thio Su Mien	68	Director	08.11.2002	28.3.2006
Patrick Yeoh Khwai Hoh	68	Director	08.11.2002	28.3.2006
Yusof Annuar Yaacob	41	Director	16.11.2005	28.3.2006

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. Under the Company's Articles of Association, the appointment and removal of the Company Secretaries have to be approved by the Directors.

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 2006	Number of Board Meetings attended
Lim Chee Onn	6	5
Neil Montefiore	6	6
Roger Barlow	6	6
Low Huan Ping	6	6
Hsuan Owyang	6	5
Ganen Sarvananthan	6	6
Arthur Seet Keong Hoe	5 ¹	3
Teo Soon Hoe	6	5
Reggie Thein	6	6
Thio Su Mien	6	5
Patrick Yeoh Khwai Hoh	6	5
Yusof Annuar Yaacob	6	4

¹ Mr Arthur Seet Keong Hoe resigned with effect from 30 November 2006.

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:

- Ensure a strong and independent element on the Board, with independent Directors making up at least one-third of the Board;
- Determine the size of the Board which facilitates effective decision making, taking into account the scope and nature of the operations of the Company;
- Determine the composition of the Board to comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge;

Corporate Governance

- (d) Implement and disclose a formal and transparent process for the appointment of new Directors to the Board;
- (e) Consider, review and recommend to the Board any new Board appointment or re-appointment, whether of executive or non-executive Directors, having regard to the Director's contribution and performance, including, if applicable, as an independent Director;
- (f) Determine annually if a Director is independent (taking into account the circumstances set out in Guideline 2.1 of the Code of Corporate Governance 2005 (the "Code") and other salient factors;
- (g) Decide if a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- (h) Decide and propose to the Board for approval and implementation a set of objective performance criteria to be applied from year to year for evaluating the performance of the Board, as well as decide and propose to the Board for approval and implementation a process by which the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board can be assessed;
- (i) Evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board in accordance with the assessment process and performance criteria referred to in (h) above; and
- (j) Other matters (if any) that the NC should consider, review or approve or in respect of which it should take any other action, as set out in the Code of Corporate Governance 2005.

The number of NC meetings held in 2006 and the attendance of each member at those meetings were as follows:

NC Member	Number of NC Meetings held in 2006	Number of NC Meetings attended
Thio Su Mien	2	2
Reggie Thein	2	2
Patrick Yeoh Khwai Hoh	2	2

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

For this purpose, the NC appointed an independent consultant to conduct the evaluation process. The evaluation of the Board as a whole and evaluation of individual Directors were based on the framework established and used in the previous year and as updated by the NC. 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
- Monitoring 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 five parameters:

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

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

4 Remuneration Committee (“RC”)

(Code of Corporate Governance Principles 7 & 8)

The RC comprises Mr 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) Recommend to the Board the specific remuneration packages for all executive and non-executive Directors and the CEO or executive of similar rank, if the CEO is not an executive Director;
- (c) Recommend to the Chairman for endorsement the remuneration of the CEO;
- (d) Review the remuneration of senior management;
- (e) Decide on long-term incentive benefits, including the Company’s Share Option Scheme and the scope of eligibility for such long-term incentive;
- (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 2005.

The number of RC meetings held in 2006 and the attendance of each member at those meetings were as follows:

RC Member	Number of RC Meetings held in 2006	Number of RC Meetings attended
Hsuan Owyang	4	4
Roger Barlow	4	4
Low Huan Ping	4	4
Teo Soon Hoe	4	2

Corporate Governance

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 2006 was as follows:

Board	Chairman Director	S\$35,000 per annum S\$25,000 per annum
Audit Committee	Chairman Director	S\$17,000 per annum S\$12,000 per annum
Nominating Committee	Chairman Director	S\$12,000 per annum S\$8,000 per annum
Remuneration Committee	Chairman Director	S\$12,000 per annum S\$8,000 per annum

The annual remuneration of Non-executive Directors for 2006 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\$33,000
Low Huan Ping	Board member, RC member	S\$33,000
Hsuan Owyang	Board member, RC chairman	S\$37,000
Ganen Sarvananthan	Board member	S\$25,000
Arthur Seet Keong Hoe ¹	Board member, AC member	S\$33,858
Teo Soon Hoe	Board member, RC member	S\$33,000
Reggie Thein	Board member, AC chairman, NC member	S\$50,000
Thio Su Mien	Board member, NC chairman, AC member	S\$49,000
Patrick Yeoh Khwai Hoh	Board member, AC member, NC member	S\$45,000
Yusof Annuar Yaacob	Board member	S\$25,000

¹ Prorated based on 334 days as Mr Arthur Seet Keong Hoe resigned as a Director of the Company with effect from 30 November 2006.

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 \$1,250,000 to \$1,500,000					
Neil Montefiore	40%	36%	8%	16%	880,000
Above \$500,000 to \$750,000					
Patrick Michael Scodeller	40%	21%	8%	31%	310,000
Above \$250,000 to \$500,000					
Karen Kooi Lee Wah	63%	24%	2%	11%	450,000
Lina Lee	65%	25%	2%	8%	165,000
Poopalasingam Subramaniam	65%	24%	3%	8%	165,000
Terence Teo Hoon Beng	66%	25%	2%	7%	165,000

In February 2006, 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 68 and 69 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, Dr Thio Su Mien and Mr Patrick Yeoh Khwai Hoh as members, all of whom, including the Chairman, are independent Directors. Mr Arthur Seet Keong Hoe ceased to be a member of the AC due to his resignation as a Director on 30 November 2006. Two of the members, including the Chairman, have accounting or related financial management expertise or experience.

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

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

Corporate Governance

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

The number of AC meetings held in 2006 and the attendance of each member at those meetings were as follows:

AC Member	Number of AC Meetings held in 2006	Number of AC Meetings attended
Reggie Thein	4	4
Arthur Seet Keong Hoe	4	4
Thio Su Mien	4	4
Patrick Yeoh Khwai Hoh	4	2

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 set up a Corporate Risk Management Team comprising senior management to oversee and apply the Company's risk management policies. The Enterprise Risk Management ("ERM") framework that has been put in place provides a systematic and integrated approach for risk management. It takes a comprehensive view of the Company's organisational risks – business, operational, financial and strategic – and incorporates solutions and tools to address and manage those risks. Risk accountability is clearly assigned across all departments / functional units. Each department / functional unit 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 risk management process is also incorporated into the Company's Annual Operating Plan (AOP) exercise to ensure that all risk considerations are addressed in our business planning and operational processes. The ERM policy and plans are communicated to staff and training conducted with the aim to foster an effective risk management culture throughout the organisation.

On the operational side, the Company has a company-wide Business Continuity Plan (BCP) and Disaster Recovery Plans (DRP) in place to address operational exigencies. These plans are subject to regular review and exercises are also conducted to ensure staff preparedness in the event of emergencies or crisis. In line with this, an Influenza Pandemic Preparedness Plan was drawn up to ensure operational continuity in case of an outbreak and to mitigate the impact on the Company's business

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

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

Corporate Governance

10 Communication with Shareholders

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

Communications with both institutional and private shareholders forms an integral part of the Group's corporate governance and commitment to transparent and comprehensive disclosure. 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 and full year results within one month 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 by the Group through the year was also made public as soon as feasible. The Company also participated in several investor conferences 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 28 March 2006. 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 regarding the Group to Directors, including the Chairman and the chairmen of the Board committees, as well as to senior management.

In addition, through the Company's 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 1207(18))

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 Listing Rule 1207(18) 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 ended 31 December 2006 by the Group were as follows:

	Aggregate Value of all transactions (excluding transactions less than S\$100,000)
	S\$'000
Transactions for the Purchase of Goods and Services^	
Celcom (Malaysia) Berhad	3,041
Telekom Malaysia Berhad	3,215
Trisilco Folec Pte Ltd #	679
Keppel Logistics Pte Ltd #	380
Keppel FMO Pte Ltd #	285
Transactions for the Sale of Goods and Services^	
Celcom (Malaysia) Berhad	2,739
Telekom Malaysia Berhad	2,086
Total	12,425

These companies have, on 21 July 2006, become "interested persons" as defined in Chapter 9 of the Listing Manual of the SGX-ST.

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

The Company does not have a shareholders' mandate pursuant to Rule 902 of the Listing Manual of the SGX-ST and is proposing the adoption of the shareholders' mandate for interested person transactions for approval by shareholders at the forthcoming Annual General Meeting of the Company to be held on 3 April 2007.

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

Particulars of Directors

(as at 31 December 2006)

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
Lim Chee Onn 62 yrs Bachelor of Science 1st class Hons, University of Glasgow Master in Public Administration, Kennedy School of Government, Harvard University Member of Wharton Society of Fellows, University of Pennsylvania Honorary Doctor of Engineering, Glasgow University	01.11.1999	Present Appointments	
		Executive Chairman	Keppel Corporation Ltd
		Chairman	Keppel Land Ltd
		Chairman & Chairman Exco	Singapore-Suzhou Township Development Pte Ltd
		Honorary Chairman	National Heritage Board (Statutory Board)
		Director	k1 Ventures Limited
		Director	Monetary Authority of Singapore
		Director	Keppel Energy Pte Ltd
		Past Appointments	
		Director	Glory Central Holdings Ltd
		Director	Kepital Holdings Pte Ltd
		Director	Keppel Harbour Redevelopment Ltd
		Director	Keppel Power Systems Pte Ltd (dissolved wef 17 Jan 2003)
		Director	Keppel Telecoms Pte Ltd
		Director	k1 eBiz Holdings Pte Ltd
		Director	NatSteel Ltd
		Director	Temasek Holdings (Pte) Ltd
		Director	Parksville Development Pte Ltd
		Present Appointments	
		Director	M1 Capital Ltd
		Director	M1 Shop Pte Ltd
		Director	Wireless Intellect Labs Pte Ltd
		Director	Stream plc
		Director	Energy Market Authority (Statutory Board)
		Director	Singapore Repertory Theatre
		Past Appointments	
		Director	DataOne (Asia) Pte Ltd
Neil Montefiore 54 yrs Bachelor of Science (Electrical & Electronic Engineering) Upper 2nd class Hons, University of Portsmouth Fellow, Institution of Electrical Engineers Fellow, Chartered Institute of Marketing (CIM)	08.11.2002	Present Appointments	
		Director	M1 Capital Ltd
		Director	M1 Shop Pte Ltd
		Director	Wireless Intellect Labs Pte Ltd
		Director	Stream plc
		Director	Energy Market Authority (Statutory Board)
		Director	Singapore Repertory Theatre
		Past Appointments	
		Director	DataOne (Asia) Pte Ltd

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 57 yrs</p> <p>Bachelor of Science (Economics), University of London</p> <p>Master of Arts, University of Essex</p>	<p>22.05.2002</p>	<p>Present Appointments</p> <p>Director Director Chairman & Director Director</p> <p>Past Appointments</p> <p>Director 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 50 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>	<p>01.09.1994</p>	<p>Present Appointments</p> <p>Director Director Director Director Director</p>	<p>SPH Multimedia Private Limited BuzzCity Pte Ltd SPH AsiaOne Ltd Zaobao.com Ltd iFast Corporation Pte Ltd</p>

Particulars of Directors

(as at 31 December 2006)

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
Hsuan Owyang 78 yrs Master of Business Administration, Harvard University	08.11.2002	Present Appointments	
		Chairman	East Asian Institute
		Chairman	N M Rothschild & Sons (Singapore) Limited
		Chairman	Ayala International Holdings Ltd
		Deputy Chairman	CapitaLand Limited
		Chairman	CapitaMall Trust Management Ltd
		Director	NM Rothschild China Holding AG
		Chairman	CapitaRetail China Trust Management Ltd
		Past Appointments	
		Chairman	CapitaLand Residential Ltd
		Chairman	Transpac Capital Pte Ltd
		Chairman	Transtech Venture Management Pte Ltd
		Chairman	Transpac Industrial Holdings Ltd
		Chairman	Urban Management Co (1987) Pte Ltd
		Chairman	Transpac Ventures I Ltd
		Chairman	Asia Venture Fund Ltd
		Director	Keppel TatLee Finance Limited
		Chairman	DBS Land Ltd
		Chairman	TLB Land Ltd (formerly Pan Malayan Holdings Ltd)
		Chairman	Transtech Capital Investments I Ltd
		Chairman	Transtech Capital Investments II Ltd
		Director	General Securities Trading Pte Ltd
		Chairman	The Institute of Policy Studies
		Director	Franke Singapore Pte Ltd
		Chairman	General Securities Investments Ltd

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
Ganen Sarvananthan 32 yrs LLB (Hons) University College London Barrister-at-law Lincoln's Inn Securities and Financial Derivatives Representative Financial Services Authority (UK)	16.11.2005	Present Appointments	
		Director	TM International Sdn Bhd
		Director	Feringghi Capital Ltd
		Director	Santubong Investments BV
		Director	SunShare Investments Ltd
		Director	Cenang Capital Ltd
		Director	Greatville Pte. Ltd.
		Director	Tanjung Aru Capital Sdn Bhd
		Director	Bisikan Bayu Investments (Mauritius) Limited
		Director	Redang Investments Ltd
		Director	Mount Kinabalu Investments Ltd
		Director	Pantai Irama Ventures Sdn Bhd (formerly known as Magna Cahaya Sdn Bhd)
		Director	Pangkor Investments (Cayman Islands) Ltd
		Director	Kuala Selangor Ventures Sdn. Bhd.
		Director	Pantai Holdings Berhad
		Director	IMU Education Sdn. Bhd.
		Director	Pintar Selalu Sdn. Bhd.
Teo Soon Hoe 57 yrs Bachelor of Business Administration, University of Singapore Member, Wharton Society of Fellows, University of Pennsylvania	07.05.1996	Present Appointments	
		Chairman	Keppel Telecommunications & Transportation Ltd
		Chairman	Keppel Philippines Holdings Inc
		Director	Keppel Corporation Limited
		Director	Keppel Offshore & Marine Ltd
		Director	Keppel Land Limited
		Director	k1 Ventures Limited
		Director	Singapore Petroleum Company Limited
		Director	Keppel Energy Pte Ltd
		Past Appointments	
		Chairman & Director	Keppel Insurance Pte Ltd
		Director	Keppel Philippines Marine, Inc
		Director	Keppel-SPH Investment Pte Ltd
		Director	Southern Bank Bhd
		Director	Steamers Kimanis Shipping Pte Ltd
		Director	Steamers Perak Shipping Pte Ltd

Particulars of Directors

(as at 31 December 2006)

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
Reggie Thein 65 yrs Fellow, Institute of Chartered Accountants in England and Wales Member, Institute of Certified Public Accountants (Singapore)	08.11.2002	Present Appointments	
		Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director & Chairman of AC Director Director Governing Council Member	BIL International Ltd FJ Benjamin Holdings Ltd Grand Banks Yachts Limited (formerly known as GB Holdings Limited) GuocoLand Ltd Haw Par Corporation Limited Keppel Telecommunications & Transportation Ltd Lindeteves - Jacoberg Ltd MFS Technology Ltd Energy Support Management Pte Ltd Ascendas Pte Ltd Singapore Institute of Directors
Thio Su Mien 68 yrs LL.M and LL.B (Hons) University of Malaya, Singapore PhD, London School of Economics and Political Science Advocate and Solicitor, Supreme Court of Singapore	08.11.2002	Past Appointments	
		Director Director Director Director	Goodwood Park Hotel Limited Central Properties Limited Hotel Malaysia Limited Pearl Energy Limited
		Present Appointments	
		Director Director Director Senior Executive Director	Econ International Limited SIA Engineering Company Limited Manulife (Singapore) Pte. Ltd. TSMP Law Corporation
		Past Appointments	
		Director Director Director	Dresdner Kleinwort Wasserstein (South East Asia) Limited (formerly known as Dresdner (South East Asia) Ltd) Dresdner Kleinwort Wasserstein (Nominees) Pte Ltd (formerly known as Dresea Nominees Pte Ltd) Seiko Instruments Singapore Pte Ltd

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
Patrick Yeoh Khwai Hoh 68 yrs Bachelor of Science (Hons) University of Malaya, Singapore	08.11.2002	Present Appointments	
		Director	Oversea-Chinese Banking Corporation Limited
		Director	Times Publishing Ltd
		Chairman	Tuan Sing Holdings Ltd
		Director	Three on the Bund Ltd
		Advisor	Nuri Holdings (S) Pte Ltd
		Advisor	The EDB Society
		Director	Accuron Technologies Pte Ltd (formerly known as Singapore Precision Industries 2000 Pte Ltd)
		Director	GITI Tire Company Ltd
		Past Appointments	
		Member	Economic Development Board (EDB)'s Entrepreneur Development Fund Loans Committee
		Director	Singapore Food Industries Ltd
		Director	Singapore Aerospace Manufacturing Pte Ltd

Particulars of Directors

(as at 31 December 2006)

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
Yusof Annuar Yaacob 41 yrs Chartered Institute of Management Accountants	16.11.2005	Present Appointments	
		Director	OCB Berhad
		Director	Celcom (Malaysia) Berhad
		Director	TM International Sdn Bhd
		Director	Indocel Holding Sdn Bhd
		Director	Telekom Management Services Sdn Bhd
		Director	TM International (L) Limited
		Director	SunShare Investments Ltd
		Director	Telekom Networks Malawi Limited
		Director	Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communication Co. Ltd)
		Director	TM International (Bangladesh) Ltd
		Director	Dialog Telekom Limited
		Director	Societe Des Telecommunications De Guinea (Sotelgui s.a)
		Director	Dialog Broadband Networks (Private) Limited (formerly known as MTT Network (Private) Limited)
		Director	Mobile Telecommunication Company of Esfahan
		Director	TM India Ltd (formerly known as Distacom Communications (India) Limited)
		Director	Spice Communications Limited
		Director	Multinet Pakistan (Private) Limited
		Director	PT Excelcomindo Pratama Tbk.
		Director	Asset Media (Private) Limited
		Director	Tess International Limited
		Director	Communique Broadband Networks (Private) Limited
		Director	CBN Sat (Private) Limited
		Director	TM Mauritius Ltd
		Director	Samart Communications Corporation Company Limited
		Director	Samart I-Mobile Public Company Limited
		Past Appointments	
		Director	General Soil Engineering Holdings Berhad
		Director	Can-One Berhad
		Director	KFC Holdings (Malaysia) Berhad
		Director	Kumpulan O'Connor's (Malaysia) Sdn Bhd
		Director	Ibufood Corporation Sdn Bhd
		Director	Ajcan Sdn Bhd
		Director	Aik Joo Can Factory Sdn Bhd
		Director	Canzo Sdn Bhd
		Director	Agrow Builders Sdn Bhd
		Director	Telekom Malaysia (USA) Inc
		Director	Telekom Malaysia (UK) Limited
		Director	Telekom Malaysia (S) Pte Ltd
		Director	Telekom Malaysia (Hong Kong) Limited

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
Arthur Seet Keong Hoe 60 yrs (Resigned on 30 Nov 06) Member, Institute of Certified Public Accountants (Singapore)	16.01.1998	Present Appointments (As at 30 November 2006)	
		Director	Lianhe Investments Pte Ltd
		Director	Vickers Ballas Philippines Fund Ltd
		Director	Times Properties Pte Ltd
		Director	M1 Shop Pte Ltd
		Director	M1 Capital Pte Ltd
		Chairman	SPH UnionWorks Pte Ltd
		Director	TP Ventures Pte Ltd
		Chairman	SPH Magazines Private Limited
		Director	Blu Inc Holdings (S) Pte Ltd (being wound up)
		Director	Blu Inc Media Pte Ltd
		Director	Blu Inc Singapore Pte Ltd
		Director	Magazines Incorporated Pte Ltd
		Director	SPH MultiMedia Pte Ltd
		Director	Magazine World Sdn Bhd
		Director	Blu Inc Media Sdn Bhd
		Director	MI Publishing Sdn Bhd
		Director	Blu Inc Holdings Malaysia Sdn Bhd (formerly known as Paramount Title Sdn Bhd)
		Director	Asia Magazines Ltd
		Director	GMM Times Company Limited
		Director	Traffic Corner Publishing Company Limited
		Director	MI Publishing (HK) Co Ltd
		Past Appointments	
		Director	SPH Data Services Pte Ltd
		Director	Orchard 290 Ltd
		Director	StarEastWorks Management Ltd
		Director	StarEastWorks Ltd
		Director	Blu Inc Ventures Pte Ltd
		Director	Blu Inc Publishing (S) Pte Ltd
		Director	Blu Inc Overseas Pte Ltd
		Director	The Peak Magazine Pte Ltd
		Director	Media Incorporated Pte Ltd
		Director	Media Investments Pte Ltd
		Director	MI Productions Pte Ltd
		Director	SPH Magazines (HK) Limited
		Director	Berita Publishing Sdn Bhd

Particulars of Senior Management

(as at 31 December 2006)

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	Wireless Intellect Labs Pte Ltd	None
Lina Lee	None	None
Terence Teo Hoon Beng	None	None
Chin Ming Lek	Keppel Credit Union Co-operative Ltd	None
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

66	Directors' Report
72	Statement by Directors
73	Independent Auditors' Report to the Members of Mobileone Ltd
74	Consolidated Profit and Loss Statement
75	Balance Sheets
76	Statements of Changes in Shareholders' Equity
80	Consolidated Cash Flows Statement
81	Notes to the Financial Statements

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of MobileOne Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2006 and the balance sheet and statement of changes in equity of the Company as at 31 December 2006.

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 Barlow	
Low Huan Ping	
Hsuan Owyang	
Ganen Sarvananthan	
Teo Soon Hoe	
Reggie Thein	
Thio Su Mien	
Yusof Annuar bin Yaacob	
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.

Directors' Report

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:

Name of director	Ordinary shares Held in the name of directors		
	At beginning of financial year	At end of financial year	As at 21 January 2007
MobileOne Ltd			
Lim Chee Onn	46,500	46,500	46,500
Neil Montefiore	1,546,400	3,286,400	3,286,400
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

Name of director	Options to subscribe for ordinary shares Held in the name of directors		
	At beginning of financial year	At end of financial year	As at 21 January 2007
MobileOne Ltd			
Neil Montefiore	3,100,000	2,240,000	2,240,000

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.

Directors' Report

4. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or has become entitled to receive a benefit 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.

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 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.

Directors' Report

5. SHARE OPTIONS (continued)

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

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

Date of Grant	Balance as at 1 January 2006 or Date of Grant	Exercised	Cancelled	Balance as at 31 December 2006	Subscription Price
9 November 2002	3,585,500	(3,257,500)	-	328,000	S\$1.25
4 February 2004	4,869,000	(1,986,000)	(108,000)	2,775,000	S\$1.50
3 February 2005	7,010,000	(876,000)	(217,000)	5,917,000	S\$1.81
2 February 2006	6,850,000	-	(240,000)	6,610,000	S\$2.21
	22,314,500	(6,119,500)	(565,000)	15,630,000	

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	880,000	5,780,000	(3,540,000)	2,240,000	S\$1.25 – S\$2.21

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 and no options have been granted to the controlling shareholders of the Company and their associates.

Directors' Report

6. AUDIT COMMITTEE

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

- Review with external auditors the audit plan, their evaluation of the systems of internal controls, their annual reports and their management letters and management's response;
- Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- Review the assistance given by management to external auditors;
- Review the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services performed by external auditors;
- Examine the scope of internal audit procedures and the results of the internal audit;
- Review the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and system established by Management (collectively "internal controls"), and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditors;
- Meet with the external and internal auditors without the presence of management at least annually;
- Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- Review interested persons transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- Make recommendation to the Board on the appointment/re-appointment/removal of external auditors, and approve the audit fees and terms of engagement of external auditors;
- Obtain regular updates from management on key enterprise wide risks faced by the Company, so as to enable the AC to clearly define its oversight responsibilities and review the process available to manage these risks; and
- Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The AC convened four meetings during the year with full attendance from all members, except for two where a member was absent.

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

Directors' Report

7. AUDITORS

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

On behalf of the board of directors



Lim Chee Onn
Chairman



Neil Montefiore
Chief Executive Officer

Singapore
1 February 2007

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 2006, 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.



Lim Chee Onn
Chairman



Neil Montefiore
Chief Executive Officer

Singapore
1 February 2007

Independent 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 74 to 111 which comprise the balance sheets of the Group and Company as at 31 December 2006, the statements of changes in shareholders' equity of the Group and the Company, the profit and loss statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the 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 2006, 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 2007

Consolidated Profit and Loss Statement

for the Financial Year Ended 31 December 2006

	Notes	2006 S\$'000	2005 S\$'000
Operating revenue	3	773,024	778,226
Operating expenses	4	(559,038)	(569,232)
Other revenue	5	5,295	3,105
Finance costs	6	(10,263)	(10,261)
Profit before tax		209,018	201,838
Taxation	7	(44,442)	(40,804)
Net profit for the year		164,576	161,034
Earnings per share (cents)	8		
Basic		16.6	16.4
Diluted		16.6	16.3
EBITDA	9	331,700	332,415

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

Balance Sheets

as at 31 December 2006

	Notes	Group		Company	
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Non-current assets:					
Fixed assets	10	690,934	743,070	688,755	741,753
Licences and spectrum rights	11	88,628	94,465	88,628	94,465
Staff loans	12	665	624	665	624
Interests in subsidiaries	13	-	-	3,585	3,585
		780,227	838,159	781,633	840,427
Current assets:					
Inventories	15	5,564	5,814	256	278
Trade debtors	16	81,956	81,470	80,929	81,371
Other debtors	17	19,384	20,125	11,063	18,119
Due from related parties	18	306	11	1,467	356
Cash and cash equivalents	19	168,632	175,436	168,005	174,946
		275,842	282,856	261,720	275,070
Current liabilities:					
Creditors	20	(200,836)	(227,701)	(180,572)	(207,730)
Due to related parties	18	(3,385)	(2,339)	(9,723)	(15,136)
Borrowing	21	(250,000)	-	(250,000)	-
Derivative liability		(81)	-	(81)	-
Tax payable		(90,965)	(37,419)	(90,965)	(37,419)
		(545,267)	(267,459)	(531,341)	(260,285)
Net current (liabilities)/assets		(269,425)	15,397	(269,621)	14,785
Non-current liabilities:					
Borrowing	21	-	(250,000)	-	(250,000)
Derivative liability		-	(1,685)	-	(1,685)
Deferred tax liabilities	7	(128,834)	(137,976)	(128,637)	(137,776)
Net assets		381,968	463,895	383,375	465,751
Represented by:					
Share capital	22	211,985	196,791	211,985	196,791
Share premium		-	6,566	-	6,566
Hedging reserve	23	(81)	(1,685)	(81)	(1,685)
Share option reserve		3,446	1,822	3,446	1,822
Retained profits		166,618	260,401	168,025	262,257
Total shareholders' equity		381,968	463,895	383,375	465,751

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

Statements of Changes in Shareholders' Equity

for the Financial Year Ended 31 December 2006

	Attributable to equity holders of the Company					
	Share Capital	Share Premium	Hedging Reserve	Share Option Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2006 Group						
As at 1 Jan 06	196,791	6,566	(1,685)	1,822	260,401	463,895
Income recognised directly in equity:						
- Fair value changes on interest rate swap	-	-	1,604	-	-	1,604
Net profit	-	-	-	-	164,576	164,576
Total income recognised in equity	-	-	1,604	-	164,576	166,180
Issuance of ordinary shares on exercise of employee share options	8,037	-	-	-	-	8,037
Premium on issuance of ordinary shares on exercise of employee share options	-	591	-	-	-	591
Transfer of share premium reserve to share capital account	7,157	(7,157)	-	-	-	-
Expenses on share options	-	-	-	1,624	-	1,624
Dividends	-	-	-	-	(258,359)	(258,359)
As at 31 Dec 06	211,985	-	(81)	3,446	166,618	381,968

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

Statements of Changes in Shareholders' Equity

for the Financial Year Ended 31 December 2006

	Attributable to equity holders of the Company					
	Share Capital	Share Premium	Hedging Reserve	Share Option Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2005 Group						
As at 1 Jan 05	195,746	654	-	-	206,195	402,595
Adoption of FRS 39	-	-	(9,900)	-	-	(9,900)
Adoption of FRS 102	-	-	-	668	(668)	-
As restated	195,746	654	(9,900)	668	205,527	392,695
Income recognised directly in equity:						
- Fair value changes on interest rate swap	-	-	8,215	-	-	8,215
Net profit	-	-	-	-	161,034	161,034
Total income recognised in equity	-	-	8,215	-	161,034	169,249
Issuance of ordinary shares on exercise of employee share options	1,045	-	-	-	-	1,045
Premium on issuance of ordinary shares on exercise of employee share options	-	5,721	-	-	-	5,721
Exercise of employee share options	-	191	-	(191)	-	-
Expenses on share options	-	-	-	1,345	-	1,345
Dividends	-	-	-	-	(106,160)	(106,160)
As at 31 Dec 05	196,791	6,566	(1,685)	1,822	260,401	463,895

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

Statements of Changes in Shareholders' Equity

for the Financial Year Ended 31 December 2006

	Attributable to equity holders of the Company					
	Share Capital	Share Premium	Hedging Reserve	Share Option Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2006						
Company						
As at 1 Jan 06	196,791	6,566	(1,685)	1,822	262,257	465,751
Income recognised directly in equity:						
- Fair value changes on interest rate swap	-	-	1,604	-	-	1,604
Net profit	-	-	-	-	164,127	164,127
Total income recognised in equity	-	-	1,604	-	164,127	165,731
Issuance of ordinary shares on exercise of employee share options	8,037	-	-	-	-	8,037
Premium on issuance of ordinary shares on exercise of employee share options	-	591	-	-	-	591
Transfer of share premium reserve to share capital account	7,157	(7,157)	-	-	-	-
Expenses on share options	-	-	-	1,624	-	1,624
Dividends	-	-	-	-	(258,359)	(258,359)
As at 31 Dec 06	211,985	-	(81)	3,446	168,025	383,375

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

Statements of Changes in Shareholders' Equity

for the Financial Year Ended 31 December 2006

	Attributable to equity holders of the Company					
	Share Capital	Share Premium	Hedging Reserve	Share Option Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2005						
Company						
As at 1 Jan 05	195,746	654	-	-	207,806	404,206
Adoption of FRS 39	-	-	(9,900)	-	-	(9,900)
Adoption of FRS 102	-	-	-	668	(668)	-
As restated	195,746	654	(9,900)	668	207,138	394,306
Income recognised directly in equity:						
- Fair value changes on interest rate swap	-	-	8,215	-	-	8,215
Net profit	-	-	-	-	161,279	161,279
Total income recognised in equity	-	-	8,215	-	161,279	169,494
Issuance of ordinary shares on exercise of employee share options	1,045	-	-	-	-	1,045
Premium on issuance of ordinary shares on exercise of employee share options	-	5,721	-	-	-	5,721
Exercise of employee share options	-	191	-	(191)	-	-
Expenses on share options	-	-	-	1,345	-	1,345
Dividends	-	-	-	-	(106,160)	(106,160)
As at 31 Dec 05	196,791	6,566	(1,685)	1,822	262,257	465,751

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

Consolidated Cash Flows Statement

for the Financial Year Ended 31 December 2006

	Notes	2006 S\$'000	2005 S\$'000
Cash flows from operating activities:			
Profit before tax		209,018	201,838
Adjustments for:			
Depreciation of fixed assets		106,582	114,976
(Gain)/loss on disposals of fixed assets		(49)	729
Amortisation of licences/spectrum rights		5,837	5,340
Share option expenses		1,624	1,345
Interest income		(5,027)	(3,000)
Interest on bank loan		10,263	10,261
Operating cash flows before working capital changes		328,248	331,489
Changes in:			
Inventories		250	(1,493)
Trade debtors		(486)	(863)
Other debtors		535	(1,726)
Non-current staff loans		(41)	(129)
Creditors		(26,866)	(92,041)
Related parties		752	(1,873)
Cash generated from operations		302,392	233,364
Interest received		5,233	2,572
Interest paid		(10,263)	(10,263)
Payment of tax		(38)	-
Net cash flows from operating activities		297,324	225,673
Cash flows from investing activities:			
Purchase of fixed assets		(54,591)	(62,264)
Purchase of licences and spectrum rights		-	(2,164)
Proceeds from disposals of fixed assets		194	995
Net cash flows used in investing activities		(54,397)	(63,433)
Cash flows from financing activities:			
Dividends paid on ordinary shares by the Company		(258,359)	(106,160)
Proceeds from issuance of share capital on exercise of employee share options		8,628	6,767
Net cash flows used in financing activities		(249,731)	(99,393)
Net changes in cash and cash equivalents		(6,804)	62,847
Cash and cash equivalents at beginning of financial year	19	175,436	112,589
Cash and cash equivalents at end of financial year	19	168,632	175,436

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

MobileOne Ltd (the “Company”) is a public 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.

The Company has a joint venture with PLDT (SG) Retail Service Pte Ltd. The principal activity of this joint venture is provision of prepaid mobile services.

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.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 FRS and INT FRS not yet effective

The Group and Company have not applied the following relevant FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006

The Group and Company expect the adoption of the above pronouncements will have no material financial impact on their financial statements in the period of initial application, except for the amendment to FRS 1 and FRS 107 as indicated below.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *FRS and INT FRS not yet effective (continued)*

The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group will apply the amendment to FRS 1 and FRS 107 from annual period beginning 1 January 2007.

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 as 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.

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 *Joint venture*

The Company has an interest in a joint venture which is a jointly controlled operation. A joint venture is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control.

The Company recognises its interest in the joint venture using proportionate consolidation. The Company combines its share of the assets, liabilities, income and expenses of the joint venture with similar line, in its financial statements. Consistent accounting policies are applied for like transactions and events in similar circumstances. The joint venture is proportionate consolidated until the date on which the Company ceases to have joint control over the joint venture.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 *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.

2.8 *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	-	2 -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.

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.

2.9 *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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 *Financial assets*

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

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

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 2.12 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.

2.11 *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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 *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.

2.13 *Derecognition of financial assets and liabilities*

Financial assets

A loan and receivable is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in the profit and loss account.

Financial liabilities

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

2.14 *Derivative financial instruments and hedging activities*

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

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

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

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 *Derivative financial instruments and hedging activities (continued)*

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:

- 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.

- 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.

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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 *Inventories*

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

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

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

2.16 *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.

2.17 *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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 *Employee benefits (continued)*

Employee share incentive (continued)

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.

2.18 *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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 *Income tax (continued)*

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.

2.19 *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.

2.20 *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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 *Customer acquisition and retention costs*

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

2.22 *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.

2.23 *Functional and foreign currencies*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the 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.

2.24 *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.

2.25 *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

3. OPERATING REVENUE

	Group	
	2006 S\$'000	2005 S\$'000
Mobile telecommunications	568,879	582,911
International call services	114,018	121,838
Handset sales	89,421	73,299
Others	706	178
	773,024	778,226

4. OPERATING EXPENSES

	Group	
	2006 S\$'000	2005 S\$'000
Cost of sales	133,458	142,853
Cost of handsets sold	137,150	120,418
Staff costs	88,142	90,289
Advertising and promotion expenses	17,579	23,064
Depreciation and amortisation	112,419	120,316
Provision for doubtful debts	18,852	20,325
General and administrative expenses	51,438	51,967
	559,038	569,232

Total operating expenses included the following:

	Group	
	2006 S\$'000	2005 S\$'000
Non-audit fees paid to auditors of the Company	19	23
CPF contributions	8,061	8,441
Share-based payments	1,624	1,345
Directors' remuneration	1,670	1,610
Foreign exchange (gain)/loss, net	(116)	330
(Gain)/loss on disposals of fixed assets	(49)	729

Notes to the Financial Statements

4. OPERATING EXPENSES (continued)

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

	Group	
	2006 S\$'000	2005 S\$'000
Short term employee benefits	3,424	2,963
CPF contributions	81	77
Share-based payments	550	452
Total compensation paid to key executives	4,055	3,492

5. OTHER REVENUE

	Group	
	2006 S\$'000	2005 S\$'000
Interest income from banks	5,027	3,000
Others	268	105
	5,295	3,105

6. FINANCE COSTS

	Group	
	2006 S\$'000	2005 S\$'000
Interest on a syndicated bank loan	10,263	10,261

Notes to the Financial Statements

7. TAXATION

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

	Group	
	2006 S\$'000	2005 S\$'000
Current taxation	53,584	37,419
Deferred taxation	(9,142)	3,385
Income tax expense	44,442	40,804

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	
	2006 %	2005 %
Statutory rate	20.0	20.0
Adjustments for the tax effect of:		
Expenses not deductible for tax purposes	1.2	1.1
Others	0.1	(0.9)
Effective tax rate	21.3	20.2

Analysis of deferred tax liabilities:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Balance at beginning of year	137,976	134,591	137,776	134,391
Movement for the year	(9,142)	3,385	(9,139)	3,385
Balance at end of year	128,834	137,976	128,637	137,776

Deferred tax assets and liabilities

Deferred taxes at 31 December were related to the following:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Deferred tax liabilities				
Difference in depreciation	129,166	138,308	128,927	138,066
Deferred tax assets				
Provisions for unconsumed annual leave	(332)	(332)	(290)	(290)
Net deferred tax liabilities	128,834	137,976	128,637	137,776

Notes to the Financial Statements

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	
	2006 S\$'000	2005 S\$'000
Net profit attributable to shareholders for basic and diluted earnings per share (S\$'000)	164,576	161,034
Weighted average of ordinary shares on issue applicable to basic earnings per share	988,940,742	982,574,489
Effect of dilutive securities: Share options	1,488,164	2,989,310
Adjusted weighted average of ordinary shares on issue applicable to diluted earnings per share	990,428,906	985,563,799

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

EBITDA is defined as follows:

	Group	
	2006 S\$'000	2005 S\$'000
Profit before tax	209,018	201,838
Adjustments for:		
Amortisation of licences/spectrum rights	5,837	5,340
Depreciation of fixed assets	106,582	114,976
Interest on bank loan	10,263	10,261
EBITDA	331,700	332,415

Notes to the Financial Statements

10. FIXED ASSETS

Group

	Leasehold Buildings	Networks and Related Application Systems	Application Systems & Computers	Motor Vehicles	Furniture, Fitting & Equipment	Capital Work-in- progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost:							
At 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 and 1 January 2006	76,841	1,055,236	146,689	1,423	11,705	46,758	1,338,652
Additions/ (transfers upon completion)	790	77,714	8,025	442	1,433	(33,813)	54,591
Disposals	-	(6,693)	(1,071)	(524)	(60)	-	(8,348)
At 31 December 2006	77,631	1,126,257	153,643	1,341	13,078	12,945	1,384,895
Accumulated depreciation:							
At 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 and 1 January 2006	20,763	440,506	123,852	990	9,471	-	595,582
Charge for the year	3,733	89,116	12,589	185	959	-	106,582
Disposals	-	(6,693)	(1,071)	(389)	(50)	-	(8,203)
At 31 December 2006	24,496	522,929	135,370	786	10,380	-	693,961
Net carrying amount:							
At 31 December 2005	56,078	614,730	22,837	433	2,234	46,758	743,070
At 31 December 2006	53,135	603,328	18,273	555	2,698	12,945	690,934

Notes to the Financial Statements

10. FIXED ASSETS (continued)

Company

	Leasehold Buildings	Networks and Related Application Systems	Application Systems & Computers	Motor Vehicles	Furniture, Fitting & Equipment	Capital Work-in- progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost:							
At 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 and 1 January 2006	76,841	1,055,236	145,088	1,383	7,839	46,758	1,333,145
Additions/ (transfers upon completion)	790	77,714	7,903	442	105	(33,813)	53,141
Disposals	-	(6,693)	(1,046)	(524)	(25)	-	(8,288)
At 31 December 2006	77,631	1,126,257	151,945	1,301	7,919	12,945	1,377,998
Accumulated depreciation:							
At 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 and 1 January 2006	20,763	440,506	122,411	950	6,762	-	591,392
Charge for the year	3,733	89,116	12,503	185	463	-	106,000
Disposals	-	(6,693)	(1,046)	(389)	(21)	-	(8,149)
At 31 December 2006	24,496	522,929	133,868	746	7,204	-	689,243
Net carrying amount:							
At 31 December 2005	56,078	614,730	22,677	433	1,077	46,758	741,753
At 31 December 2006	53,135	603,328	18,077	555	715	12,945	688,755

Notes to the Financial Statements

11. LICENCES AND SPECTRUM RIGHTS

	Group and Company	
	2006 S\$'000	2005 S\$'000
Cost:		
Balance at beginning of financial year	100,261	98,097
Addition	-	2,164
Balance at end of financial year	100,261	100,261
Accumulated amortisation:		
Balance at beginning of financial year	5,796	456
Amortisation	5,837	5,340
Balance at end of financial year	11,633	5,796
Net carrying amount:		
At end of financial year	88,628	94,465
At beginning of financial year	94,465	97,641

12. STAFF LOANS

	Group and Company	
	2006 S\$'000	2005 S\$'000
Repayable within one year (included in Note 17)	271	210
Repayable after one year	665	624
	936	834

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% (2005: 2%) per annum.

Notes to the Financial Statements

13. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2006 are as follows:

Name of company	Date and country of incorporation	Effective interest of the Company		Cost of investment		Principal activities (place of business)
		2006 %	2005 %	2006 S\$'000	2005 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	1,560	Research and development (Singapore)
				3,585	3,585	

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.

Notes to the Financial Statements

14. JOINT VENTURE

The Group has a 50% interest in a jointly-controlled operation, PLDT (SG) Retail Service Pte Ltd which is involved in prepaid mobile service targeted at the Filipino community in Singapore.

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's and Company's interests in the jointly-controlled operation are as follows:

	Group and Company	
	2006 S\$'000	2005 S\$'000
Assets and liabilities:		
Current assets	1,123	-
Non-current assets	740	-
Total assets	1,863	-
Current liabilities	(2,602)	-
Total liabilities	(2,602)	-
Results:		
Revenue	1,309	-
Other income	37	-
Expenses	(2,085)	-
Loss for the year	(739)	-

15. INVENTORIES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
At lower of cost or net realisable value:				
Handsets	4,489	5,019	-	-
Accessories	1,075	795	256	278
	5,564	5,814	256	278

During the financial year, the Group wrote-back provision for inventory obsolescence of S\$1,000,000 (2005: Nil) which was recognised in the profit and loss statement.

Notes to the Financial Statements

16. TRADE DEBTORS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade debtors are stated after deducting provision for doubtful debts of	32,121	20,613	32,121	20,613

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 2006, an impairment loss of S\$18,852,000 (2005: S\$20,325,000) was recognised in the profit and loss statement subsequent to a debt recovery assessment performed on trade debtors as at 31 December 2006.

17. OTHER DEBTORS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Financial assets:				
Deposits	3,631	3,266	2,811	2,667
Staff loans (Note 12)	271	210	271	210
Sundry debtors	10,671	2,559	3,332	1,297
	14,573	6,035	6,414	4,174
Non-financial assets:				
Prepayments	4,811	14,090	4,649	13,945
	19,384	20,125	11,063	18,119

Notes to the Financial Statements

18. DUE FROM/(TO) RELATED PARTIES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Due from subsidiaries, trade	-	-	1,165	349
Due from other related parties	306	11	302	7
	306	11	1,467	356
Due to subsidiaries, trade	-	-	(6,424)	(12,957)
Due to other related parties	(3,385)	(2,339)	(3,299)	(2,179)
	(3,385)	(2,339)	(9,723)	(15,136)

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

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Time deposits	159,300	164,300	159,300	164,300
Cash and bank balances	9,332	11,136	8,705	10,646
	168,632	175,436	168,005	174,946

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 1.5% to 5.1% (2005: 1.4% to 4.0%) per annum.

Notes to the Financial Statements

20. CREDITORS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade creditors	63,013	55,498	49,457	45,205
Accrued operating expenses	54,918	72,419	48,351	63,053
Accrued capital expenditure	50,039	70,369	49,989	70,216
Unearned revenue	25,912	21,117	25,912	21,117
Interest payable	1,097	1,097	1,097	1,097
Directors' fees payable	399	357	399	357
Other creditors	5,458	6,844	5,367	6,685
	200,836	227,701	180,572	207,730

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

21. BORROWING

	Group and Company	
	2006 S\$'000	2005 S\$'000
Unsecured bank loan:		
Repayable within one year	250,000	-
Repayable after one year	-	250,000
	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% (2005: 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

22. SHARE CAPITAL

	Group and Company	
	2006 S\$'000	2005 S\$'000
Issued and fully-paid:		
Balance at beginning of financial year		
983,956,978 (2005: 978,728,478) ordinary shares	196,791	195,746
Issued during the financial year		
6,119,500 (2005: 5,228,500) ordinary shares for cash	8,037	1,045
on exercise of employee share options	7,157	-
Transfer of share premium reserve to share capital		
Balance at end of financial year		
990,076,478 (2005: 983,956,978) ordinary shares	211,985	196,791

In accordance with the Singapore Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have par value and the amount standing in the share premium reserve became part of the Company's share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The Company has an employee share option scheme (Note 26) under which options to subscribe for the Company's shares were granted to employees (including executive director) and non-executive directors of the Company and its subsidiaries.

23. HEDGING RESERVE

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

	Group and Company	
	2006 S\$'000	2005 S\$'000
At 1 January	(1,685)	(9,900)
Net gain on fair value changes during the year	1,008	4,079
Recognised in profit and loss statement on occurrence of hedge transactions	596	4,136
At 31 December	(81)	(1,685)

Notes to the Financial Statements

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following were significant transactions entered into by the Group and related parties who are not members of the Group at market rates during the financial year:

	Group and Company	
	2006 S\$'000	2005 S\$'000
Sales	(8,017)	(974)
Purchases	23,924	11,054
Interest income	(44)	(11)

25. COMMITMENTS

Operating lease commitments

Rental expenses (principally for land, offices, retail outlets, service centres and base stations) were S\$21,121,000 and S\$21,531,000 for the financial years ended 31 December 2006 and 2005 respectively.

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

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Within one financial year	11,093	11,402	8,190	8,936
After one financial year but not more than five financial years	15,356	12,096	12,512	11,379
More than five financial years	12,274	10,895	12,274	10,895
	38,723	34,393	32,976	31,210

Notes to the Financial Statements

26. 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 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.

Notes to the Financial Statements

26. SHARE OPTIONS (continued)

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

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

Granted on 9 November 2002:

	Balance at 1 January 2006	Exercised	Cancelled	Balance at 31 December 2006	Subscription price
Directors	1,200,000	(1,200,000)	-	-	S\$1.25
Executive officers	1,521,500*	(1,203,500)	-	318,000	S\$1.25
Other employees	864,000*	(854,000)	-	10,000	S\$1.25
Total	3,585,500	(3,257,500)	-	328,000	

Granted on 4 February 2004:

	Balance at 1 January 2006	Exercised	Cancelled	Balance at 31 December 2006	Subscription price
Directors	900,000	(540,000)	-	360,000	S\$1.50
Executive officers	1,818,000*	(597,000)	-	1,221,000	S\$1.50
Other employees	2,151,000*	(849,000)	(108,000)	1,194,000	S\$1.50
Total	4,869,000	(1,986,000)	(108,000)	2,775,000	

Granted on 3 February 2005:

	Balance at 1 January 2006	Exercised	Cancelled	Balance at 31 December 2006	Subscription price
Directors	1,000,000	-	-	1,000,000	S\$1.81
Executive officers	2,290,000*	(252,000)	-	2,038,000	S\$1.81
Other employees	3,720,000*	(624,000)	(217,000)	2,879,000	S\$1.81
Total	7,010,000	(876,000)	(217,000)	5,917,000	

Granted on 2 February 2006:

	Balance at 2 February 2006	Exercised	Cancelled	Balance at 31 December 2006	Subscription price
Directors	880,000	-	-	880,000	S\$2.21
Executive officers	2,025,000	-	-	2,025,000	S\$2.21
Other employees	3,945,000	-	(240,000)	3,705,000	S\$2.21
Total	6,850,000	-	(240,000)	6,610,000	

* Balances were restated for 'Executive Officers' and 'Other Employees'.

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.

Notes to the Financial Statements

26. SHARE OPTIONS (continued)

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	880,000	5,780,000	(3,540,000)	2,240,000	S\$1.25 – S\$2.21

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 2006 and 31 December 2005 are shown below:

Date of grant	2 Feb 2006	3 Feb 2005
Dividend Yield (%)	5.95	5.78
Expected Volatility (%)	27	28
Risk-free interest rate (%)	2.83	2.41
Expected life of option (years)	3.1	6.1
Share price (S\$)	2.18	1.85
Exercise price (S\$)	2.21	1.81

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 the actual outcome. No other features of the option were incorporated into the measurement of fair value.

27. 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.

Notes to the Financial Statements

27. FINANCIAL INSTRUMENTS (continued)

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 2006, 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 2006 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.

There is no significant concentration of credit risk with the Group or the Company.

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.

Notes to the Financial Statements

27. FINANCIAL INSTRUMENTS (continued)

Financial instruments whose carrying amount approximate fair value

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

Derivative financial instruments and hedging activities

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

	Group and Company			
	2006		2005	
	Assets S\$'000	Liabilities S\$'000	Assets S\$'000	Liabilities S\$'000
Forward currency contracts	-	(4)	-	(80)
Interest rate swap	-	(81)	-	(1,685)

i) Cash flow hedge

As at 31 December 2006, the Company has an interest rate swap, which has a contract notional amount of S\$250 million (2005: 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% (2005: 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 4.1% unsecured bank loan (Note 21). 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 loss of the swap agreement at 31 December 2006 amounts to S\$81,000 (2005: 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 2006, the Company held one forward currency contract (entered into during 2006) designated as fair value hedge of firm commitment. The terms of the contract, which have been negotiated to match the terms of the commitment are as follows:

	Maturity	Exchange rate
Buy US\$ 2.0 million	26 Jan 07	1.5372

The above fair value hedge was assessed to be highly effective and the change in fair value of the firm commitment attributable to the hedged foreign currency risk, amounting to S\$4,000 (2005: S\$80,000) is recognised as a liability at 31 December 2006 with a corresponding loss recognised in the profit and loss statement.

Notes to the Financial Statements

28. DIVIDENDS

	Group and Company	
	2006 S\$'000	2005 S\$'000
Declared and paid during the year:		
Final - the previous year		
8.1 cents (2005: 5.8 cents) per ordinary share (one-tier tax)	80,178	56,993
Special - the previous year		
12.2 cents (2005: Nil) per ordinary share (one-tier tax)	120,762	-
Interim - the current year		
5.8 cents (2005: 5.0 cents) per ordinary share (one-tier tax)	57,419	49,167
	258,359	106,160
Proposed but not recognised as a liability as at 31 December:		
Final		
7.5 cents (2005: 8.1 cents) per ordinary share (one-tier tax)	74,256	79,701
Special		
Nil (2005: 12.2 cents) per ordinary share (one-tier tax)	-	120,043
	74,256	199,744

The directors propose that a final dividend of 7.5 cents per ordinary share (one-tier tax) in respect of the financial year ended 31 December 2006 for approval by shareholders at the forthcoming Annual General Meeting of the Company.

Notes to the Financial Statements

29. EVENT AFTER BALANCE SHEET DATE

The Company is proposing a capital reduction involving the cancellation of 1 out of every 10 issued shares of the Company, in exchange for a cash payment of S\$2.22 for each share to be cancelled. An aggregate of approximately S\$221.6 million will be returned to the shareholders and approximately 99.8 million shares will be cancelled.

The proposed capital reduction is subject to the approval of the Singapore Exchange and the Company's shareholders at an Extraordinary General Meeting, as well as approval of the High Court of Singapore. Assuming all approvals are received, the cash distribution will be paid to the shareholders tentatively by the end of June 2007.

30. COMPARATIVES

Certain comparatives in the financial statement have been reclassified to conform to current year presentation.

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 1 February 2007.

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.

Statistics of Shareholdings

as at 21 February 2007

Issued and fully paid-up capital : S\$213,277,868.85
Class of shares : Ordinary shares
Voting rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3,726	52.27	3,408,258	0.34
1,000 - 10,000	2,973	41.70	10,324,542	1.04
10,001 - 1,000,000	418	5.86	20,805,534	2.10
1,000,001 and above	12	0.17	956,357,144	96.52
TOTAL	7,129	100.00	990,895,478	100.00

Statistics of Shareholdings

as at 21 February 2007

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Raffles Nominees Pte Ltd	315,670,975	31.86
2	Keppel Telecoms Pte Ltd	168,394,110	16.99
3	SPH Multimedia Pte Ltd	138,281,110	13.96
4	DBS Nominees Pte Ltd	135,748,573	13.70
5	Citibank Nominees Singapore Pte Ltd	59,479,616	6.00
6	HSBC (Singapore) Nominees Pte Ltd	58,772,951	5.93
7	DBSN Services Pte Ltd	45,236,165	4.57
8	United Overseas Bank Nominees Pte Ltd	10,981,320	1.11
9	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,908,263	1.10
10	DB Nominees (S) Pte Ltd	9,318,306	0.94
11	Thioequities Pte Ltd	1,906,500	0.19
12	Merrill Lynch (Singapore) Pte Ltd	1,659,255	0.17
13	OCBC Securities Private Ltd	795,400	0.08
14	BNP Paribas Nominees Singapore Pte Ltd	626,500	0.06
15	UOB Kay Hian Pte Ltd	603,000	0.06
16	Yang Chyan Yeow Aylwin	477,000	0.05
17	Lee Pineapple Company Pte Ltd	465,000	0.05
18	Montefiore Neil	446,400	0.05
19	Chia Kum Ho	425,000	0.04
20	CIMB-GK Securities Pte. Ltd.	422,135	0.04
TOTAL		960,617,579	96.95

Statistics of Shareholdings

as at 21 February 2007

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares			
	Direct Interest	Deemed Interest	Total Interest	%
Sunshare Investments Ltd	294,899,160	-	294,889,160	29.76
Khazanah Nasional Berhad	-	294,899,160 ⁽¹⁾	294,889,160	29.76
TM International Sdn Bhd	-	294,899,160 ⁽¹⁾	294,889,160	29.76
Telekom Malaysia Berhad	-	294,899,160 ⁽¹⁾	294,889,160	29.76
Temasek Holdings (Pte) Ltd	-	169,575,490 ⁽²⁾	169,393,490	17.11
Keppel Telecoms Pte Ltd	168,394,110	-	168,394,110	16.99
Keppel Communications Pte Ltd	-	168,394,110 ⁽³⁾	168,394,110	16.99
DataOne (Asia) Pte Ltd	-	168,394,110 ⁽³⁾	168,394,110	16.99
Keppel Telecommunications & Transportation Ltd	-	168,394,110 ⁽³⁾	168,394,110	16.99
Keppel Corporation Limited	-	168,394,110 ⁽³⁾	168,394,110	16.99
SPH Multimedia Private Limited	138,281,110	-	138,281,110	13.96
Singapore Press Holdings Limited	-	138,281,110 ⁽⁴⁾	138,281,110	13.96

Notes:

- (1) Each of Khazanah Nasional Berhad, TM International Sdn Bhd and Telekom Malaysia Berhad are deemed to be interested in the 294,899,160 Shares held by SunShare Investments Ltd pursuant to Section 7 of the Companies Act.
- (2) Temasek Holdings (Pte) Ltd is deemed to be interested in the 169,575,490 Shares held by Keppel Corporation Limited and DBS Group Holdings Ltd pursuant to Section 7 of the Companies Act.
- (3) Keppel Communications Pte Ltd, DataOne (Asia) Pte Ltd, Keppel Telecommunications & Transportation Ltd and Keppel Corporation Limited are deemed to be interested in the 168,394,110 Shares held by Keppel Telecoms Pte Ltd pursuant to Section 7 of the Companies Act.
- (4) Singapore Press Holdings Limited is deemed to be interested in 138,281,110 Shares held by SPH Multimedia Private Limited pursuant to Section 7 of the Companies Act.

FREE FLOAT

Approximately 39.29% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

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

Corporate Information

Board of Directors

Lim Chee Onn, Chairman
Neil Montefiore, CEO
Roger Barlow
Low Huan Ping
Hsuan Owyang
Ganesh 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
Karen Teo

Registered Address

10 International Business Park
Singapore 609928
Telephone : +65 6895 1111
Facsimile : +65 6899 3929

Registrar

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483
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 2006) : Tan Wee Khim

Principal Bankers

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

* Mr Arthur Seet Keong Hoe resigned as a Director of the Company with effect from 30 November 2006

** Mr Arthur Seet Keong Hoe ceased to be a member of the Audit Committee on 30 November 2006

MobileOne Ltd

10 International Business Park
Singapore 609928
www.m1.com.sg
Reg No.: 199206031W